

# ANNUAL REPORT

2019 | 2020



**MICTSETA** |

Media, Information And  
Communication Technologies  
Sector Education And Training Authority

SHAPING SKILLS, PIONEERING INDUSTRIES, EMPOWERING FUTURES



SHAPING SKILLS, PIONEERING INDUSTRIES,  
EMPOWERING FUTURES



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**DR BLADE NZIMANDE**  
Minister of Higher Education,  
Science and Technology



# INTRODUCTION

## SUBMISSION

### of the Annual Report to the Executive Authority

It is my privilege and pleasure to present to you the Annual Report of the Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) for the period 01 April 2019 to 31 March 2020 in accordance with the Public Finance Management Act, 1 of 1999.

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

Yours faithfully

**MR SIMPHIWE THOBELA**  
Chairperson of the Board





# PART A



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# 1. MICT SETA's General Information

## About Us

### REGISTERED NAME:

Media, Information and Communication Technologies  
Sector Education and Training Authority

### REGISTRATION NUMBER:

SETA Number 12

### PHYSICAL ADDRESS:

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

### POSTAL ADDRESS:

PO Box 5585 Halfway House 1685

### TELEPHONE NUMBER:

+27 11 207 2600/3

### FAX NUMBER:

+27 11 805 6833

### EMAIL ADDRESS:

info@mict.org.za

### WEBSITE ADDRESS:

www.mict.org.za

### EXTERNAL AUDITORS:

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

### BANKERS:

#### Investec

100 Grayston Drive, Sandown, Sandton 2196

#### South African Reserve Bank of SA (CPD)

PO Box 427 Pretoria 0001

#### First National Bank:

Carlsward, Postnet Suite 94

Private Bag X121 Halfway House 1685

#### First National Bank

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

### BOARD SECRETARY:

Ms. Ayanda Manqele



## 2. List of Abbreviations/ Acronyms

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

### 3. Foreword by the Chairperson

**“The 4IR gateway is our ticket to ensuring the future of generations to come is secured.”**

*– Simphiwe Thobela*

**SIMPHIWE THOBELA**  
BOARD CHAIRPERSON



#### Introduction

I would like to take this opportunity to record a special note of appreciation to the immediate past Chairperson of MICT SETA, Mr Sihle Ngubane, and his team of Accounting Authority Members who have contributed immensely in the implementation of the annual performance presented.

It gives me great pleasure to present the MICT SETA Annual Report for the 2019/2020 financial year on behalf of the new Accounting Authority appointed on 01 April 2020. It is therefore the responsibility of this new leadership to close-out work of the previous Accounting Authority whose term ended on 31 March 2020.

Secondly, I would like to extend a message of appreciation and support given by the Department of Higher Education, Science and Technology to the Accounting Authority as well as to the MICT SETA staff.

The 2019/2020 financial year presented challenges and opportunities for MICT SETA. It was also the SETA's first year to report on learning programmes on the SETMIS system as the SETA has been reporting manually in the previous years. This necessitated the strengthening of internal controls and oversight role by the Accounting Authority in ensuring credibility of our quarterly reports submitted to the Department, amongst others.

#### Overview of the Strategy and Performance of MICT Sector

The world of work is constantly changing due to technology and changes in the external environment. One of the changes relates to the recent COVID-19 pandemic, which resulted in MICT SETA revising the Annual Performance Plan for 2020/2021. This was done to take into account these new developments and to further address some of the economic challenges faced by the country and the skills gap articulated in the National Skills Development Plan.

In the period under review, thirty-four (34) key performance indicators were successfully achieved from the forty-one (41), resulting in seven (7) indicators not achieved. The 4IR unit was established to accelerate skills development and to address changes in the world of work. The digital divide remains a challenge; that is why in this period under review, greater focus was made on the implementation of the rural strategy that saw MICT SETA programmes implemented in rural areas.

## Strategic Relationships

In the period under review, new partnerships were established and old partnerships continued with national governmental departments as well as international organisations in the main:

- Department of Employment and Labour - UIF Programme;
- Department of Monitoring and Evaluation – internship programme and
- Department of Telecommunications and Postal Services 4IR programme.

Strategic relations were enhanced with TVET colleges and Universities as follows:

- Buffalo City College - TVET placement;
- South West College - Skills programme;
- South Cape College – Learnership;
- North Cliff College - TVET placement;
- Coastal College – Learnership;
- Umfolozi – Learnership;
- Tshwane University of Technology – Bursary;
- Vaal University of Technology – Bursary;
- University of Johannesburg - Short Programme; and
- University of the Witwatersrand - Short Programme.

## Challenges faced by the Board

Although the entity has progressed in filling senior manager positions in the current year, not all senior management positions could be filled, which presented a challenge for the entity to meet all its objectives.

The case between Business Unity South Africa and the Department of Higher Education and Training has an impact on the SETA, even though the case is not directly with the SETA, as it has created uncertainty in the mandatory grants that will be paid going forward. The SETA awaits communication from the Department on the way forward.

## The Year Ahead

Despite the fact that there was a four months skills development levy holiday whereby employers were exempt from paying levies to the SETA, the Board is committed to ensure that the goals of the entity are met and will continue to strengthen the governance of the entity.

The COVID-19 pandemic has necessitated that the entity fast tracks its 4IR strategy implementation to ensure that the entity can respond to the ever-changing landscape. The year ahead will see the board having a proactive role in 4IR and continue to advance the skills development within the context of the National Skills Development Plan (NSDP).

## Acknowledgements and Conclusion

A special acknowledgement and a word of appreciation to the outgoing Board. Thank you for steering the MICT SETA ship towards the right direction with the fantastic work that you have done. The new Accounting Authority which started on 01 April 2020 will carry the baton forward and ensure that the work that has been done within the entity continues, and skills are developed throughout the country as per the mandate given by the DHET.

Many thanks,



**MR SIMPHIWE THOBELA**

Chairperson of the Board

23 October 2020

## 4. Chief Executive Officer's Overview

**“Good governance is key to building a sustainable and resilient MICT SETA.”**

*– Mdu Zakwe*

**MDU ZAKWE**  
CHIEF EXECUTIVE OFFICER



### Introduction

The MICT SETA achieved notable success in the year under review. A key factor to this success is the sound and good governance that has enabled the implementation of our mandate whilst building a resilient and sustainable organisation. Significant improvements in the internal controls of the organisation contributed to the organisation achieving an unqualified audit opinion.

It is noteworthy to mention the significant strides that have been made by MICT SETA during the financial year under review, namely:

- The application for accreditation of the 4IR qualifications with the Quality Council for Trades and Occupations (QCTO), and subsequent approval of the 10 qualifications applied for.
- The implementation of the first phase of the UIF Training Programme for 3 249 beneficiaries.
- The implementation of the Work Integrated Learning with the Chinese Culture and International Educational Exchange Centre, whereby 268 TVET students were placed.
- The MICT SETA participation in the World Skills Competition in Kazan, Russia.

During the financial year, the MICT SETA held a number of engagement sessions with various stakeholders to improve support provision and service offering. As part of our internal business improvement, an enterprise resource planning (ERP) system was acquired and is being implemented in a phased approach to ensure that the entity improves on its efficiency and effectiveness.

## Organisational Performance

In the period under review, the MICT SETA measured its performance against forty-one (41) key performance indicators. When analysing performance against the 41 key performance indicators, a performance level of 83% (34 out of 41) was achieved in the period under review. In comparison with the previous financial year, our performance has slightly stagnated, as we recorded a performance level of 85% (35 out of 41) of key performance indicators achieved in the prior year. The reasons for stagnation of performance was mainly occasioned by the management of the over-commitment from the previous year to ensure that it is reduced. These measures have resulted in a 96% reduction in the over-commitment for the entity.

Although we have made significant strides in filling in key positions; with the inclusion of the in-sourcing of the finance function, we were not able to fill all senior positions during the year. In addition, the novel corona virus pandemic that resulted in the national lockdown in March 2020 has presented challenges in the achievement of certain key performance indicators that would have ordinarily been achieved.

In the 2019/2020 financial year, 7 targets were thus not achieved due to a combination of the above-mentioned contributing factors.

## Financial Overview and Spending Trends

### *Statement of Financial Performance*

#### *Revenue*

The entity received R956 million in skills development levies income compared to R880 million in the previous

year. The 8.6% increase from the previous year is attributed to growth in salaries within the sector, as well as an increase in the number of employers registered with the MICT SETA.

#### *Expenditure*

We paid mandatory grants of R175 million, which is a 4.9% increase from R166 million paid in the previous year. The pay-out ratio for the current year is 74.8% as opposed to 77.2% in the prior year.

The amount spent on discretionary grants expenditure during the year was R749 million, which is a 33.8% increase compared to the prior year. The increase is mainly due to over-commitments from prior year contracts, in which the claims on these service level agreements were submitted and paid in the current year as they were still in implementation during the current year.

Expenditure on administration was R96 million, which is an increase of 3.7% compared to the previous year. The organisation has operated well within the limit on administration expenditure of 10.5% as required by legislation.

#### *Irregular Expenditure*

The audited financial statements reflect an irregular expenditure amount of R152 million, of which R23 million is as a result of non-compliance with the PFMA and Treasury Regulations; while R129 million of the irregular expenditure relates to spending in excess of the approved budget in the prior years; which amount includes R55 million arising from the current year. The R20 million of the irregular expenditure from non-compliance with the PFMA relates to the former CEO, and stems from an investigation by the Public Protector whose recommendations we have since implemented.

R 2,4 million of the irregular expenditure relates to amounts incurred in prior years, however only confirmed in the current year. All in all, irregular expenditure incurred by the SETA relating to supply chain management in the current financial year amounts to R159 000 which is a decrease of 98,9% from R15 million expenditure incurred in the prior year. The irregular expenditure relating to

non-compliance with regulations was investigated, and appropriate consequence management has been instituted against the officials who caused the irregular expenditure. Various process reforms in supply chain management have been implemented to avoid recurrences of irregular expenditure.

## Commitment Register

The entity has over-committed on its discretionary grants commitments by R12.9 million at the end of the financial year. This amount is a 96% reduction from the over-commitment of R324 million in the previous year due to the controls that have been strengthened during the financial year. Root causes for over-commitments continue to be actively identified, monitored, and corrective measures put in place to ensure that the organisation does not commit beyond its funding threshold in the foreseeable future.

It is worthwhile to note that whilst the calculations of surpluses/deficit has been amended by the National Treasury, starting from the 2019/2020 financial year as presented on page 117 to 118 of the annual financial statements, the entity will continue to monitor the resulting net surpluses/deficit to manage commitments against reserves.

## Capacity Constraints and Challenges

Various challenges were experienced in the year under review; to name a few: The Department of Higher Education (DHET) moratorium on recruitment and appointment of Senior Managers, resulting in critical positions such as the Chief Information Officer and Senior Manager: Learning Programmes, not being filled during the year under review. The capacitation of senior vacant positions therefore remained a challenge in the period under review. These positions have however been recently filled post year end. The position of Chief Information Officer will largely assist with IT reforms within the entity. We are looking forward to filling the remaining senior management vacancies during the new financial year and ensure that our objectives are met.

We strive to attract and retain employees with the appropriate skills. Continuous up-skilling, coaching, and mentoring of our employees; as well as keeping up with the constant flow of new practice notes and circulars is our key focus, and now that we have “gotten the basics right”, we are looking forward to building on this foundation upon which the entity will thrive.

## Audit Reporting Matters

Our audit outcome of an unqualified opinion is welcomed despite matters emphasising controls that were not optimal, particularly on supply chain management processes, budget management and general compliance with laws and regulations. There were misstatements on the annual financial statements and performance information mainly due to various system changes during the year, and these have been accordingly rectified with the support of our assurance providers.

We continue to proactively analyse the root causes of the breakdown of internal controls; and based on our analysis and investigations, measures have been put in place to improve the internal control environment, including consequence management on any transgressions in accordance with the Irregular Expenditure Framework. Accountability and ownership is emphasised to every staff member to ensure that every individual is actively working towards fixing the internal control environment.

## Post Balance Sheet Events

The President of the Republic of South Africa announced a four months relief to employers in respect of the payment of Skills Development Levy effective from 1 May 2020. This was in response to the risk posed by the National shut down that took effect on 26 March 2020 as a result of the Global Covid-19 pandemic which caused the government to declare a National State of Disaster.

This has posed a going concern risk to the organisation; however MICT SETA has adequate reserves to respond to this risk. The SETA has also reduced its annual performance plan targets for 2020/2021 to ensure that the targets and forecasts are reflective of the conditions of the economy.

The estimated financial effect is a loss of R 435 million in skills development levy revenue in the 2020/2021 financial year. For all matters after reporting date please refer to the annual financial statements, page 126.

## Economic Viability

The MICT SETA remains economically viable even though there is room for improvement in terms of broadening the levy income base. The backing of the UIF funding will also bolster our intent to deliver more learner opportunities and thereby improve the skills base of the country.

There are no policy reforms that need to be undertaken since financial viability is not at risk.

## Impact of 4IR on our Programmes

Significant strides have been made by MICT SETA with respect to 4IR programmes. We have applied for accreditation of 4IR qualifications development with the QCTO. In total, (10) 4IR qualifications have been approved by the QCTO, and are to be developed by MICT SETA in the new financial year in the areas of artificial intelligence; cyber security; cloud computing; data science; software development; internet of things; robotic process automation; design thinking; quality engineering automation; and e-waste. MICT SETA has thus established 4IR research chairs at public universities to fund Masters and PhD students.

## Request for Roll Over of Funds

MICT SETA had a cash surplus of R 302 million at the end of 2019/2020 financial year. The entity has requested for roll over into the 2020/2021 financial year for discretionary projects in which we have already committed and therefore are legally obliged to fulfil these commitments.

## Concluded Unsolicited Bid Proposals

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

## Discontinued Activities / Activities to be Discontinued

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

## Supply Chain Management

The SETA supply chain management system consists of six core processes: Demand, Acquisition, Logistics, Disposal, Risk Management; as well as effective Contract performance evaluation and monitoring. The MICT SETA supply chain management systems and processes are in place. The implementation of the ERP system will further assist in the enhancement of our systems and controls.

The division would however require further capacitation of the workforce in terms of additional experienced and qualified resources within contracts management and strategic sourcing; allowing for tightened controls within supply chain management. This is due for implementation in the next financial year through the necessary governance processes.

## Appreciation

I would like to extend my sincere gratitude to the Board of MICT SETA (previous and current). The Board, in its oversight role, has been a pillar of strength and guidance in the execution of our mandate. I would also like to acknowledge our Stakeholders, and the Ministry - thank you for the valuable contributions you have made and are continuously making in the skills journey.

Finally, to the MICT SETA management team and employees, your immense contribution in the implementation of the annual performance plan and strategy is recognised and appreciated.

I am looking forward to the year ahead as leading game changers.

Thank you



**MR MDU ZAKWE**

Chief Executive Officer: MICT SETA

23 October 2020



# 5. Statement of Responsibility and Confirmation of Accuracy

of the Annual Report for the year ended 31 March 2020

## **TO THE BEST OF OUR KNOWLEDGE AND BELIEF, WE CONFIRM THE FOLLOWING:**

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General
- The Annual Report is complete, accurate and is free of any omissions
- The Annual Report has been prepared in accordance with the guidelines as issued by the 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 is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information; establishing and implementing a system of internal controls designed to provide reasonable assurance of 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, governance, the human resources information, and the financial affairs of the organisation for the financial year ended 31 March 2020



**MR SIMPHIWE THOBELA**

Chairperson of the Board

23 October 2020



**MR MDU ZAKWE**

Chief Executive Officer

23 October 2020

# 6. Strategic Overview

## Our Mission

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

**MISSION**

## Our Vision

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

**VISION**

**VALUES**

## Our Values

- Honesty
- Excellence
- Integrity
- Meritocracy
- Accountability
- Customer Centricity

# 7. Legislative and other Mandates

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

## 7.1 Constitutional Mandates

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

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

## 7.2 Legislative Mandates

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

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

- Public Finance Management Act (PFMA) (Act No. 29 of 1999)
- Employment Equity Act (EE), 1998 (Act No. 55, 1998).

## 7.3 Other Legislative Frameworks include:

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

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

## 7.4 Policy Mandates

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

- Implement the Sector Skills Plan.
- Promote learnerships in each of the sub-sectors of the SETA.
- Perform the functions of an Education and Training Quality Assurance Body.
- Liaise with the National Skills Authority on skills development matters.
- Conclude a Service Level Agreement with the Director-General of the Department of Higher Education and Training in terms of section 10A of the Skills Development Act, No. 97 of 1998.
- Promote the national standard established in terms of section 30B of the Skills Development Act, No. 97 of 1998.
- Submit budgets, reports and financial information that are required in terms of the Public Finance Management Act, No. 1 of 1999 to the Director-General of the Department of Higher Education and Training.
- Facilitate the involvement of relevant government departments in the activities of the SETA to:
  - address the competency requirements for social delivery;

- address the learning needs of the most vulnerable segments of the Sector;
- promote training in SMMEs to enable them to qualify for public contracts and
- perform any duties imposed by the Act and to actively pursue concrete measures to achieve the objectives of the Act.

## 7.5 Relevant Court Rulings

The Minister of Higher Education and Training vs Business Unity South Africa: SETA Grant Regulations 3 December 2012 as repromulgated: Mandatory Grants

Regulation 4(4) of the 2012 Grant Regulations, as promulgated in 2012, reduced the mandatory grant that an employer could claim from 50% to 20% of the total levies paid. The manner in which the Regulations were promulgated led to litigation by Business Unity South Africa (BUSA), wherein a ruling was ultimately made by the Labour Appeal Court in October 2019, the effect of which Regulation 4(4) was set aside.

# 8. Executive Authority



**DR BLADE NZIMANDE**  
Minister of Higher Education,  
Science and Technology



**MR BUTI MANAMELA**  
Deputy Minister of Higher Education,  
Science and Technology

## DHET Legislative Mandate

- The Higher Education Act provides for a unified and nationally planned system of higher education and for the statutory Council on Higher Education (CHE) (link [www.che.org.za](http://www.che.org.za)).
- The National Student Financial Aid Scheme (NSFAS Act) provides for the granting of loans and bursaries to eligible students at universities as well as for the administration of such loans and bursaries.
- The Further Education and Training Act (AET Act) provides for the establishment of public and private adult learning centres.
- The Further Education and Training Act (FET Act) provides for the governance and funding of FET Colleges and matters related in providing an FET college education.
- The Continuing Education and Training Act, 2006, (Act No 16 of 2006 (SET Act, 2006).
- The National Qualification Framework Act (NQF Act) provides for the management of the NQF via level dispensations and related matters, as well as for qualifications and quality assurance of qualification required on the sub-frameworks of the NQF.
- The Skills Development Levies Act provides for the imposition of skills development levies and matters related thereto.
- The Skills Development Act provides for the creation of a National Skills Agency, establishment of the Quality Council for Trades and Occupations and regulation of apprenticeships and learnerships and matters related to skills development.



# 9. Accounting Authority

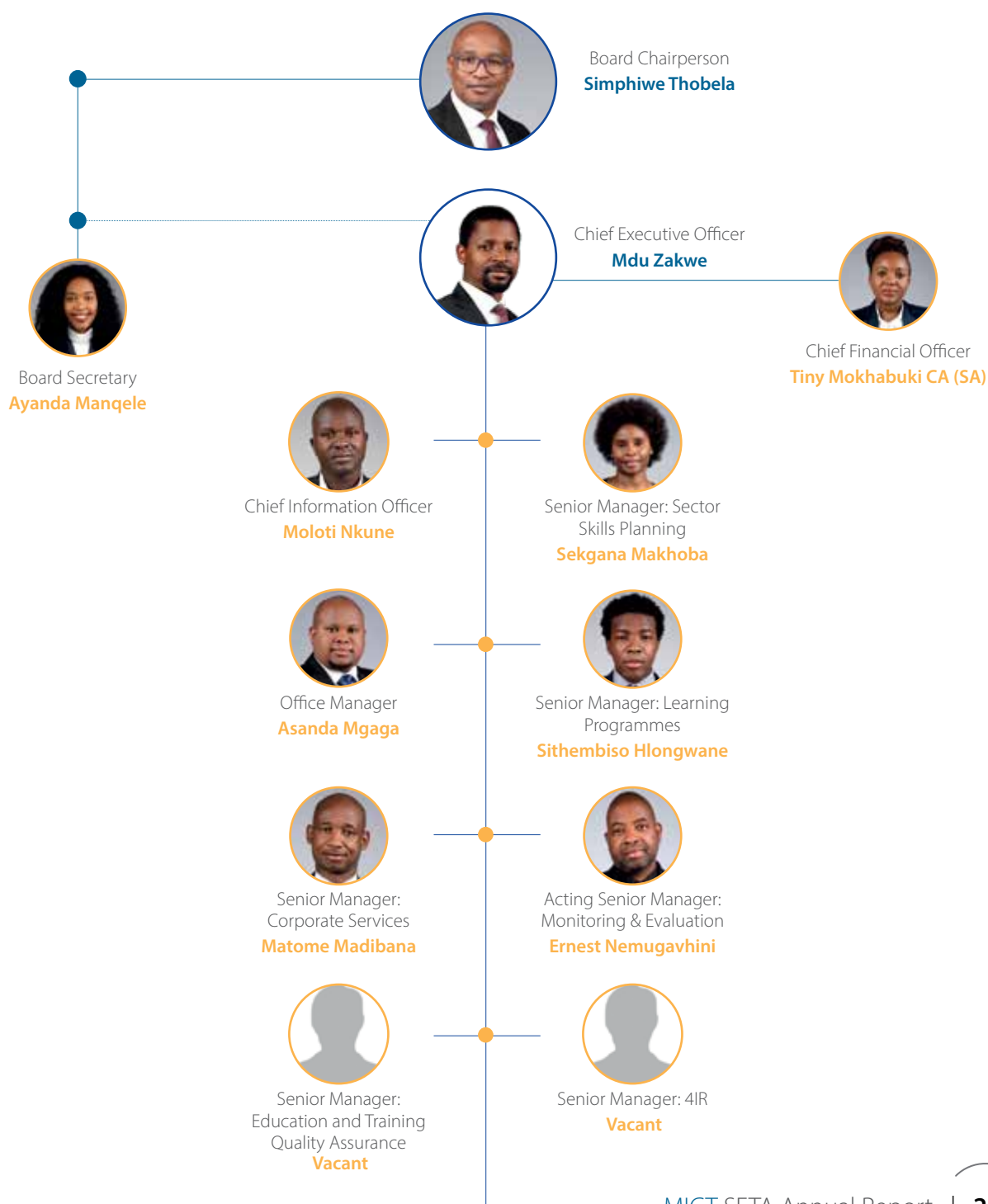
New Board Effective 01 April 2020



# 10. Organisational Structure

The MICT SETA has made significant strides in filling key posts such as those of the Chief Executive Officer, Chief Financial Officer and Senior Manager: Corporate Services, during the year under review. Capacitation of other senior vacant positions however remained a challenge in the period under review, largely due to the moratorium that was placed on appointment of Senior Managers by the DHET. The positions of Chief Information Officer and Senior Manager, Learning Programmes have been filled post year end. Whilst the position of Senior Manager: Learning Programmes was filled post year end, the

current Acting Senior Manager: Monitoring & Evaluation acted in this position during the year under review. The Senior Manager: ETQA position had various managers acting in the position due to the incumbent being on suspension for the significant period of the year under review. The incumbent subsequently resigned post year end. Furthermore, post year end, the Board Secretary during the period under review, Mr Madimetja Tisana, resigned and the resulting vacancy was recently filled by Ms Ayanda Manqele.





# PART B





# PERFORMANCE INFORMATION

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2019 | 2020

# highlights

## discretionary grants

R749 million

Spent on discretionary grants; a 34% increase from last year

01

## did you know?

The MICT sector is made up of  
**30 727**  
companies across the five sub-sectors.

02

## completed learnerships

**2 548** The number of unemployed learners who completed learnership programmes compared to 1 596 in the previous financial year

03

## MICT sector segmentation

50%

Information Technology (IT)

17%

Telecommunications

12%

Electronics

12%

Advertising

9%

Film and Electronic Media

# 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.

There were material findings raised by the Auditor - General on the usefulness and reliability of the reported performance information. These were subsequently corrected by management. Refer to pages 84 to 88 of the Auditor-General's Report, published in Part E: Annual Financial Statements.

## 2. Situational Analysis

### 2.1 Service Delivery Environment

The MICT sector occupies a large share 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 30,727 employers spread across the five sub-sectors. These estimates represent only companies allocated to the MICT SETA through the SARS registration process. A total of 50% of the sector employer base is constituted by organisations in the Information Technology sub-sector, followed by Telecommunications with 17%, and Electronics and Advertising with 12% each; with Film and Electronic Media being the least represented at 9%.

Overall, the number of levy-paying employers has increased by 11.5% in 2019 (7,902 employers), up from 7,089 employers the previous financial year. Economic growth in the sector has been declining; employee data suggests that the labour market has been relatively flat; with an increase of just 1% between 2018 and 2019.

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

The MICT SETA Standard Industrial Classification (SIC) Codes:

SIC Code	Description	SIC Code	Description
35791	Manufacture of Alarm Systems	86012	Communication Equipment Repair and Maintenance
75200	Telecommunication	86013	Other Electronic and Precision Equipment Repair and Maintenance
75201	Wired Telecommunication Carriers Telegraph	86014	Repair and Maintenance of Electronic Marine Equipment
75202	Television Broadcasting; Television and Radio Signal Distribution	87142	Research and Development of Electronic Equipment and Systems
75203	Cable Networks and Programme Distribution; Cable TV Services	87143	Import and Product Integration of Pre-Manufactured Electronic IT and Telecommunications Equipment
75204	Telephone	87146	Research and Development in the Physical and Engineering Sciences
75205	Wireless Telecommunication Carriers except Satellite Radiotelephone	87147	Electronics Importation and Product Integration of Pre-Manufactured Electronics, IT and Telecommunications Equipment
75209	Television Broadcasting	87148	Telecommunications Importation and Product Integration of Pre-Manufactured Electronics, IT and Telecommunication Equipment
75211	Telecommunication and Wired Telecommunication Carriers	96131	Providing Radio and Television Transmission Signals
75212	Paging	96133	Installation, Maintenance and Repair of Tracking Devices for Cars
75213	Cellular and Other Wireless Telecommunication	96110	Motion Picture and Video Production and Distribution
75214	Satellite Telecommunication	96112	Related Activities - Film and Tape Renting to other Industries, Booking, Delivery and Storage
75215	Other Telecommunication	96113	Film and Video Reproduction
75216	Security Systems Services except Locksmiths	96123	Bioscope Cafes
75217	Office Automation; Office Machinery and Equipment Rental Leasing including Installation and Maintenance	96132	Production and Broadcast of Radio and Television Broadcast Content
86001	Software Publishers Prepacked Software	96200	News Agency Activities
86002	Computer Systems Design and Related Services; Computer Integrated Design	88310	Advertising
86003	Computer Facilities Management Services	88311	Activities of Advertising Agents
86004	Electronic and Precision Equipment Repair and Maintenance; Computer Maintenance and Repairs	88313	Commercial Design
86005	Computer Rental and Leasing	88940	Photographic Activities
86006	Computer Programming Services		
86007	Other Computer Related Activities		
	Call Centre Systems Development and Installations Activities.		
86008	Call Centre and Customer Relationship Management System Development		
86009	Computer System Design Services and Integrated Solutions		
86011	Computer and Office Machine Repair, Maintenance and Support Services		

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

## Sector Performance

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

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

Building and managing talent requires a concerted effort and resources. A positive signal is that industry and government are aware of the drivers behind the gaps and are responding to this through both individual and collective action. There is an effort by the MICT sector to absorb unemployed people, particularly the youth that graduated from respective learning programmes, to address individual employer's scarce skills. The speed with which technology changes is the major shapeshifter across the MICT sector. There were some positive developments across the industry; stock prices of ICT firms reached new heights; the acquisition of tech operators and e-commerce players gathered speed, and more start-ups took off – a situation that promised to change the South African ICT industry to allow for more access to the digital world and increase demand for advanced ICT skills. For the MICT SETA, the challenge has been to balance servicing the PIVOTAL skills (Sector Priority Occupations) to have an impact on the e-skills of a bigger population. Over the years, policy and national strategies have helped shift funding to fill skills gaps that

are placed in the mid-to-high levels on the National Qualifications Framework. With increased convergence, networking and developments in the Internet of Things (IoT), professionals may need to increasingly be adept in a range of skills. Specialists may give way to generalists who can work across a multitude of technologies. In the short-term, the convergence of telecommunications with cloud computing will require that telecommunication engineers and IT specialists understand both specialties.

## Challenges and Opportunities

There are challenges across the economy that fall within the sphere of the MICT SETA that need to be addressed. There are also tensions between the aspirations of different stakeholders within the sector that need to be managed for the benefit of the sector. Challenges that need to be addressed in the sector include the following:

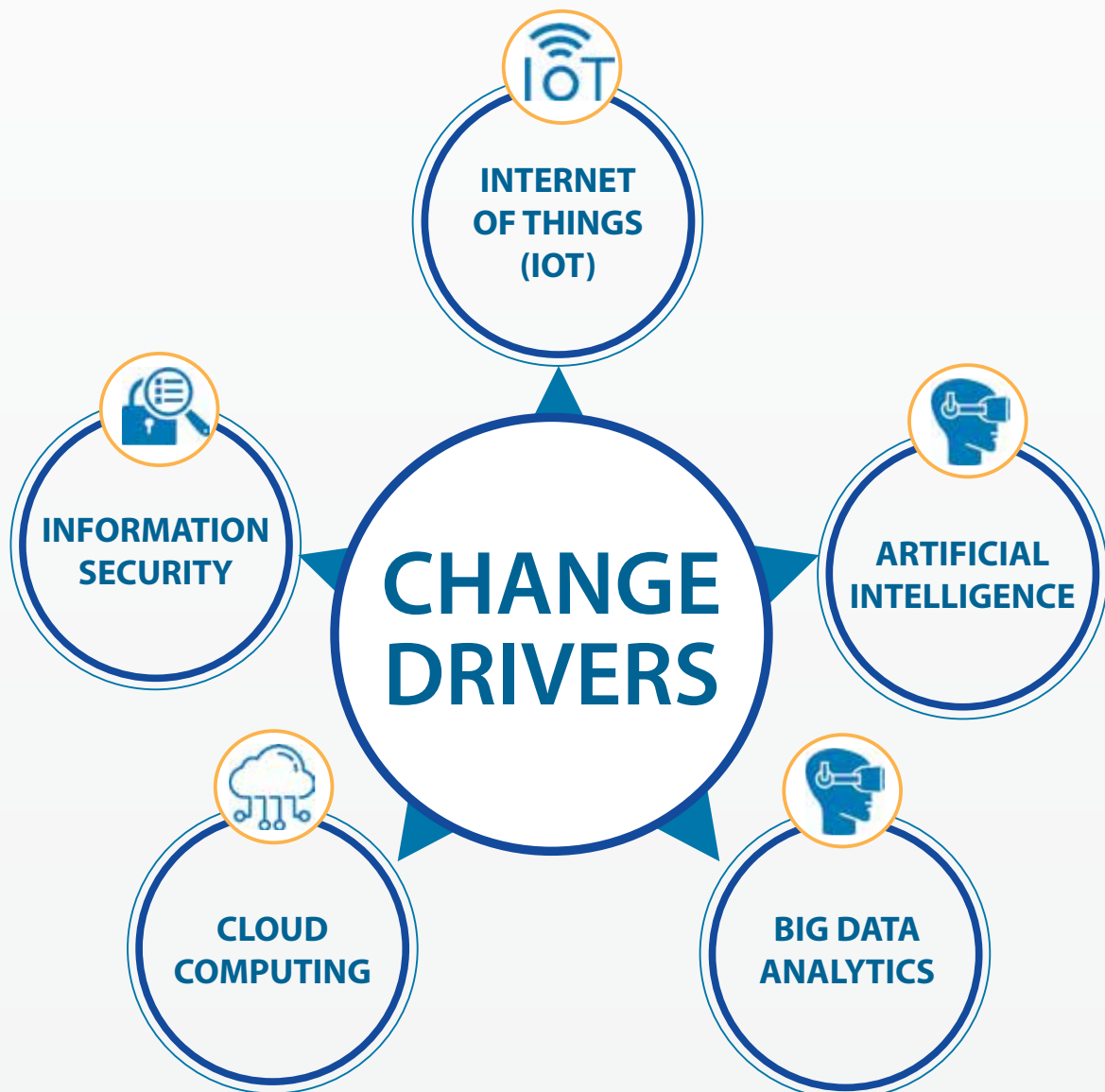
- Achieving a more South African based production
- Ensuring inclusive growth
- Addressing deepening sectoral transformation issues
- Aligning the skills development agenda to the needs of the sector and broader economy
- Supporting innovation, and
- Paying greater attention to the needs of small businesses that have the potential for expanding employment and economic growth.

Priority sector development initiatives by the MICT SETA include: broadband rollout for purposes of connectivity; developing the role of the MICT sector in the global market; new media; addressing new/emerging technology; and supporting innovation. These are areas of sector development that the MICT SETA stakeholders will work together to establish agreed outcomes and sectoral impact on.

## Change Drivers

ICT has transformed society over the past 30 years. A new wave of technological advancement is now creating novel opportunities, while testing government's and business' ability to harness these benefits and provide prudent oversight to their impact. This new phenomenon, termed the 'Fourth Industrial Revolution', alters the way communities live and work through a fusion of technologies, blurring lines between the physical, digital, and biological spheres. In its nature, it is complex, with an application of Science, Technology, Engineering and Mathematical (STEM) knowledge at its core. In its simplicity it is an extension of 'Industrial

Revolution 1, 2 and 3', with an addition of Artificial Intelligence (AI) built into machines that can think and do most things that were the sole preserve of the human species in the past. With South Africa pushing to be an e-skilled economy as outlined in the National Development Plan, Vision 2030, it is important to identify priority sector development outcomes that will be supported with skills development. The following are the key changes or focal areas in respect of the sector. However, these should not be viewed as exclusive, but rather, an account of key factors that are influencing changes within the sector, therefore, bearing an impact on skills development issues.



The change drivers in the sector suggest an ever-increasing access in the digital spectrum and an ever-widening choice of content for entertainment and new apps. Therefore, skills development must follow course – with specialised skills to set up and maintain new technologies. However, that has to be balanced with solving for lower-end skills. Finding a means to ensure inclusive digital revolution means paying attention to those still becoming illiterate in electronic technology. These change drivers call for the continued development of technologies and skills. Whilst it may be true that 4IR may invalidate jobs that place emphasis on routine or menial tasks, it also presents an opportunity for the creation and/or advancement of jobs. To this effect, South African organisations are increasingly investing in 4IR technologies.

## 2.2 Organisational Environment

The SETA is governed by a representative Board and its sub-committees which provide strategic direction to the organisation. The organisation has a staff complement of 95 employees to deliver on its mandate. The SETA signed a Service Level Agreement (SLA) with the Department of Higher Education to deliver on this Annual Performance Plan. The substantial increase in the number of employees is attributable to new operational requirements, which amongst others, include the increase in discretionary grants. This necessitated the establishment of an

additional administrative unit. The operations of the MICT SETA are centralised at the Midrand head office and there are Regional Offices in Cape Town, East London and Durban, and a satellite office in Klerksdorp.

The MICT SETA comprises three core divisions: Sector Skills Planning (SSP); Learning Programmes Division (LPD); and the Education and Training Quality Assurance (ETQA). The support divisions are Corporate Services (comprising Human Resources, and Marketing and Communications), Finance, Supply Chain Management, and Information Technology divisions. 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. However, the MICT SETA understands that government's various policy and planning interventions are attempting to achieve objectives stated in the National Development Plan (NDP). The policies and plans have a direct bearing on the sector's skills development endeavours and as such, should not be considered in a fragmented approach but require a coherent response from the MICT SETA and its stakeholders.

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# 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 those 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 co-operated with public TVET institutions and will continue doing so to build their capacity to run SETA accredited programmes. This will address skills needs in both rural and urban areas. Cooperation with Higher Education and Training (HET) institutions in the provision of broader high-level skills will be of extreme importance. The

MICT SETA will continue to partner with its industry to ensure support for their scarce skills needs, and with professional bodies and associations to promote continued professional

development. The MICT SETA will encourage employers within its sector to use their workplaces more effectively to expand the level of training.

<b>Strategic Outcome Oriented Goal 1</b>	<b>Ensured sound corporate management</b>
Goal Statement	Ensure that the MICT SETA is managed effectively and efficiently through annual revision of relevant policies and strategies, together with full compliance with applicable legislation and regulations.
Progress Made	This outcome has been partially achieved; relevant policies and strategies have been revised and implemented. There is continuous monitoring to ensure full compliance with applicable legislation, regulations, policies, and processes.
<b>Strategic Outcome Oriented Goal 2</b>	<b>Established credible mechanism for skills planning within the MICT sector.</b>
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 a Sector Skills Plan outlining occupational shortages and skills gaps was developed and approved.
<b>Strategic Outcome Oriented Goal 3</b>	<b>Increased access to career and vocational guidance within the MICT sector.</b>
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 was produced and distributed.
<b>Strategic Outcome Oriented Goal 4</b>	<b>Increased access to occupationally directed learning programmes within the MICT sector.</b>
Goal Statement	Establish partnerships with public Technical and Vocational Education and Training (TVETs) colleges and private FET colleges, Universities of Technology and industry to roll out occupationally-directed learning programmes. Conduct capacity building sessions for both public and private FET colleges to enable them to roll out 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 on an annual basis.
Progress Made	This outcome has been achieved; partnerships with TVETs, universities and industry were successfully established to roll out occupationally directed programmes. Furthermore, capacity-building sessions for public and private learning institutions were conducted, enabling them to roll out SETA programmes. Access to occupationally directed learning programmes was increased through learnerships, bursaries, workplace experience, and internships.
<b>Strategic Outcome Oriented Goal 5</b>	<b>Increased and improved workplace capacity to meet workplace skills development needs.</b>
Goal Statement	Support qualitative learning programmes that address industry skills needs with the aim of producing competent and work-ready graduates through provision of workplace experience and internship programmes on an annual basis.
Progress Made	This outcome has been achieved.



<b>Strategic Outcome Oriented Goal 6</b>	<b>Improved participation of SMMEs, Unions and NGOs in skills development within the MICT sector.</b>
Goal Statement	Identify the SMMEs skills development needs and support them in addressing those needs through bursaries, learnerships, skills programmes, short courses and internships on an annual basis.
Progress Made	This outcome has been achieved; SMMEs were supported to implement learning programmes such as bursaries, learnerships, skills programmes, short courses, and internships.
<b>Strategic Outcome Oriented Goal 7</b>	<b>Increased access to quality programmes.</b>
Goal Statement	Develop new and review registered qualifications annually to ensure relevance and to quality assure learning provision within the MICT SETA scope on an annual basis.
Progress Made	This outcome has been achieved; 38 qualifications were reviewed and are still successfully registered on the National Qualifications Framework. Furthermore, Quality Assurance functions were successfully carried out resulting in 573 Training Providers receiving accreditation, 1,636 Assessors being registered, and 726 moderators being registered.

## 4. Performance Information By Programme | Activity | Objective

### Summary of Performance Information

The MICT SETA delivered against the National Skills Development Plan (NSDP) objectives. It entered into a Service Level Agreement with the Department of Higher Education and Training, committing to deliver against the NSDP goals and strategic objectives.

Programme	Objectives	Number of KPIs	Achieved	Over Achieved	Under achieved
Programme 1: Administration	Strategic Objective 1	4	3	1	0
Programme 2: Sector Skills Planning	Strategic Objective 2	5	4	1	0
	Strategic Objective 3	2	0	2	0
Programme 3: Learning Programmes	Strategic Objective 4	24	1	16	7
	Strategic Objective 5	1	0	1	0
	Strategic Objective 6	1	0	1	0
Programme 4: Education and Training Quality Assurance	Strategic Objective 7	4	1	3	0
<b>Total</b>		<b>41</b>	<b>9</b>	<b>25</b>	<b>7</b>
Percentage		100%	21.95%	60.98%	17.07%

## Programme 1: Administration

### PURPOSE

This programme aims to ensure effective leadership, strategic management and administrative support to the MICT SETA. This is done through continuous refinement of the organisational strategy and structure in line with appropriate legislation and best practice. The Corporate Services division delivers and oversees shared services in alignment with the SETA's needs by proactively identifying requirements, monitoring and maintaining service levels; and setting standards aligned to compliance and best practices which includes reporting on delivery. The Finance and Supply Chain Management divisions deliver and oversee the financial management of the SETA, as well as monitoring and maintaining a supply chain management system as required by the PFMA.

### STRATEGIC OBJECTIVE 1: PROVIDE INTEGRATED BUSINESS SOLUTIONS WITHIN THE MICT SETA

Performance Indicators	Actual Performance 2018/19	Target 2019/20	Actual Achievement 2019/20	Deviation from Actual Targets for 2019/20 to date	Comment on Deviation
1.1 Establish a Business Continuity Management (BCM) facility that is 100% fully functional (people, systems and assets).	Business Continuity Management currently in place.	100% functionality of the Business Continuity Management	Business Continuity Management functional.	None	None
1.2 Provide an effective and efficient ICT service.	All ICT SLAs are in place. 100% of all SLAs implemented.	100% of approved ICT solutions deployed with 100% compliance to SLA/OLA.	Approved ICT solutions deployed with 100% compliance.	None	None
1.3 Retain appropriately skilled personnel.	97.53%	70% retention rate.	90.53%	+20.53%	Additional positions related to promotions and posts added to organisational structure.
1.4 Ensure sound financial management.	New target	Management Accounts Annually.	Management accounts have been submitted to governance structures.	None	None

## Programme 2: Sector Skills Planning

### PURPOSE

To conduct research and ensure a professionally developed sector skills plan that reflects a triangulated list of scarce and critical skills, serving as the basis for the SETA's Strategic Plan and Annual Performance Plan.

### STRATEGIC OBJECTIVE 2: PRODUCE A CREDIBLE (TRIANGULATED AND BOARD AND DHET APPROVED) SECTOR SKILLS PLAN DOCUMENT WITH AN APPROVED LIST OF SCARCE AND CRITICAL SKILLS

Performance Indicators		Actual Performance 2018/19	Target 2019/20	Actual Achievement 2019/20	Deviation from Actual Targets for 2019/20 to date	Comment on Deviation
2.1	WSPs and ATRs submitted for skills planning in the sector on an annual basis.	287 large companies submitted WSPs and ATRs.	230 large companies to submit WSPs and ATRs.	230	None	. None
		392 medium companies submitted WSPs and ATRs.	350 medium companies to submit WSPs and ATRs.	397	+47	47 additional medium companies submitted WSPs and ATRs and were approved.
		1 150 small companies submitted WSPs and ATRs.	1 000 small companies to submit WSPs and ATRs.	1 271	+271	271 additional small companies submitted WSPs and ATRs and were approved.
2.2	SETA Information Management System (IMS) with prescribed data fields maintained on an annual basis.	1 IMS with prescribed data fields maintained.	1 IMS with prescribed data fields maintained.	1 IMS with prescribed data fields maintained.	None	None
2.3	A partnership with a research institution established on an annual basis.	1 research partnership established.	1 research partnership established.	1 research partnership established.	None	None
2.4	A Sector Skills Plan (SSP) document produced and approved (Board and DHET) on an annual basis.	1 SSP produced and approved.	1 SSP produced and approved.	1 SSP produced and approved.	None	None
2.5	A tracer/impact study conducted to evaluate the impact of funded learning programmes on an annual basis.	1 Tracer Study report produced.	1 Tracer/impact Study report produced.	1 Tracer/impact Study report produced.	None	None

### STRATEGIC OBJECTIVE 3: PRODUCE AND DISTRIBUTE A COMPREHENSIVE CAREER AND VOCATIONAL GUIDE WITHIN THE MICT SECTOR

Performance Indicators	Actual Performance 2018/19	Target 2019/20	Actual Achievement 2019/20	Deviation from Actual Targets for 2019/20 to date	Comment on Deviation
3.1 Up-to-date career-opportunities guide with labour market information developed and distributed on an annual basis.	1 career guide produced. 4 822 up-to-date career guides distributed.	1 career guide produced. 1 600 up-to-date career guides distributed.	1 career guide produced. 6 502 up-to-date career guides distributed.	None +4 902 up-to-date career guides distributed.	None Target over-achieved due to directive from DHET, special projects and ad hoc events.
3.2 Strategic career events supported and attended on an annual basis.	30 strategic career events attended.	40 strategic career events attended.	49 strategic career events attended.	+9 strategic career events attended.	Target over-achieved due to increased demand by stakeholders.

## Programme 3: Learning Programmes

### PURPOSE

To implement and monitor learning programmes in the media, advertising and ICT sub-sectors. The plan to achieve the objectives and goals in this programme is to implement the following learning programme interventions that will be rolled out in both urban and rural areas, in partnership with constituent employers; learnerships; internships; skills programmes; short courses; bursaries; and work integrated learning.

### STRATEGIC OBJECTIVE 4: INCREASE NUMBER OF LEARNERS THROUGH ACCREDITED TRAINING PROVIDERS AND WORKPLACES FOR PRACTICAL WORK EXPERIENCE

Performance Indicators	Actual Performance 2018/19	Target 2019/20	Actual Achievement 2019/20	Deviation from Actual Targets for 2019/20 to date	Comment on Deviation
4.1 Number of qualifying unemployed learners entering learnerships on an annual basis.	3 429	3 500	3 419	-81	Target not achieved due to financial constraints as a result of prior year's over- commitments.
4.2 Number of qualifying unemployed learners receiving bursaries on an annual basis.	350	705	346	-359	Target not achieved due to financial constraints as a result of prior year's over- commitments.

Performance Indicators	Actual Performance 2018/19	Target 2019/20	Actual Achievement 2019/20	Deviation from Actual Targets for 2019/20 to date	Comment on Deviation
4.3 Number of qualifying TVET students placed at workplaces on an annual basis.	861	950	501	-449	Target not achieved due to financial constraints as a result of prior year's over- commitment.
4.4 Number of TVET students who completed workplace experience on an annual basis.	330	475	502	+27	Target over-achieved due to number of learners enrolled in the 2018/19 financial year and completing in the 2019/20.
4.5 Number of qualifying unemployed learners entering internship programmes on an annual basis.	1 567	1 600	1 458	-142	Target not achieved due to financial constraints as a result of prior year's over-commitments.
4.6 Number of qualifying unemployed learners entering skills programmes on an annual basis.	1 845	2 000	2 777	+777	Target over-achieved due to high demand of 4IR Skills Programmes.
4.7 Number of unemployed learners completing learnership programmes on an annual basis.	1 596	1 750	2 548	+798	Target over-achieved due to learners enrolled in the 2018/19 financial year and completing in the 2019/20.
4.8 Number of unemployed learners completing bursary programmes on an annual basis.	175	352	203	-149	Target not achieved due to students not progressing to the next level of their academic programmes.
4.9 Number of unemployed learners completing internship programmes on an annual basis.	887	800	1 021	+221	Target over-achieved due to learners enrolled in the 2018/19 financial year and completing in the 2019/20.
4.10 Number of unemployed learners completing skills programmes on an annual basis.	1 192	1 000	1 434	+434	Target over-achieved due to learners enrolled in the 2018/19 financial year and completing in the 2019/20.
4.11 SETA/TVET college partnerships established on an annual basis.	8	5	7	+02	Target over-achieved due to increased participation by TVET colleges.

Performance Indicators		Actual Performance 2018/19	Target 2019/20	Actual Achievement 2019/20	Deviation from Actual Targets for 2019/20 to date	Comment on Deviation
4.12	Number of collaborative agreements signed with universities and Stakeholders on an annual basis.	14	4	5	+01	Target over-achieved due to increased participation by universities.
4.13	Number of qualifying unemployed learners entering short programmes on an annual basis.	1 717	1 400	1 631	+231	Target over-achieved due to increased participation by MICT SETA Stakeholders.
4.14	Number of qualifying university students placed on an annual basis.	600	750	51	-699	Target not achieved due to financial constraints as a result of prior year's over- commitments.
4.15	Number of qualifying workers entering learnership programmes on an annual basis.	164	120	193	+73	Target over-achieved due to increased participation by MICT SETA Stakeholders.
4.16	Number of qualifying workers entering bursary programmes on an annual basis.	93	75	75	+00	Target Achieved.
4.17	Number of qualifying workers entering skills programmes on an annual basis.	409	500	604	+104	Target over-achieved due to high demand of skills programmes for employed learners from MICT SETA Stakeholders.
4.18	Number of workers completing learnerships on an annual basis.	04	60	70	+10	Target over- achieved due to higher number of workers completing learnership programmes in 2019/20 Financial year.
4.19	Number of workers completed bursaries on an annual basis.	0	37	39	+02	Target over- achieved due to higher number of workers completing academic programmes in 2019/20 Financial year.
4.20	Number of workers who completed skills programmes on an annual basis.	135	250	254	+04	Target over- achieved due to higher number of workers enrolled for skills programme.

Performance Indicators		Actual Performance 2018/19	Target 2019/20	Actual Achievement 2019/20	Deviation from Actual Targets for 2019/20 to date	Comment on Deviation
4.21	Number of qualifying lecturers entering development programmes (candidacy programmes) on an annual basis.	104	120	107	-13	Target not achieved due to financial constraints as a result of prior year's over-commitment.
4.22	Number of lecturers who completed development programmes (candidacy programmes) on an annual basis.	104	60	91	+31	Target over-achieved due to increased participation by TVET lecturers.
4.23	Number of rural development programmes implemented on an annual basis.	09	10	20	+10	Target over-achieved due to high number of stakeholders implementing learning programmes in rural areas.
4.24	Number of qualifying university student placement on an annual basis.	104	375	376	+01	Target over-achieved due to learners enrolled in 2018/19 financial year and completing in 2019/20.

## STRATEGIC OBJECTIVE 5: PROVIDE CAPACITY BUILDING SESSIONS

Performance Indicators		Actual Performance 2018/19	Target 2019/20	Actual Achievement 2019/20	Deviation from Actual Targets for 2019/20 to date	Comment on Deviation
5.1	Stakeholders trained on the implementation of MICT SETA programmes.	50	60	66	+06	Target over-achieved due to high number of stakeholders attending capacity-building session.

## STRATEGIC OBJECTIVE 6: INCREASE SUPPORT FOR SMMEs, UNIONS AND NGOs IN SKILLS DEVELOPMENT

Performance Indicators		Actual Performance 2018/19	Target 2019/20	Actual Achievement 2019/20	Deviation from Actual Targets for 2019/20 to date	Comment on Deviation
6.1	Number of small businesses supported.	21	20	77	+57	Target achieved due to high demand by Small Businesses to implement learning programmes.

### 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 To create access to quality programmes and to quality assure training provision in the media, advertising and ICT sub-sectors.

## STRATEGIC OBJECTIVE 7: DEVELOP NEW, AND REVIEW EXISTING QUALIFICATIONS; ACCREDIT TRAINING PROVIDERS

Performance Indicators		Actual Performance 2018/19	Target 2019/20	Actual Achievement 2019/20	Deviation from Actual Targets for 2019/20 to date	Comment on Deviation
7.1	Increased number of Accredited Training Providers offering quality programmes on an annual basis.	556	550	573	+23	Target over-achieved due to capacity building workshops that promoted awareness to training providers.
7.2	Increased number of qualified registered assessors assessing on quality programmes on an annual basis.	1 966	1 000	1 636	+636	Target over-achieved due to demand for ICT training which resulted in more assessors being required.
7.3	Increased Number of qualified registered moderators moderating on quality programmes on an annual basis.	1 007	600	726	+126	Target over-achieved due to demand for ICT training which resulted in more moderators being required.
7.4	Developed new or reviewed MICT SETA relevant qualifications responding to the skills needs on an annual basis.	0	38	38	None	None
				38 qualifications reviewed.		



# iLAB – Empowering the youth in ICT to stay ahead of 4IR trends

In September, iLAB, in partnership with the MICT SETA, recognised 20 interns who successfully completed their 12-month internship in Software Quality Assurance which comprised theory, practical and work-base placement training in various industries.

The programme, which carries an internationally recognised certificate, provides ‘real world’ exposure to the field of software quality assurance testing. This strengthens their skills, allowing them to examine the ‘ins and outs’ of a professional work environment with exposure to the industry.

A proud graduate and 2018/2019 intern, Doctor Dlamini, said: “I will forever be grateful to iLAB for taking me in as a graduate fresh from varsity. With commitment, I successfully completed the internship and I am now consulting at Vodacom South Africa as an Associate SQA Engineer.”

With the onset of the Fourth Industrial Revolution (4IR) and experts predicting that by the year 2030 the world could lose up to 800 million jobs to automation, there are careers that have a built-in safeguard – software quality assurance engineers ensure that these machines are able to do their job.

“I would like to thank our amazing team for their dedication and commitment to this journey over the last year, as well as our interns who participated in this challenging yet rewarding programme,” said Michelle Roberts, General Manager, HR and Talent Management at iLAB.

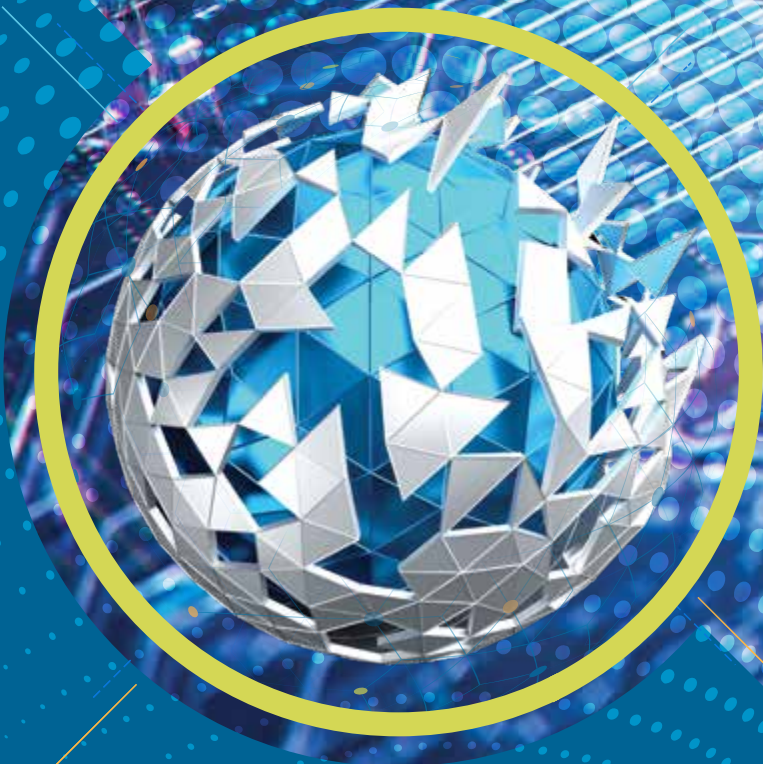
“Thank you, MICT SETA, for being an incredible partner and supporting us throughout this journey. I am proud to partner with such an amazing organisation that is making a difference in so many people’s lives and uplifting this country,” she concluded.



Proud graduates of iLAB’s successful 2018/2019 internship programme; equipped for the onset of 4IR



# PART C



# GOVERNANCE

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# 1. Introduction

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

As articulated in the King IV report, the ethical and effective leadership of the Accounting Authority is exemplified by integrity, competence, responsibility, accountability, fairness, and transparency.

The MICT SETA is governed in a sound and ethical way that supports an ethical culture in its business and reporting.

The Accounting Authority relies on the support of an Executive Committee, Audit and Risk Committee, Finance and Remuneration Committee, and the Governance & Strategy Committee.

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

## Accounting Authority



Front Row: (left to right) Khaya Solomon Xaba, Ntombikayise Khumalo, Simphiwe Thobela (Board Chairperson), Portia Mngomezulu, Tebogo Mack Mamorobela, Marilyn Radebe.  
Back Row: (left to right) Sipho George Zwane, Thabisa Zimbini Faye, Lesiba Jan Langa, Loyiso Tyira, Morwesi Ramonyai, Viwe Thomas James, Thabo Mofokeng.

## 2. Portfolio Committees

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

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

## 3. Executive Authority

The Executive Authority of the MICT SETA is the Minister of Higher Education, Science and Technology, who is responsible for appointing members of the Accounting Authority 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 15 July 2019, and the Strategic Plan and Annual Performance Plan on 29 August 2019. Quarterly Performance reports, in accordance with the requirements for the number of employed and unemployed beneficiaries for learning programmes, bursaries, skills programmes, internships, SME support, and career guidance; are also submitted to the DHET.

For the financial year 2019/20, the Quarterly Performance reports were submitted on 15 July 2019, 15 October 2019, 15 January 2020, 15 April 2020, and 31 May 2020, and were subsequently evaluated and validated by the Executive Authority.

## 4. The Accounting Authority

### 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 provides oversight and support to the Management team and provides strategic leadership to the MICT SETA, ensuring that it fulfils its mandate and obligations in terms of the Constitution and the Skills Development Act.

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

## 4.2 The role of the Board is as follows:

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

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

- Govern and manage the SETA in accordance with the PFMA, the Act and any other applicable legislation
- Ensure that the SETA achieves the objectives in clause 5 of its Constitution and performs the functions in clause 6 of its Constitution
- Provide effective leadership and ensure that the SETA implements the goals of the NSDS and the Performance Agreement with the Minister
- Provide a strategic direction for the SETA
- Liaise with Stakeholders
- Ensure that the SETA complies with the relevant statutory requirements and the requirements of its Constitution
- Manage institutional risk
- Monitor the performance of the SETA
- Ensure that its members and members of the committees established comply with the Code of Conduct as set out in Annexure 2 of its Constitution
- 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 composition
- Role and functions of the Accounting Authority 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
- Meetings of the Accounting Authority
- The SETA's sub-committees

The Accounting Authority 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

In line with Section 11(1) and (2) of the Skills Development Act 97 of 1998, the Accounting Authority should comprise 15 independent members, which ensures independence and objectivity in decision-making. It is comprised as follows:

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

A new Accounting Authority was appointed on 1 April 2020 to 31 March 2025 by Honourable Minister Dr Blade Nzimande. There are currently two vacancies in the Accounting Authority which are in the process of being filled.

*The Minister of Higher Education, Science and Technology, the Honourable Minister, Dr. Blade Nzimande appointed new Accounting Authority members effective 01 April 2020 to 31 March 2025.*



### **SIMPHIWE THOBELA**

Ministerial Appointee

#### **Qualifications**

B. Com Logistics

Post Graduate Diploma: Public Management

Master of Town and Regional Planning

PhD Candidate

#### **Area of Expertise**

Public Sector, Leadership, Governance, Financial Management, Supply Chain Management

#### **Other Directorships**

- Eastern Cape Development Corporation (ECDC) - Chairperson of Finance and Investment Committee
- Air Traffic and Navigation Services - Chairperson
- Air Traffic and Navigation Services - Member of HR
  - Committee, Business, Research & Operations
  - Development Committee and Social and Ethics Committee
- Eastern Cape Development Corporation - Chairperson: HR and REMCO Committee



### **VIWE THOMAS JAMES**

Organised Labour

National Union of Metalworkers of South Africa (NUMSA)

#### **Qualifications**

Diploma: Advanced Labour Law Programme

N3: Electrical Engineering

#### **Area of Expertise**

Labour Law, Governance

#### **Other Directorships**

- None



### **SIPHO GEORGE ZWANE**

Organised Labour

Democratic Postal and Communications Union (DEPACU)

#### **Qualifications**

Bachelor of Administration

National Diploma: Public Management

Advanced Certification: Project Management

#### **Area of Expertise**

Labour Law, Administration

#### **Other Directorships**

- DEPACU: General Secretary



### **LESIBA JAN LANGA**

Organised Labour

South African Postal Workers Union (SAPWU)

#### **Qualifications**

Certification: Labour Dispute Resolution

Certification: Labour Relation management

Certification: Labour Arbitration

Certification: Advanced Labour Law Programme

#### **Area of Expertise**

Telecommunications

#### **Other Directorships**

- SAPWU: President



## **KHAYA SOLOMON XABA**

Ministerial Appointee

### **Qualifications**

Honours: Business Administration  
Advance Diploma: Public Management  
National Certification: Journalism  
Higher Certification: Economics

### **Area of Expertise**

Media

### **Other Directorships**

- NEHAWU: National Spokesperson



## **THABISA ZIMBINI FAYE**

Organised Employer  
South African Communications Forum (SACF)

### **Qualifications**

Master of Arts: International Development Management  
- Economics Stream  
BA Honours: Development Studies

BA: Social Sciences

### **Area of Expertise**

Policy and Regulatory

### **Other Directorships**

- Imbewu Movement - Founding Member



## **NTOMBIKAYISE KHUMALO**

Organised Labour  
Communication Workers Union (CWU)

### **Qualifications**

Certification: Finance and Investment Management  
Certification: Principles Of Economics  
Certification: SAP Finance (Certificate)  
Certification: Women Leaders  
Certification: Finance For Non Financial Managers

### **Area of Expertise**

Labour Law, Advanced Negotian Skills, Skills  
Development

### **Other Directorships**

- uBuhle Bezwe Landscaping & Interior Designs:  
Executive Director
- COSATU: Central Executive Committee Member
- COSATU: Central Executive Sub-committee Member  
- HRC
- COSATU: National Finance Committee Member
- COSATU: Workers Pension & Retirement Task Team  
Member
  - CWU: National Executive Member
- CWU: National Office Bearer & National Treasurer
  - CWU: Chief Negotiator in MTN
- Sentech: Employment Equity & Skills Development  
Member



## **TEBOGHO MACK MAMOROBELA**

Organised Labour  
Communications Workers Union (CWU)

### **Qualifications**

NQF L8: Strategic Diplomacy,  
NQF L8: Research Awareness for Leaders  
Certification: Emerging Technical Leaders in Digital  
Business

### **Area of Expertise**

Employee Relations

### **Other Directorships**

- None





### MARILYN RAडेBE

Organised Employer  
Black IT Forum (BITF)

#### Qualifications

B.Com: Information Systems  
Certification: Management Advancement Programme  
Certification: Project Management  
Certification: Annual ITIL Service Delivery Training

#### Area of Expertise

Information Communication Technology, Governance,  
Strategy, Finance and Supply Chain

#### Other Directorships

Gauteng Black IT Forum: Executive Director  
Black IT Forum: National  
Soma Solutions  
Scholar Supplies  
SmartSaver



### MORWESI RAMONYAI

Organised Employer  
Data Cabling Association of Southern Africa (DCASA)

#### Qualifications

Executive MBA  
Higher Diploma: Computer Audit  
B.Comm: Information Systems  
Certificate: Executive Leadership Development  
Certificate: Sustainability Management  
Certification: Carbon Footprint Analyst

#### Area of Expertise

Corporate Governance, ICT, BBBEE, Renewable Energy,  
Sustainability

#### Other Directorships

Chairperson: Abalimi Bezekhaya,  
• ARC Chairperson: City of Johannesburg Metrobus,  
• Board Member: City of Johannesburg Metrobus



### THABO MOFOKENG

Organised Employer  
Information Technology Association (ITA)

#### Qualifications

Bachelor of Science: Electrical Engineering  
Diploma: Project Management  
Certification: Operations & Management of Wireless  
Network & Systems Engineering

#### Area of Expertise

ICT Projects, Engineering & Technology Services

#### Other Directorships

- Octet Technologies
- Fuma Engineering
- IT Association of SA
- Solario Technologies



### LOYISO TYIRA

Organised Employer  
ICT SMME Chamber

#### Qualifications

MDP (Management Development Programme)  
PME (Programme for Management Excellence)

#### Area of Expertise

Information Technology

#### Other Directorships

- Future Business Consulting
- ICT SMME Chamber,
  - SAMMDRA



## **PORTIA MNGOMEZULU**

Community Organisation

Ministerial Appointee

### **Qualifications**

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Bachelor of Commerce Accounting

Post graduate certificate in Accounting

Postgraduate Diploma in Business Administration

Masters in Business Administration

Executive Development Certificate

### **Area of Expertise**

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Finance,SCM,Risk and Monitoring & Evaluation

**Other Directorships:** • Harpo Corporation (Pty) LTD

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



### **SIHLE JOEL NGUBANE**

Chairperson of the Board

#### **Board Directorships**

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

#### **Area of Expertise**

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

**Date Appointed:** 1 April 2018



### **CLYDE MICHAEL MERVIN**

Communications Workers Union (CWU)

#### **Board Directorships**

- CWU President

#### **Area of Expertise**

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

**Date Appointed:** 1 April 2018

**Date of Resignation:** 1 September 2019



### **NTOMBIKAYISE KHUMALO**

Communications Workers Union (CWU)

#### **Board Directorships**

Director - uBuhleBezwe Landscaping & Interior Designs

#### **Area of Expertise**

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

**Date Appointed:** 1 April 2018



## NTOMBOXOLO MAUREEN MAHENEZA

Communications Workers Union (CWU)

### Board Directorships

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

### Area of Expertise

Industrial and Investment Strategy

**Date Appointed:** 1 April 2018



## SONTAGA ROBERT MANTLHAKGA

Communications Workers Union (CWU)

### Board Directorships

- Van Velden Hospital Board Chairperson

### Area of Expertise

Public Relations and Business Management

**Date Appointed:** 1 April 2018



## TEBOHO DENNIS MOROBE

Communications Workers Union (CWU)

### Board Directorships

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

### Area of Expertise

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

**Date Appointed:** 1 April 2018



## THAMSANQA EMMANUEL MZILENI

Organised Labour

### Board Directorships

- CWU KZN Secretary
- TKZN Board Member

### Area of Expertise

Labour Law

**Date Appointed:** 1 April 2018



### **MONTSENG EUNICE MOPELI**

Organised Employers

#### **Board Directorships**

None

#### **Area of Expertise**

Human Resources Master's Degree in Management, Bachelor of Arts, Bachelor of Library & Information Science, Honours of Library & Information Science, Executive Development Programme

**Date Appointed:** 4 March 2019



### **MARILYN RADEBE**

Black Information Technology Forum (BITF)

#### **Board Directorships**

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

#### **Area of Expertise**

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

**Date Appointed:** 1 April 2018



### **LEKOTA DONALD LIPHOKO**

Organised Employers

#### **Board Directorships:**

None

#### **Area of Expertise**

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

**Date Appointed:** 1 April 2018



### **THABO MOFOKENG**

Information Technology Association (ITA)

#### **Board Directorships**

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

#### **Area of Expertise**

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

**Date Appointed:** 1 April 2018



## ZAMASWAZI NOKUTHULA PHAKATHI

Splendid Group

### Board Directorships

- Durban Chamber of Commerce and Industry
  - South African Library for the Blind
- Member of the Commonwealth Business Women
- Council Member of the Johannesburg Chamber of Commerce and Industry
- MD - Zama Phakathi Foundation – NPO Focusing on youth and women empowerment
- MD - Beyond Boundaries, a multinational company focusing on infrastructure development
  - CEO - Splendid IT
  - Director - Phambili Investments
- NEC Member - Progressive Youth in Business of the African National Congress (PYB)

### Area of Expertise

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

**Date Appointed:** 1 April 2018



## MATSEBE IVOR PHASHA

Limpopo ICT Forum (LICTF)

### Board Directorships

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

### Area of Expertise

Information Technology, Operations  
Innovation, Audit, Risk Management, Governance,  
Compliance

**Date Appointed:** 1 April 2018



## ULANDI EXNER

Institute of Information Technology Professionals South Africa (IITPSA)

### Board Directorships

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

### Area of Expertise

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

**Date Appointed:** 1 April 2018

## 4.5 Committees

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



The following table lists the number of meetings attended by each of the members of the Accounting Authority for the financial year 2019/20

Name	Accounting Authority	Audit and Risk Committee	Executive Committee	Finance and Remuneration Committee	Governance and Strategy Committee
Mr. Sihle Ngubane	8 of 8		9 of 10		
Mr. Thamsanqa Mzileni	8 of 8	9 of 9			
Mr. Teboho D Morobe	8 of 8				5 of 5
Mr. Thabo Mofokeng	8 of 8		10 of 10	6 of 7	
Mr. Sontaga Mantlhakga	8 of 8		10 of 10		
Ms. Ulandi Exner	6 of 8	6 of 9		5 of 7	
Ms. Marilyn Radebe	6 of 8			7 of 7	
Ms. Ntombikayise Khumalo	8 of 8		10 of 10	7 of 7	
Ms. Ntomboxolo Maheneza	7 of 8			6 of 7	2 of 2*
Ms. Montseng E Mopeli	6 of 8				
Mr. Donald L Liphoko	2 of 8				2 of 5
Mr. Matsebe Phasha	7 of 8			6 of 7	5 of 5
Ms. Zamaswazi Phakathi	8 of 8		9 of 10		
Mr. Clyde Mervin	0 of 4				0 of 3**

\*Ms. Maheneza joined the Committee in October 2019

\*\*Mr. Mervin resigned in September 2019.

## 4.6 Functions of the Executive Committee

Subject to the direction of the Accounting Authority, the Executive Committee is responsible for overseeing the management of the 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 policies
- Monitor national policy issues and developments and make recommendations regarding the adoption of policies by the Accounting Authority
- Coordinate the functioning of committees, chambers 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
- Oversee staff employment issues
- Determine budgets and business plans
- Monitor the relations and interactions of the MICT SETA with other SETAs, and other agencies on matters related to skills development
- Perform any other function or duty delegated to it by the Accounting Authority



## 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 in order to ensure that the SETA meets the requirements of the SDLA, PFMA and the Treasury Regulations that relate to finance and the remuneration of the Chief Executive Officer, members, Committee Members, and staff.

The Finance and Remuneration Committee must evaluate and make recommendations to the Accounting Authority in respect of:

- The budget, cash flow and financial statements of the SETA
- The financial policies of the SETA
- Actions to implement the recommendations of the Auditor-General's Report, and the internal and external audit reports of the SETA
- The execution of the legally mandated financial functions of the SETA
- The financial implications of policies, and changes to the budget and business plan of the SETA

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

- Developing guidelines on and reviewing the compensation and performance of employees of the organisation
- Reviewing and approving corporate goals that are relevant to the compensation of the Chief Executive Officer
- Determining the Chief Executive Officer's compensation in accordance with applicable rules and regulations



- Evaluating the Chief Executive Officer's performance against the above-mentioned goals and objectives
- Reviewing and reassessing the adequacy of the remuneration policy annually and recommending any changes to the Accounting Authority for approval
- Ensuring that the Accounting Authority 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
- Review the performance of the MICT SETA against set targets on a quarterly basis and make recommendations to the Accounting Authority to improve performance where necessary
- Consider matters of corporate governance and creating, maintaining and periodically reviewing the corporate governance principles and codes of ethics
- Develop policies designed to encourage the highest levels of corporate conduct by members of the Accounting Authority and committees

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

## 4.8 Functions of the Governance and Strategy Committee

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

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

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

## 4.9 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
- The scope and results of the external audit and its cost-effectiveness, as well as the independence and objectivity of the external auditors
- The cooperation and coordination between the internal and external audit functions, and their cooperation and coordination pertaining to the management of the MICT SETA
- Any accounting or auditing concerns identified through internal and external audits by the Auditor-General
- The adequacy and effectiveness of the risk management processes followed and the development, maintenance and enhancement of fraud prevention plans

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

The Audit and Risk Committee must:

- Review the annual financial statements and establish whether they have been prepared in accordance with the PFMA and related Treasury Regulations, as well as the applicable accounting framework
- Review and confirm the Internal Audit Charter and the Internal Audit Plan, as well as the resources required to implement such plan
- Develop a direct, strong and candid relationship with the external auditors. Communication with the external auditors must facilitate independence from the management of the MICT SETA and encourage the external auditors to speak freely, regularly and confidentially with the Audit and Risk Committee
- Draw up a recommendation for the Accounting Authority 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 attended for the financial year 2019/20. Their term ended on 30 September 2020 and new Audit and Risk Committee members were appointed effective 1 October 2020.



**MS. NOCWAKA OLIPHANT**

Independent Member

**Qualifications**

- B.Com, Hons B. Compt.
- Certified Internal Auditor (CIA)
- Certified Government Auditing Professional (CGAP)
- Certificate in Control Self- Assessment (CCSA)
- Certificate in Risk Management Assurance (CRMA)
- Certified Forensic Investigation Professional

**Date Appointed:** 03 August 2018

**Number of Meetings Attended:** 9 of 9

\*\* Ms. Oliphant was appointed Chairperson in September 2018



**MR. MFUNDO THANGO**

Independent Member

**Qualifications**

- CA (SA), Registered Auditor, B.Com (Acc) (Honours), B.Com (Acc)

**Date Appointed:** 03 August 2018

**Number of Meetings Attended:** 8 of 9



**MS. ULANDI EXNER**

Accounting Authority Member

**Area of Expertise**

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

**Date Appointed:** 01 April 2018

**Number of Meetings Attended:** 6 of 9



**MS. ZELDA TSHABALALA**

Independent Member

**Qualifications**

- Bachelor of Commerce
- Post –Graduate Diploma in Business Administration
  - Master of Business Administration
  - Certificate; Control Self-Assessment
- Certificate; Municipal Financial Management
  - Certificate; Corporate Governance

**Date Appointed:** 03 August 2018

**Number of Meetings Attended:** 8 of 9



**MR. THAMSANQA EMMANUEL MZILENI**

Accounting Authority Member

**Area of Expertise**

- Labour Law

**Date Appointed:** 01 April 2018

**Number of Meetings Attended:** 9 of 9

*The following table lists the remuneration received by the Accounting Authority and Board Committees for the financial year ended 31 March 2020*

Name & Surname	Board Fees	Audit	EXCO	FINREMCO	GOVCO	Travel Claims	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Ms. U Exner	125	42	-	35	-	3	205
Ms. N Khumalo	176	-	82	49	-	13	319
Ms. GN Khumalo *	21	-	-	-	-	-	21
Mr. L Liphoko	39	-	-	-	26	2	66
Ms. N Maheneza	155	-	-	23	17	38	234
Mr. S Mantlhakga	147	-	82	-	-	43	272
Mr. T Mofokeng	164	-	82	47	-	5	299
Ms. M Mopeli	91	-	-	-	17	2	110
Mr. T Morobe	140	-	-	-	60	46	246
Mr. T Mzileni	121	60	-	9	-	21	211
Mr. S Ngubane	155	-	111	-	-	29	295
Mr. U Oliphant	-	211	-	-	-	4	215
Mr. Z Phakathi	117	-	99	-	-	6	222
Mr. M Phasha	186	-	-	22	26	41	274
Ms. M Radebe	121	-	-	59	-	1	181
Mr. M Thango	-	107	-	-	-	4	112
Ms. Z Tshabalala	-	91	-	-	-	1	91
Mr. C Mervin**	17	-	-	-	-	1	18
Mr. S Ngobeni	-	33	-	-	-	1	34
<b>Total as per AFS</b>	<b>1 774</b>	<b>545</b>	<b>457</b>	<b>242</b>	<b>146</b>	<b>260</b>	<b>3 424</b>

\* The member resigned from the MICT SETA Board on 04 March 2019. The payments relate to outstanding fees.

The remuneration of Board members above does not include Conference fees, Training and Accommodation and other incidental costs paid for on behalf of the board. These are included as part of the board expenses in note 20 of the annual financial statements.

The term for all the board members ended on 31 March 2020. The Audit and Risk Committee members' term was extended until the end of September 2020 to enable the effective running of the 2019/20 audit.

\*\* The member resigned from the MICT SETA Board on 1 September 2019. The payments relate to outstanding fees.

#### DID YOU KNOW?

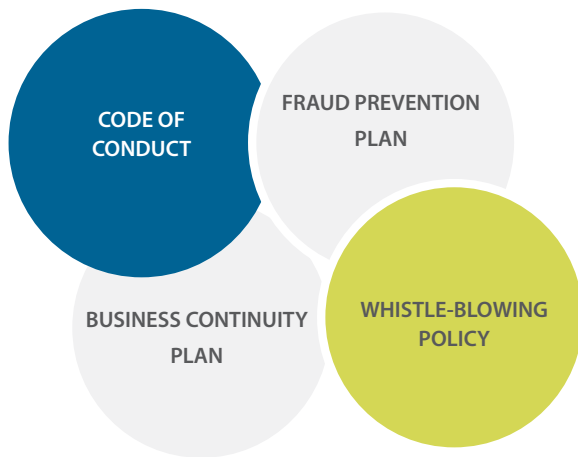


The MICT SETA employees and stakeholders can anonymously call the anti-corruption toll-free number posted on the MICT SETA website home page, email or telephone the office of the Chief Executive Officer, or the Chairperson of the Accounting Authority by accessing the MICT SETA website for contact numbers.

# 5. Risk Management

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

The Risk Management Strategy is underpinned by the:



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. 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, with a few improvements that could be made going forward.

# 6. Internal Control Unit

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

Furthermore, the MICT SETA 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 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 through the Audit and Risk Management Committee. The essence of risk management at the MICT SETA is the protection of the SETA's reputation and its ability to meet its mandate.

# 7. Internal Audit and Audit Committees

## 7.1 Internal Audit

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

The following audits were undertaken in the 2019/20 financial year:

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

## 7.2 Review of effectiveness of internal controls

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

- Learning Programme Interventions (Discretionary Grants, Commitment Schedule)
- Compliance to Supply Chain Management Policies and Processes

- Risk Management
- ICT General and Applications Controls
- Human Resources
- Implementation of action plans to address audit findings
- Management of irregular, fruitless and wasteful expenditure
- Data migration on the newly in-housed Accounting system

The Committee expressed its concern regarding slow progress made by management during the year in addressing internal control deficiencies identified by internal and external audit. The Committee expressed concern over migration of data on the Accounting system.

## 7.3 Audit and Risk Committee

The key activities and objectives of the Audit and Risk Committee, together with the attendance of the Audit and Risk Committee Members are contained on pages 67 to 69.

# 8. Compliance with Laws and Regulations

The SETA Governance Charter was reviewed and approved on 4 March 2019, which requires the MICT SETA to submit quarterly compliance reports to the DHET. The MICT SETA has further trained its management and employees on statutory requirements; conducted

periodic annual policy reviews; effected controls through the existence of an effective Internal Audit function; and followed a prescribed compliance reporting schedule.

The MICT SETA complied with the legal requirements such as:

Document or Statutory Requirement	Action
1. Sector Skills Plan	Approved and submitted to DHET on 14 June 2019 for the first draft and 1 August 2019 for the final version.
2. Strategic Plan	Approved and submitted draft to DHET on 15 September 2019 and final draft on 29 November 2019
3. Annual Performance Plan	Approved and submitted draft to DHET on 15 September 2019 and final draft on 29 November 2019
4. Employment Equity Plan and Report	Submitted to the Department of Labour on 15 January 2020
5. Procurement Plan 2019/20	Submitted to DHET and Treasury on 27 March 2019
6. Workplace Skills Plan 2018/19	Submitted to ETDP SETA on 31 May 2019
7. Budget for 2019/20	Submitted to DHET on 30 August 2018 and revised budget on 01 November 2019.
8. Quarterly Reports (Finance and Performance Reports)	Finance: Submitted to DHET and National Treasury on 31 July 2019 (First Quarterly Report), 31 October 2019 (Second Quarterly Report), 31 January 2020 (Third Quarterly Report) and 31 May 2020 (Fourth Quarterly Report) Performance Reports: Submitted to DHET on 15 July 2019 (First Quarterly Report), 15 October 2019 (Second Quarterly Report), 15 January 2020 (Third Quarterly Report) and 15 April 2020 as well as a resubmission on extended COVID deadline on 31 May 2020 (Fourth Quarterly Report)
9. Quarterly Reports (Meetings of the Accounting Authority and Sub-Committees)	Submitted to DHET on 15 July 2019 (First Quarterly Report), 15 October 2019 (Second Quarterly Report), 15 January 2020 (Third Quarterly Report) and 24 April 2020 (Fourth Quarterly Report)
10. Quarterly Reports (Governance Reports)	Submitted to DHET on 15 August 2019 (First Quarterly Report), 15 October 2019 (Second Quarterly Report), 15 January 2020 (Third Quarterly Report) and 24 April 2020 (Fourth Quarterly Report)
11. AGM	Was held on 25 October 2019
12. Internal Audits and Findings	Reported to the Audit and Risk Committee
13. External Audits and Findings	Reported to the Audit and Risk Committee
14. Legal Cases	Reported to the Audit and Risk Committee
15. Fraudulent Activities	None
16. Policies	Policies were reviewed for 2019/20

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 Annual Financial Statements and Annual Report required under the Public Finance Management Act, 1999 (Act No. 1 of 1999). The SETA is further required to report to the newly formed B-BBEE commission on skills development spending and programmes.

Other matters of non-compliance not indicated above were identified by the Auditor-General during the audit and these have been indicated in the report of the Auditor-General on page 84-88.

## 9. Fraud and Corruption

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

The Fraud Prevention Plan consists of:

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

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

The MICT SETA utilises the national whistle-blowing toll-free number that whistle-blowers can use to report any suspected fraud and corruption anonymously. Employees and the MICT SETA Stakeholders can report any offence or suspected fraudulent activity to the toll-free number, the MICT SETA Management, or to the Accounting Authority.

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

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

**ANTI-CORRUPTION  
TOLL-FREE NUMBER**

**☎ 0800701701**



# 10. Minimising Conflict of Interest

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

Procedures have been put in place for the disclosure by the Members of the Accounting Authority and management of any such conflicts.

Accounting Authority Members, Management and

Employees who declare their interest have to recuse themselves from meetings and their recusals are minuted accordingly.

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

# 11. Code of Conduct

The MICT SETA Code of Conduct is informed by the Labour Relations Act Schedule 8 Code of Good Practice and King IV Code of Good Practice. It provides guidance with regard to ethical behaviour; both in terms of individual conduct as well as 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 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.

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

## 13. Board Secretary

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

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

## 14. Social Responsibility

The MICT SETA has created workplace exposure and empowered thirteen 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.



# 15. Audit and Risk Committee Report for the Period Ending 31 March 2020

The Audit and Risk Committee is pleased to present their report for the Financial Year ended 31 March 2020.

## 1. Audit and Risk Committee attendance 2019/2020

The Audit and Risk Committee meets at least four times per annum in line with its approved charter. Nine (9) meetings, including special meetings, were held during the year.

The table below discloses relevant information on the Audit and Risk Committee members.

Name of the Member	Date appointed	Number of meetings attended
Ms Nocwaka Oliphant - Independent Chairperson	03 August 2018	9
Mr Mfundo Thango - Independent Member	03 August 2018	8
Ms Zelda Tshabalala - Independent Member	03 August 2018	8
Mr Thamsanqa Mzileni - Board Representative	01 April 2018	9
Ms Ulandi Exner – Board Representative	01 April 2018	6

## 2. Audit and Risk Committee Responsibility

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

## 3. The Effectiveness of Internal Controls

The Audit and Risk Committee obtains assurances from management, internal audit and the external auditors on the effectiveness of governance, risk management and internal controls in the areas of financial management, performance management, compliance management and information communication and technology (ICT). Management has made positive progress in addressing the internal control deficiencies that have been reported

on in previous years by internal audit and the external audit. Some weaknesses in the system of internal controls remained for the period, and were raised with management and the Board. Management is still in the process of rectifying the weaknesses that have not been fully addressed.

## 4. Risk Management

The Audit and Risk Committee is responsible for oversight of risk management. The Board has adopted a risk management framework, strategy and relevant policies for the SETA, in line with the PFMA. The SETA has established a risk management committee, chaired by an independent person, that reports quarterly to the audit and risk committee. The risk management processes are reviewed by internal audit. There has been an improvement in the risk management processes of the SETA from the previous year. The Audit and Risk Committee is satisfied with the overall risk management function and made recommendations to management to enhance the risk function.

## 5. Internal Audit

The SETA's internal audit function is outsourced and was operational for the entire period under review. The independence of the internal audit was monitored throughout the period. Internal audit follows a risk-based approach which incorporates management's risk assessment. The internal audit plans and reports that were issued for the period under review were all reviewed by the Audit and Risk Committee.

The following internal audits were completed during the year under review:

- Performance Information
- Supply Chain Management
- Assets Management
- Learning Programme Interventions (Discretionary Grants, Commitment Schedule)
- Human Resources
- ICT General and Applications Review
- Data Migration
- Risk Management
- ETQA Department (Programme 4)
- Follow Up Audits

The overall assessment of internal audit is that "Certain controls were adequate and effective; however for those issues of ineffectiveness of controls raised during the audits, we are concerned that it would have a potential significant impact on the entity if not immediately addressed".

## 6. Evaluation of the Finance Function

The finance function is adequately capacitated and led by a suitably qualified and competent Chief Financial Officer. The Audit and Risk Committee is overall satisfied with the performance of the finance function for the period under review.

## 7. Evaluation of Annual Financial Statements

The Audit and Risk Committee has reviewed the annual financial statements, which focused on the following:

- Significant financial reporting judgments and estimates contained in the annual financial statements.
- Clarity and completeness of disclosures, and whether disclosures made have been set properly in context.
- Quality and acceptability of, and any changes in, accounting policies and practices.
- Compliance with accounting standards and legal requirements.
- Significant adjustments and/or unadjusted differences resulting from the audit.
- Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted.
- Reasons for major year-on-year fluctuations, including variances of actual versus budget.
- Asset valuations and revaluations.
- Levels of general and specific provisions.
- Write-offs.
- The basis for the going concern assumption, including any financial sustainability risks and issues.

Except for the matters identified by the External Auditors in the audit report, the audit committee is comfortable that the annual financial statements fairly present the financial position of MICT SETA as at 31 March 2020.

## 8. External Auditor's Report

The Audit and Risk Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the External Auditor's Report.

## 9. Appreciation

The Audit and Risk Committee expresses its sincere appreciation to the Board, CEO, Management team, Internal Audit and External audit for their co-operation towards us achieving the requirements of our Charter as mandated.



**MS NOCWAKA OLIPHANT**

Chairperson of the Audit and Risk Committee MICT SETA

23 October 2020



# 15. B-BBEE Compliance Performance Information

The MICT SETA is committed to Black Economic Empowerment (BEE) and all its business activities are aligned with the national transformation agenda and thus complying with the B-BBEE Act 2003. The Supply Chain Management division seeks to assist the Accounting Authority in discharging its responsibility to ensure that Broad-Based Black Economic Empowerment (B-BBEE) is pursued and implemented throughout the MICT SETA. This is being done through direct targeting of 100% black-owned entities when issuing RFQs and competitive bids.

For the period under review, the MICT SETA is still undergoing B-BBEE verification process to review its performance against the set targets on the B-BBEE sector codes. Commencing October 2019, strategic B-BBEE initiatives have resulted in all competitive bids and RFQs that have been issued clearly stating prequalification criteria that seeks to attract B-BBEE level 1 or level 2 who are only Emerging Micro-Enterprise as well as Qualifying Small Enterprise. Through the supply chain management division, the MICT SETA believes these initiatives will transform the B-BBEE spend, and will have a positive impact on the MICT SETA B-BBEE score card. This will be evidenced by the conclusion of the B-BBEE verification process.

# redPanda opening up gainful workplace-based training opportunities

Earlier this year, redPanda Software scooped an Employer’s Recognition Award when it was recognised by the Western Cape Government as having “played an influencing role in opening up gainful workplace-based training opportunities” as well as effectively leveraging funds to promote skills development.

Since 2010, redPanda Software, with support from the MICT SETA, has implemented an internship programme whereby the company takes on 10 learners (unemployed graduates) for 12-month internships. To date, the company has taken on over 70 interns, and remarkably, 99% of these interns have remained at the company. According to Hawkey, some of the company’s top developers started out as interns.

“We have been fully committed to skills development over the past several years. It has been intensely rewarding to see the very positive and tangible results of our efforts and it is a great honour to have received this acknowledgement,” says Gareth Hawkey, Group CEO, redPanda Software.

“This uniquely high retention rate can be attributed to our recruitment process,” notes Hawkey. “We select our interns with very specific skills and roles with the intention of them becoming an integral part of the company – in other words, with the vision of a long-term commitment and prosperous working relationship.”

“We moreover place great emphasis on networking and forming key partnerships, and we are, for example, affiliated to the Apprenticeship Game Changer programme with the Department of Economic Development and Tourism at the Western Cape Government. We are also immensely grateful to MICT SETA for their consistent support throughout the years,” says Hawkey.





PART D



# HUMAN RESOURCE MANAGEMENT

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# 1. Introduction

## 1.1 Overview of Human Resources Matters

MICT SETA offers a compelling employee value proposition that is relevant in a dynamic and continuously evolving environment, to attract, engage, develop, and retain top performing talent.

MICT SETA achieves this by developing policies and strategies by which employees feel recognised, encouraged and appreciated for their contribution.

The above is achieved by competitively remunerating employees against appropriate benchmarks, creating policies that encourage continuous learning, and revising job outputs and organisational structure to determine future focus areas.

This process impacts the employee base and the concomitant people costs, recruitment, talent retention, bench strength, and succession planning processes.

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

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

- Strengthen “good governance practices”
- Developed new ways of doing things, focusing on compliance and continuous improvement
- Attracted and retained highly competent employees
- Culture change and organisational design

- People and Leadership practices; agility and dynamism is being challenged and developed so that organisational behaviour can follow

The above priorities continue to contribute 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

In the year under review, a targeted graduate development programme (internship programme) aimed at unemployed youth in the strategic areas of our entity such as ICT and Finance division was implemented.

The programme is intended to afford these learners much needed work experience to improve their employability whilst increasing the entity’s bench strength in these areas.

Other than a reasonable budget allocated to employee PDP’s on soft skills, MICT SETA further supports its employees by offering bursaries to employees across levels who wish to pursue their tertiary studies.

MICT SETA further supplemented the leadership bench with external appointments in a way that positively impacts on the current and future leadership.

Strategies used to attract and recruit a skilled workforce are:

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

## 1.4 Employee Performance

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

The positive continual performance improvement of employees is reinforced through the use of performance rewards linked to the individual's 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 or as and when the need arises, to align them with any legislative and regulatory changes, environmental changes and the MICT SETA's Strategic Plan.

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

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

## 1.7 Achievements

The Human Resource Unit achieved the following:

- Objectives contained in the Human Resource Operational Plan
- Annual review of the Human Resource Policies and Procedures
- Total overhaul of the organisational structure in line with strategic objectives
- Attracted and retained over 85% of human resources talent

## 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
- Functional training
- HR Management Information System

## 1.9 Future Human Resource Plans / Goals

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

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

## 2. Human Resource Oversight Statistics

2.1 Personnel by Cost Programme					
Programme	Total Expenditure	Personnel Expenditure	Expenditure %	No. of Employees	Ave. Cost Personnel
	R'000	R'000			R'000
Programme 1: Administration	334,086	17,641	5%	35	504
Programme 2: Sector Skills Planning	57,272	3,555	6%	6	592
Programme 3: Learning Programmes	439,085	18,295	4%	46	398
Programme 4: ETQA	190,906	8,929	5%	20	446
<b>Total per AFS</b>	<b>1,021,349</b>	<b>48,420</b>	<b>5%</b>	<b>107</b>	<b>453</b>

## 2.2 Personnel by Salary Band

Level	Total Expenditure	Personnel Expenditure	Expenditure %	No. of Employees	Average Personnel
	R'000	R'000			R'000
Senior Management	57,272	8,220	14%	6	1,370
Professional Qualified	95,453	7,783	8%	10	778
Skilled	314,995	17,044	5%	33	516
Semi-skilled	391,358	13,087	3%	41	319
Unskilled	162,270	2,286	1%	17	134
	<b>1,021,349</b>	<b>48,420</b>	<b>5%</b>	<b>107</b>	<b>453</b>

## 2.3 Performance Rewards

Programme	Personnel Expenditure	Performance Reward	Reward %	No. of Employees
	R'000	R'000		
Senior Management	8,220	101	1%	7
Professional Qualified	7,783	507	7%	10
Skilled	17,044	2,661	16%	26
Semi-skilled	13,087	1,369	10%	23
Unskilled	2,286	31	1%	1
	<b>48,420</b>	<b>4,670</b>	<b>10%</b>	<b>67</b>

## 2.4 Training Costs

Programme	Personnel Expenditure	Training Expenditure	Training Expenditure %	No. of Employees	Average Training Costs
	R'000	R'000			R'000
Programme 1: Administration	17,641	798	5%	28	28
Programme 2: Sector Skills Planning	3,555	124	3%	6	21
Programme 3: Learning Programmes	18,295	234	1%	7	33
Programme 4: ETQA	8,929	45	1%	2	23
	<b>48,420</b>	<b>1,201</b>	<b>2%</b>	<b>43</b>	<b>105</b>

## 2.5 Employment and Vacancies

Level	2018/19 Employee	2019/20 Approved	Number of Employees	Vacancies	% of Vacancies
Top Management	0	1	1	0	0.0%
Senior Management	3	9	6	3	2.7%
Professionally Qualified	7	9	8	1	0.9%
Skilled	27	34	29	5	4.5%
Semi-skilled	37	37	35	2	1.8%
Unskilled	4	1	1	0	0.0%
Temporary	3	20	15	5	4.5%
<b>Total</b>	<b>81</b>	<b>111</b>	<b>95</b>	<b>16</b>	<b>14.4%</b>

2018/19 figures are as reported in the previous Annual Report

% of vacancies calculated as a % of the approved organisational structure of 111

## 2.6 Employment Changes

Salary band	Employment at the Beginning of Period	Appointments	Terminations	Employment at the End of Period
Top Management	0	1	0	1
Senior Management	3	3	0	6
Professionally Qualified	7	2	0	8
Skilled	27	3	4	29
Semi-skilled	37	4	1	35
Unskilled	1	0	0	1
Temporary	6	16	1	15
<b>Total</b>	<b>81</b>	<b>29</b>	<b>6</b>	<b>95</b>

*Appointments were due to additional headcount and some terminations that occurred in the previous financial year. Temporary appointments include three short-term (relieving) temporary staff.*

## 2.7 Reasons for Staff Leaving

Reason	Number	% of Total Number of Staff Leaving
Death	0	0%
Resignation	5	5%
Dismissal	1	1%
Retirement	0	0%
Ill-health	0	0%
Expiry of contract	3	3%
Other	0	0%
<b>Total</b>	<b>9</b>	<b>9%</b>

*% calculated at March 2020 closing headcount of 95*

## 2.8 Labour Relations - Misconduct and Disciplinary Action

Nature of disciplinary action	Number
Verbal warning	1
Written warning	1
Final written warning	1
Suspension pending investigation	3
Dismissal	1
<b>Total</b>	<b>7</b>

## 2.9 Employment Equity Target and Employment Equity Status

Male					Female				
Level	African		Coloured		Level	African		Coloured	
	Current	Target	Current	Target		Current	Target	Current	Target
Top Management	1	1	0	0	Top Management	0	0	0	0
Senior Management	4	2	0	0	Senior Management	2	2	0	0
Professionally Qualified	5	4	0	0	Professionally Qualified	3	3	0	0
Skilled	11	11	0	0	Skilled	18	13	0	1
Semi-skilled	18	14	0	0	Semi-skilled	16	14	1	2
Unskilled	0	6	0	1	Unskilled	1	6	0	0
Temporary	6	0	0	0	Temporary	9	0	0	0
<b>Total</b>	<b>45</b>	<b>38</b>	<b>0</b>	<b>1</b>	<b>Total</b>	<b>49</b>	<b>38</b>	<b>1</b>	<b>3</b>
Disabled Staff									
Level	African		Coloured		Level	African		Coloured	
	Current	Target	Current	Target		Current	Target	Current	Target
Top Management	0	0	0	0					
Senior Management	0	0	0	0					
Professionally Qualified	0	0	0	0					
Skilled	0	0	0	0					
Semi-skilled	0	1	0	0					
Unskilled	0	0	0	0					
Temporary	0	0	0	0					
<b>Total</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>					



# Visual Impact Academy equips interns with world-class broadcast skills

The Visual Impact Academy's partnership with the MICT SETA has yielded extraordinary results this year. The intensive exposure to, and training in broadcast skills, have opened doors for nearly 40 interns.

At the top of the list of achievements is the placement of three interns in permanent positions at the South African Heritage Resource Agency (SAHRA). The interns have been trained in camerawork, sound recording, social media analysis, and editing. The Academy will provide equipment, support and mentorship even beyond the end date of their internship.

In addition, an international Netflix production, Wandering Spirits, employed three interns. The producers were so impressed with the interns' performance that they have requested to employ the same interns for the 2020 season of the production.

In the largest utilisation of our interns, the reality TV show Survivor-Samoa employed 22 interns to assist with the grand finale of this production in Cape Town.

Interns were responsible for camera setup and assisting with grips, make-up and production duties.

Another team of four interns produced a training video for Bowler Plastics, one of the Western Cape's biggest producers of moulded plastic units. Based on the good results, they have been employed to produce more training videos for the company in 2020.

Two interns were employed by international reality TV company Afrokaans on a Kyknet Reality TV show called Style Squad. Both interns received high praise and are standing in line to be employed on the next Kyknet Reality TV show.

One of the Academy's strategic partners, Visual Impact, will take on three interns in permanent positions to work in the Broadcast Equipment Rentals department.

A big thank you to the MICT SETA for enabling the Academy to realise these successes.





# PART E



# FINANCIAL INFORMATION

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# 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

### OPINION

1. I have audited the financial statements of the Media, Information and Communication Technologies Sector Education and Training Authority (MICT-SETA) set out on pages 90 to 129 which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, statement of cash flows 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.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the MICT-SETA as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act no. 97 of 1998) (SDA).

### BASIS FOR OPINION

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

### EMPHASIS OF MATTER

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

## Events after the reporting date:

7. I draw attention to note 26 to the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of Covid-19 on the entity's future prospects, performance and cash flows.

### RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
9. In preparing the financial statements, the accounting authority is responsible for assessing the 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 appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

10. 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.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### INTRODUCTION AND SCOPE

12. 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 on the usefulness and reliability of the reported performance information against predetermined objectives for the selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. My procedures address the usefulness and reliability of 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 / measures included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do 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.
14. 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 programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programmes	Pages in the annual performance report
Programme 3: learning programmes	36 – 39

15. 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.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
  - Programme 3: learning programmes

#### OTHER MATTERS

17. I draw attention to the matters below.

#### ACHIEVEMENT OF PLANNED TARGETS

18. Refer to the annual performance report on pages 25 to 42 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets.

### Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of 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.

### Report on the audit of compliance with legislation

#### INTRODUCTION AND SCOPE

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

### Annual financial statements

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(a) and (b) of the PFMA.
23. Material misstatements of discretionary grant expenses, discretionary grant accruals, and the discretionary grant and commitments disclosure note identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### EXPENDITURE MANAGEMENT

24. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R83 339 000 as disclosed in note 28 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the irregular expenditure was caused by overspending on the approved budget for three successive years.
25. Expenditure was incurred in excess of the approved budget, in contravention of section 53(4) of the PFMA.

## OTHER INFORMATION

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the reports by the chairpersons of the MICT-SETA board and the audit and risk committee, the report by the chief executive officer and remarks by the executive authority. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.
27. 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.
28. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. I have nothing to report in this regard.

## INTERNAL CONTROL DEFICIENCIES

30. 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 findings on the annual

performance report and the findings on compliance with legislation included in this report.

31. Instances of non-compliance with the entity's own internal policies and procedures were identified, and the oversight provided by management was not sufficient to prevent these deficiencies.
32. The public entity had not filled senior management positions critical to the operations of the entity as at year-end.
33. Action plans developed to address previously identified control deficiencies were not adequately followed up.
34. The public entity submitted Annual Financial Statements and an annual performance report for audit purposes that contained material misstatements.
35. The public entity did not comply with all applicable laws and regulations in relation to procurement and performance management.

*auditor - General*

Pretoria

30 September 2020



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

# Annexure – Auditor-General’s responsibility for the audit

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

## Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
  - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty

exists relating to events or conditions that may cast significant doubt on the ability of the entity 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 my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause an entity to cease operating as a going concern

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

## Communication with those charged with governance

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



# ANNUAL FINANCIAL STATEMENTS

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

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# Accounting Authority's Responsibilities and Approval

The Accounting Authority/Board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the Audited Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Authority/Board to ensure that the Audited 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 Audited Annual Financial Statements and are given unrestricted access to all financial records and related data.

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

The Audited Annual Financial Statements set out on pages 91 to 130, which have been prepared on a going concern basis, were approved by the Accounting Authority on 30 September 2020 and were signed on its behalf by:



**MR SIMPHIWE THOBELA**

Chairperson of the Board  
30 September 2020



**MR MDU ZAKWE**

Chief Executive Officer  
30 September 2020

# Statement of Financial Position

AS AT 31 MARCH 2020

	Note(s)	2020 R'000	2019 R'000
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	449	334
Accounts receivables from exchange transactions	4	4 488	1 606
Accounts receivables from non-exchange transactions	5	1 690	2 454
UIF Receivables	6	38 338	-
Cash and cash equivalents	7	432 179	476 798
		<b>477 144</b>	<b>481 192</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	3 288	4 205
Intangible assets	9	3 556	314
		<b>6 844</b>	<b>4 519</b>
<b>Total Assets</b>		<b>483 988</b>	<b>485 711</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable from non-exchange transactions	10	109 933	114 782
Finance lease obligation	11	243	188
Accounts payables from exchange transactions	12	7 960	7 748
Provisions	13	17 990	14 594
UIF Deferred Revenue	6	38 338	-
		<b>174 464</b>	<b>137 312</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	11	155	399
		<b>155</b>	<b>399</b>
<b>Total Liabilities</b>		<b>174 619</b>	<b>137 711</b>
<b>NET ASSETS</b>		<b>309 369</b>	<b>348 000</b>
Net assets represented by:			
Administration reserve		6 844	4 518
Employer grant reserve		604	969
Discretionary reserve		301 921	342 513
<b>TOTAL NET ASSETS</b>		<b>309 369</b>	<b>348 000</b>

# Statement of Financial Performance

FOR THE YEAR ENDED 31 MARCH 2020

	Note(s)	2020 R'000	2019 R'000
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Skills Development Levies	15	938 390	866 992
Skills Development Levy - Interest		8 849	4 845
Skills Development Levy - Penalties		8 747	8 254
Other revenue - grants received	17	77	75
<b>Total revenue from non-exchange transactions</b>		<b>956 063</b>	<b>880 166</b>
<b>Revenue from exchange transactions</b>			
Other revenue	17	-	304
Finance revenue	16	26 654	26 550
<b>Total revenue from exchange transactions</b>		<b>26 654</b>	<b>26 854</b>
<b>TOTAL REVENUE</b>		<b>982 717</b>	<b>907 020</b>
<b>Expenditure</b>			
Finance costs	18	132	87
Discretionary grant expenses	19	749 907	560 418
Mandatory grant expenses	19	175 082	166 826
Administration expenses	20	96 228	92 748
<b>TOTAL EXPENDITURE</b>		<b>1 021 349</b>	<b>820 079</b>
<b>(DEFICIT) SURPLUS FOR THE YEAR</b>	14	<b>(38 632)</b>	<b>86 941</b>

# Statement of Changes in Net Assets

	Administration reserve	Mandatory reserve	Discretionary reserve	Total reserves
	R'000	R'000	R'000	R'000
<b>Balance at 01 April 2018</b>	<b>4 353</b>	<b>536</b>	<b>256 166</b>	<b>261 055</b>
Surplus for the year	21 345	49 336	16 260	86 941
Transfer of surplus to discretionary reserves	(21 180)	(48 903)	70 087	-
<b>Total changes</b>	<b>165</b>	<b>433</b>	<b>86 347</b>	<b>86 945</b>
<b>BALANCE AT 01 APRIL 2019</b>	<b>4 518</b>	<b>969</b>	<b>342 513</b>	<b>348 000</b>
(Deficit)Surplus for the year	26 886	58 998	(124 516)	(38 632)
Transfer of surplus to discretionary reserves	(24 560)	(59 363)	83 923	-
<b>Total changes</b>	<b>2 326</b>	<b>(365)</b>	<b>(40 593)</b>	<b>(38 632)</b>
<b>BALANCE AT 31 MARCH 2020</b>	<b>6 844</b>	<b>604</b>	<b>301 921</b>	<b>309 369</b>

# Cash Flow Statement

	Note(s)	2020	2019
		R'000	R'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Skills development levies, interest & penalties		955 986	882 086
Finance revenue		26 404	26 262
Other cash receipts from stakeholders		77	378
		<b>982 467</b>	<b>908 726</b>
<b>Payments</b>			
Employer grants and programme payments		(930 147)	(698 523)
Payments to suppliers and other stakeholders		(46 657)	(54 865)
Compensation of employees		(46 201)	(38 386)
Finance costs		(132)	(87)
		<b>(1 023 137)</b>	<b>(791 861)</b>
<b>Net cash outflows from operating activities</b>	21	<b>(40 670)</b>	<b>116 865</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(1 155)	(1 228)
Purchase of intangible assets	9	(2 606)	-
<b>Net cash flows used in investing activities</b>		<b>(3 761)</b>	<b>(1 228)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(188)	(69)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(44 619)</b>	<b>115 568</b>
Cash and cash equivalents at the beginning of the year		476 798	361 230
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	7	<b>432 179</b>	<b>476 798</b>

# Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis					
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R'000	R'000	R'000	R'000	R'000
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from non-exchange transactions</b>					
Skills Development Levies	854 000	78 314	<b>932 314</b>	938 390	<b>6 076</b>
Skills Development Levies: Interest	-	1 932	<b>1 932</b>	8 849	<b>6 917</b>
Skills Development Levies: Penalties	-	3 715	<b>3 715</b>	8 747	<b>5 032</b>
Other revenue	-	112	<b>112</b>	77	<b>(35)</b>
Finance revenue	-	-	-	-	-
<b>Total revenue from non-exchange transactions</b>	<b>854 000</b>	<b>84 073</b>	<b>938 073</b>	<b>956 063</b>	<b>17 990</b>
<b>Revenue from exchange transactions</b>					
Finance revenue	22 296	6 037	<b>28 333</b>	26 654	<b>(1 679)</b>
Other revenue	-	-	-	-	-
<b>Total revenue from exchange transactions</b>	<b>22 296</b>	<b>6 037</b>	<b>28 333</b>	<b>26 654</b>	<b>(1 679)</b>
<b>Expenditure</b>					
Discretionary grant expenses	582 733	69 237	<b>651 970</b>	749 907	<b>97 937</b>
Mandatory grant expenses	181 475	10 598	<b>192 073</b>	175 082	<b>(16 991)</b>
Administration expenditure	112 088	10 275	<b>122 363</b>	96 228	<b>(26 135)</b>
Finance costs	-	-	-	132	<b>132</b>
<b>Total expenditure</b>	<b>(876 296)</b>	-	<b>(966 406)</b>	<b>(1 021 349)</b>	<b>54 943</b>
<b>(DEFICIT) SURPLUS FOR THE YEAR</b>	-	-	-	<b>(38 632)</b>	<b>(38 632)</b>

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

# Accounting Policies

## 1. Presentation of Audited Annual Financial Statements

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

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

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

### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

The Minister of Higher Education and Training promulgated the National Skills Development Plan 2030 on 7 March 2019 whereby the SETA lifespan is declared unlimited and the mechanism to address non-performance will be established.

The announcement by the president of the country on 21 April 2020 on the four months relief given to employers in respect of the payment of Skills Development Levy has posed a risk of going concern to the organisation;

however MICT SETA has enough reserves to respond to this risk and is also intending to reduce its commitments as part of response to this risk. Other than the risk mentioned, there are no known instances that cast doubt on the MICT SETA's ability to continue as a going concern.

### 1.3 Inventories

Inventory is comprised of consumables.

Consumables are recognised as an asset on the date of acquisition and are measured at the cost of acquisition. Inventory is subsequently measured at lower of cost and net realisable value.

Consumables are subsequently recognised in surplus or deficit 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 financial period.

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

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

Property, plant and equipment is initially measured at cost.

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



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

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

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

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 8).

## 1.5 Intangible assets

An intangible asset is recognised when:

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

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

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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

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

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

Long-term provisions are discounted to net present value.

The cost of employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up

to the Statement of Financial Position date. Provisions included in the Statement of Financial Position are provisions for 13<sup>th</sup> 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 23.

## 1.8 Significant judgements and sources of estimation uncertainty

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

### Accounts receivable

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

## Allowance for slow moving, damaged and obsolete stock

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

## Impairment testing

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

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 13.

## 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); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

## 1.10 Revenue from exchange transactions

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

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

## 1.11 Revenue from non-exchange transactions

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

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

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

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

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

# Accounting Policies

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.

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

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

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

Revenue is adjusted for transfers of employers between SETAs. Such adjustments are separately disclosed as inter-SETA transfers. The amount of the inter-SETA adjustments

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

## Interest and penalties

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

Funds allocated by the National Skills Fund or any other entities of government for special projects

Funds transferred are accounted for in the Audited 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 Special Projects are capitalised in the Audited 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.

## 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.

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

### Programme expenditure

Programme expenditure comprises:

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

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

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

### Retrospective adjustments by SARS

The MICT SETA refunds amounts to employers in the form of grants, based on information from SARS. Where

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

## 1.13 Reserves

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

- Administration reserve
- Mandatory (Employer grant) reserve
- Discretionary reserve; and
- Unappropriated surplus

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%
	<b>80%</b>
Contribution to National Skills Funds	20%
<b>TOTAL</b>	<b>100%</b>

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.

# Accounting Policies

Surplus funds in the Administration reserve and unallocated funds in the Mandatory (Employer grant) reserve are moved to the Discretionary fund reserve. Provision is made in Mandatory grant reserve for newly registered companies, participating after the legislative cut-off date.

## 1.14 Comparative figures

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

## 1.15 Fruitless and wasteful expenditure

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

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

## 1.16 Irregular expenditure

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

- a. this Act (the PFMA Act); or
- b. the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- c. any provincial legislation providing for procurement procedures in that provincial government.

## 1.17 Taxation

The SETA received confirmation of the tax exemption on 04 April 2017, following the process of registering for income tax and applying for exemption as advised, after receiving correspondence from SARS about the tax status of all SETAs.

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

## 1.18 Segment information

A segment is an activity of an entity:

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

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

## 1.19 Budget information

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

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

The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

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

## 1.20 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.

## 1.21 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.

# Accounting Policies

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.

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.

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.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in price of one currency in relation to another.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

## Initial recognition

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

## Initial measurement of financial assets and financial liabilities

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



## Subsequent measurement of financial assets and financial liabilities

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

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

## Impairment of financial assets

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

Financial assets measured at amortised cost:

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

The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

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

# Notes to the Audited Annual Financial Statements

## 2. New standards and interpretations

### 2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

Standard/ Interpretation	Effective date	Expected impact
	Years beginning on or after	
Guideline: Guideline on the Application of Materiality to Financial Statements	To be determined	Unlikely there will be a material impact
IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact

## 3. Inventories

	2020	2019
	R'000	R'000
Inventory is comprised of stationery and office consumables.		
<b>Consumables and stationery</b>	<b>449</b>	<b>334</b>

## 4. Accounts receivables from exchange transactions

	2020	2019
	R'000	R'000
Employee costs in advance	25	94
Prepayments	2 789	30
Deposits	1 060	804
Sundry receivables	666	677
Fruitless and wasteful expenditure	-	1
Provision for bad debts	(52)	-
	<b>4 488</b>	<b>1 606</b>

# Notes to the Audited Annual Financial Statements

## 5. Accounts receivables from non-exchange transactions

	2020	2019
	R'000	R'000
Receivables - Employer grants	2 656	2 464
Provision for bad debts	(966)	(10)
	<b>1 690</b>	<b>2 454</b>

## 6. UIF Project

The MICT SETA entered into a Service Level Agreement with the Unemployment Insurance Fund (UIF) on the 29 March 2019 for funding of a learnership training programme for 3 249 learners. The total contracted amount is R191.691million for a period of 15 months whereby UIF is contributing 80% towards the programme, and MICT SETA will contribute 20%. At year end, the SETA had a contractual right to receive cash of R 38.338million from UIF, being 80% of the first tranche payment of R 47.922million, based on all the deliverables being met at year end and duly submitted to UIF before 31 March 2020.

The SETA has a corresponding obligation to transfer the asset receivable from UIF to a third party or return the asset back to the UIF. At year end, the SETA had not yet transferred the asset to a third party due to the third party not having met all conditions to allow a release of the obligation resulting in the deferred revenue.

## 7. Cash and cash equivalents

	2020	2019
	R'000	R'000
<b>Cash and cash equivalents consist of:</b>		
Cash on hand	7	1
Bank balances	139 798	203 828
Short-term investments	292 374	272 969
	<b>432 179</b>	<b>476 798</b>

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 6.08% (2019: 6.29%). Short-term investments are held with the Corporation for Public Deposits and Investec at 76.39% and 23.61%, respectively.

The Skills Development Act Regulation states that a SETA may, if not otherwise specified by the PFMA, invest the monies in accordance with Investment Policy approved by the relevant SETA. Treasury Regulations 31.3.3 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 31.3.3 to invest surplus funds with the Corporate for Public Deposits, surplus funds are invested in line with an Investment Policy as required by the Treasury Regulation 31.3.5. Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are held with the registered banking institutions or the Corporation of Public Deposits. These are subject to an insignificant risk of change in value.

# Notes to the Audited Annual Financial Statements

## 8. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Furniture and fittings	3 739	(2 651)	1 088	3 468	(2 308)	1 160
Motor vehicles	382	(382)	-	382	(345)	37
Office equipment	2 644	(1 813)	831	2 561	(1 344)	1 217
Computer equipment	5 273	(4 047)	1 226	4 495	(3 038)	1 457
Leasehold improvements	1 506	(1 363)	143	1 480	(1 146)	334
<b>TOTAL</b>	<b>13 544</b>	<b>(10 256)</b>	<b>3 288</b>	<b>12 386</b>	<b>(8 181)</b>	<b>4 205</b>

### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
	R'000	R'000	R'000	R'000
Furniture and fittings	1 160	270	(342)	<b>1 088</b>
Motor vehicles	37	-	(37)	-
Office equipment	1 217	80	(466)	<b>831</b>
Computer equipment	1 457	778	(1 009)	<b>1 226</b>
Leasehold improvements	334	27	(218)	<b>143</b>
<b>TOTAL</b>	<b>4 205</b>	<b>1 155</b>	<b>(2 072)</b>	<b>3 288</b>

### Reconciliation of property, plant and equipment - 2019

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

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2020	2019
	R'000	R'000

#### Expenditure incurred to repair and maintain property, plant and equipment

Repairs & Maintenance	204	161
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Expenditure incurred to repair and maintain property, plant and equipment is included in Statement of Financial Performance in the repairs and maintenance expenditure line item. The prior year amount has been updated to R161 000 as per note 20.

# Notes to the Audited Annual Financial Statements

## 9. Intangible assets

Figures in Rand thousand

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software, other	1 490	(1 454)	36	1 490	(1 176)	314
Intangible assets under development	3 520	-	3 520	-	-	-
<b>TOTAL</b>	<b>5 010</b>	<b>(1 454)</b>	<b>3 556</b>	<b>1 490</b>	<b>(1 176)</b>	<b>314</b>

### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
	R'000	R'000	R'000	R'000
Computer software	314	-	(278)	36
Intangible assets under development	-	3 520	-	3 520
<b>TOTAL</b>	<b>314</b>	<b>3 520</b>	<b>(278)</b>	<b>3 556</b>

### Reconciliation of intangible assets - 2019

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

Intangible assets under development comprises expenditure incurred on the development of a new Learner Management System.

## 10. Accounts payable from non-exchange transactions

	2020	2019
	R'000	R'000
<b>Designated at fair value</b>		
Grants payable - Mandatory	68 383	24 828
Grants payable - Discretionary	34 834	83 126
InterSETA and other payables	6 716	6 828
	<b>109 933</b>	<b>114 782</b>

## 11. Finance lease obligation

	2020	2019
	R'000	R'000
<b>Minimum lease payments due</b>		
- within one year	320	320
- in second to fifth year inclusive	168	488
	<b>488</b>	<b>808</b>
less: future finance charges	(89)	(221)
<b>Present value of minimum lease payments</b>	<b>399</b>	<b>587</b>

# Notes to the Audited Annual Financial Statements

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

The lease term is 3 years and the implicit interest rate was 26%.

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

## 12. Payables from exchange transactions

	2020	2019
	R'000	R'000
Service provider payables	1 587	4 424
Payroll payables	1 410	139
Payroll accruals	2 208	1 526
Accruals	2 475	1 434
Operating lease liability	280	225
	<b>7 960</b>	<b>7 748</b>

## 13. Provisions

Reconciliation of provisions - 2020				
	Opening Balance	Additions	Utilised during the year	Total
	R'000	R'000	R'000	R'000
Performance bonus	4 281	5 708	(4 170)	5 819
Exempt employers	10 314	3 134	(1 277)	12 171
	<b>14 595</b>	<b>8 842</b>	<b>(5 447)</b>	<b>17 990</b>

Reconciliation of provisions - 2019				
	Opening Balance	Additions	Utilised during the year	Total
	R'000	R'000	R'000	R'000
Performance bonus	4 288	3 578	(3 585)	4 281
	<b>4 288</b>	<b>3 578</b>	<b>(3 585)</b>	<b>4 281</b>
Exempt employers	9 872	442	-	10 314
	<b>9 872</b>	<b>442</b>	<b>-</b>	<b>10 314</b>

### 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 are being transferred to discretionary funds in line with the aforementioned Circular.

# Notes to the Audited Annual Financial Statements

## 14. Surplus for the year

Allocation of surplus for the year to reserves: 2019				
	Administration	Mandatory	Discretionary	Total
	R'000	R'000	R'000	R'000
<b>TOTAL REVENUE</b>	<b>114 180</b>	<b>216 162</b>	<b>576 678</b>	<b>907 020</b>
Administration levy (10,5%)	113 801	-	-	113 801
Mandatory levy (20%)	-	216 162	-	216 162
Discretionary levy (49,5%)	-	-	537 029	537 029
Penalties and interest	-	-	13 099	13 099
Finance revenue	-	-	26 550	26 550
Other revenue	379	-	-	379
<b>TOTAL EXPENDITURE</b>	<b>92 835</b>	<b>166 826</b>	<b>560 418</b>	<b>820 079</b>
Administration expenses	92 748	-	-	92 748
Mandatory expenses	-	166 826	-	166 826
Discretionary expenses	-	-	560 418	560 418
Finance costs	87	-	-	87
<b>SURPLUS PER STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>21 345</b>	<b>49 336</b>	<b>16 260</b>	<b>86 941</b>

Allocation of surplus for the year to reserves: 2020				
	Administration	Mandatory	Discretionary	Total
	R'000	R'000	R'000	R'000
<b>TOTAL REVENUE</b>	<b>123 246</b>	<b>234 080</b>	<b>625 391</b>	<b>982 717</b>
Administration levy (10,5%)	123 169	-	-	123 169
Mandatory levy (20%)	-	234 080	-	234 080
Discretionary levy (49,5%)	-	-	581 141	581 141
Penalties and interest	-	-	17 596	17 596
Finance revenue	-	-	26 654	26 654
Other revenue	77	-	-	77
<b>TOTAL EXPENDITURE</b>	<b>96 360</b>	<b>175 082</b>	<b>749 907</b>	<b>1 021 349</b>
Administration expenses	96 228	-	-	96 228
Mandatory expenses	-	175 082	-	175 082
Discretionary expenses	-	-	749 907	749 907
Finance costs	132	-	-	132
<b>(DEFICIT) SURPLUS PER STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>26 886</b>	<b>58 998</b>	<b>(124 516)</b>	<b>(38 632)</b>

## 15. Revenue

	2020	2019
	R'000	R'000

Levy income per Statement of Performance is as follows:

### Skills Development Levy-Administration

SDL income: Administration	123 154	113 814
InterSETA transfers in	-	2
InterSETA transfers out	15	(15)
<b>Administration levy income (10.5%)</b>	<b>123 169</b>	<b>113 801</b>

# Notes to the Audited Annual Financial Statements

	2020	2019
	R'000	R'000
<b>Skills Development Levy - Mandatory</b>		
SDL income: Mandatory	234 052	216 188
InterSETA transfers in	-	3
InterSETA transfers out	28	(29)
<b>Mandatory levy income (20%)</b>	<b>234 080</b>	<b>216 163</b>
<b>Skills Development Levy - Discretionary</b>		
SDL income: Discretionary	581 071	537 093
InterSETA transfers in	-	9
InterSETA transfers out	70	(73)
<b>Discretionary Levy Income (49,5%)</b>	<b>581 141</b>	<b>537 029</b>
<b>TOTAL SKILLS DEVELOPMENT LEVY INCOME</b>	<b>938 390</b>	<b>866 992</b>

## 16. Finance revenue

	R'000	R'000
<b>Interest revenue</b>		
Interest from investments	19 405	18 985
Interest from bank	7 249	7 565
	<b>26 654</b>	<b>26 550</b>

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

## 17. Other revenue

Other revenue comprises:

	R'000	R'000
<b>The amount included in other revenue arising from exchanges of goods or services are as follows:</b>		
Service provider income	-	304
<b>The amount included in other revenue arising from non-exchange transactions is as follows:</b>		
Grants from ETDP SETA	77	75

## 18. Finance costs

	R'000	R'000
Interest paid	-	4
Finance lease costs	132	83
	<b>132</b>	<b>87</b>

## 19. Mandatory and discretionary grant expenditure

	R'000	R'000
Grants disbursed	162 916	166 707
Provision/(reversal) and accruals	12 166	119
<b>Mandatory (employer) grants</b>	<b>175 082</b>	<b>166 826</b>
Grants disbursed	726 864	529 273
Provision/(reversal) and accruals	23 043	31 145
<b>Discretionary grants (programmes)</b>	<b>749 907</b>	<b>560 418</b>



# Notes to the Audited Annual Financial Statements

## 20. Administration expenditure

		2020	2019
		R'000	R'000
Operating lease rental - Buildings		5 080	4 933
Operating lease rental - Equipment		580	840
Repairs and maintenance		204	161
QCTO expenditure		5 925	5 462
Advertising, marketing and publications		2 105	2 696
Catering and refreshments		242	249
Service provider and consulting fees		3 197	5 979
Legal fees		582	2 013
Investigations		2 615	3 620
Compensation of employees	20.1	48 420	38 563
Travel and subsistence		3 230	3 103
Staff training and development		1 201	1 409
Remuneration to Board and Sub-Committees		3 887	3 255
External audit fees		3 748	3 010
Internal audit fees		646	751
Telephone and cell phone costs		637	474
General expenses	20.2	3 394	5 072
ICT support costs		7 323	8 909
Depreciation		2 074	1 335
Amortisation		278	347
Research costs		860	567
		<b>96 228</b>	<b>92 748</b>

### 20.1 COMPENSATION OF EMPLOYEES 2020

	Salaries and wages	Employer contributions	Other contributions	Total
	R'000	R'000	R'000	R'000
Basic salaries	35 381	-	-	35 381
Performance awards	4 670	-	-	4 670
Other non-pensionable allowances	596	-	-	596
Medical aid contributions	-	2 371	-	2 371
Pension contributions	-	2 952	-	2 952
UIF and SDL	-	584	-	584
Leave and 13 <sup>th</sup> cheque	-	-	1 866	1 866
	<b>40 647</b>	<b>5 907</b>	<b>1 866</b>	<b>48 420</b>

2019	Salaries and wages	Employer contributions	Other contributions	Total
	R'000	R'000	R'000	R'000
Basic salaries	27 978	-	-	27 978
Performance awards	3 578	-	-	3 578
Other non-pensionable allowances	322	-	-	322
Medical aid contributions	-	1 989	-	1 989
Pension contributions	-	2 482	-	2 482

# Notes to the Audited Annual Financial Statements

2019	Salaries and wages	Employer contributions	Other contributions	Total
	R'000	R'000	R'000	R'000
UIF and SDL	-	477	-	477
Leave and 13 <sup>th</sup> cheque	-	-	1 737	1 737
	<b>31 878</b>	<b>4 948</b>	<b>1 737</b>	<b>38 563</b>

## 20.2 GENERAL EXPENSES

	2020	2019
	R'000	R'000
Administration expenditure - plants	-	20
Bad debts	-	7
Bank charges	147	120
Certificates	204	288
Cleaning	92	89
Electricity & Water	880	962
Insurance	72	73
Licences and subscriptions	57	69
Postage and courier	65	71
Printing and stationery	535	713
Other expenses	46	168
Human resource expenses	271	1 643
Equipment Rental	46	-
Roadshows & forums	920	849
Provision for bad debts	52	-
Storage Facilities	7	-
	<b>3 394</b>	<b>5 072</b>

## 21. Cash (used in) generated from operations

	2020	2019
	R'000	R'000
<b>Surplus</b>	(38 632)	86 941
<b>Adjustments for:</b>		
Depreciation	2 072	1 335
Amortisation	278	347
Provision for bad debts	1 019	-
Movements in provisions	3 396	434
Loss on disposal/write-off of property, plant and equipment	-	39
<b>Changes in working capital:</b>		
Inventories	(115)	(43)
Accounts receivable from exchange transactions	(2 934)	(101)
Accounts receivable from non-exchange transactions	(202)	730
UIF receivables	(38 338)	-
Accounts payable from exchange transactions	(702)	1 625
Accounts payable from non-exchange transactions	(4 849)	25 558
UIF Deferred revenue	38 338	-
	<b>(40 670)</b>	<b>116 865</b>

# Notes to the Audited Annual Financial Statements

## 22. Commitments

### DISCRETIONARY RESERVE

2020	NSDS Target	Opening balance	Adjustments	New contracts	Expenditure	Write-backs	Total
		R'000	R'000	R'000	R'000	R'000	R'000
<b>Commitments approved and effective</b>							
Increasing access to occupationally directed programmes**	4.2	439 924	(97 465)	416 813	(432 712)	(64 285)	262 275
Promoting the growth of Public TVET College system	4.3	228 251	(124 539)	271 033	(307 617)	(14 228)	52 900
		<b>668 175</b>	<b>(222 004)</b>	<b>687 846</b>	<b>(740 329)</b>	<b>(78 513)</b>	<b>315 175</b>
<b>Commitments approved and effective</b>							
Increasing access to occupationally directed programmes	4.2	272 373	(79)	419 047	(412 595)	(44 835)	233 911
Promoting the growth of Public TVET College system	4.3	30 589	-	335 050	(147 823)	(5 555)	212 261
		<b>302 962</b>	<b>(79)</b>	<b>754 097</b>	<b>(560 418)</b>	<b>(50 390)</b>	<b>446 172</b>
<b>Commitments approved but not yet effective</b>							
Increasing access to occupationally directed programmes	4.2	-	-	202 090	-	-	202 090
Promoting the growth of Public TVET College system	4.3	-	-	19 913	-	-	19 913
		-	-	<b>222 003</b>	-	-	<b>222 003</b>
		<b>302 962</b>	<b>(79)</b>	<b>976 100</b>	<b>(560 418)</b>	<b>(50 390)</b>	<b>668 175</b>

\*\*Included in this line is transactions with Universities for Bursaries, WIL, Internship and Learnerships amounting to R33 million in the current year.

The MICT SETA entered into a Service Level Agreement with the Unemployment Insurance Fund (UIF) on the 29 March 2019 for funding of a learnership training programme for 3 249 learners. The total contracted amount is R191.691million for a period of 15 months whereby the UIF will contribute 80% towards the programme, and MICT SETA will contribute 20%. At year end the SETA had a contractual right to receive cash from UIF, based on all the deliverables being met at year end, and duly submitted to UIF before 31 March 2020.

The SETA has a corresponding obligation to transfer the asset receivable from UIF to a third party or return the asset back to the UIF. At year end, the SETA had not yet transferred the asset to a third party due to the third party not having met all conditions to allow a release of the obligation.

# Notes to the Audited Annual Financial Statements

## OPERATING LEASES

	2020	2019
	R'000	R'000
<b>Minimum lease payments due</b>		
- within one year	5 422	3 198
- in second to fifth year inclusive	17 427	119
	<b>22 849</b>	<b>3 317</b>

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. All leases are subject to an average escalation rate of 8% per annum. The lease for the head office expired on 30 September 2019 and was further extended for 3 months while the procurement of new leases was underway. A new lease for the head office was entered into for a period of five years commencing on 01 January 2020 to 31 December 2024 at an escalation rate of 8% per annum. The leases for the regional offices are for a period of 3 years, expiring in the financial year 2021/2022.

## 23. Contingencies

### LITIGATIONS

	2020	2019
	R'000	R'000
<b>Matters relating to labour disputes</b>		
Claim amount	10 600	3 000
Legal fees	650	500
	<b>11 250</b>	<b>3 500</b>

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

The pending matter regarding the former CEO was handed over to the labour court during the financial year with estimated costs as disclosed above. However, the matter with the labour court has been suspended pending the final investigation report by the Special Investigating Unit. Management is not aware of any further incidents other than the reported above.

The Senior Manager ETQA (former Acting CEO) was suspended during the year and the matter was handed over to the CCMA. The matter was still pending at year end. The legal fees incurred by the MICT SETA are included in the above

### FIRST TIME EMPLOYER REGISTRATIONS

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

At the reporting date it is estimated that, as a result of possible applications, additional mandatory grant expenditure of R604 412 (2019: R968 507) may be incurred. The amount is contingent on the number of submissions received and approved.

# Notes to the Audited Annual Financial Statements

## **SETA GRANT REGULATIONS OF 3 DECEMBER 2012 AS RE- PROMULGATED: TREATMENT OF SURPLUSES**

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

## **SETA GRANT REGULATIONS 3 DECEMBER 2012 AS REPROMULGATED: MANDATORY GRANTS**

Regulation 4(4) of the 2012 Grant Regulations, as promulgated in 2012, reduced the mandatory grant that an employer could claim from 50% to 20% of the total levies paid. The way that the Regulations were promulgated led to litigation by Business Unity South Africa (BUSA), to which a ruling was ultimately made by the Labour Appeal Court in October 2019, the effect of which Regulation 4(4) was aside.

The ruling is silent on the percentage quantum that can be claimed back by employers and on the effective date of the order. The effect is that the Minister would have to decide on the percentage for mandatory grants, in consultation with the sector. To date, there has been no communication regarding the approved mandatory grant percentage.

DHET splits the mandatory grant levy income portion at a rate of 20% in the monthly levy download information. Consequently, the SETA has continued to pay and accrue mandatory grants at 20% in the 2019/20 financial year, which is also aligned to the approved annual performance plan. The mandatory grant expenditure in the statement of financial performance, as well as the mandatory grant liability in note 9 and 12 were calculated at a rate of 20%.

Given that the intention of the litigants was to increase the mandatory grant percentage, the likelihood of a contingent asset is remote. Nonetheless, the likelihood of a liability can only be confirmed from the outcome of

the consultation between the Minister and the sector, which is not within the control of the entity. The amount of the possible obligation cannot be (reliably) estimated due to the uncertainty of the approved rate, as well as the effective date of application.

## **RETENTION OF CASH SURPLUSES**

In terms of Section 53 (3) of the PFMA, public entities listed in Schedule 3A and 3C of the PFMA may not retain cash surpluses that were realised in the previous financial year without obtaining prior written approval of National Treasury. On 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.

On the 02 September 2020, National Treasury issued a new instruction note 12 of 2020/2021 effective for the surpluses realised in the 2019/20 financial years and beyond, this instruction note repealed Instruction note no. 06 of 2017/2018 on the retention of cash surpluses and 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 Equivalent at the End of the year add Receivables less Current liabilities.

Notwithstanding the accumulated surplus of R 302million below, MICT SETA has at year end commitments in the form of contracts with various service providers as indicated in note 21. The commitment value on these contracts is R315.175million. The Net deficit after taking into account these commitments is -R12.944million.

# Notes to the Audited Annual Financial Statements

	2020	2019
	R'000	R'000
<b>Calculation of surpluses</b>		
Cash and cash equivalents at the end of the year	432 179	476 798
Add: Receivables	44 516	4 060
Less: Current liabilities	(174 464)	(137 312)
Less: Commitments	-	(668 175)
<b>(Deficit) surplus on commitment</b>	<b>302 231</b>	<b>(324 629)</b>

## 24. Financial instruments

### FINANCIAL RISK MANAGEMENT

In the course of operations the SETA is exposed to credit, liquidity and market risk. The MICT SETA has developed a comprehensive risk strategy in terms of TR 27.2.1 in order to monitor and control these risks. The financial instruments notes have been updated to ensure alignment with the disclosure as per Grap 104, the corresponding comparatives for 2018/19 was also updated. The risk management process relating to each of these risks is discussed under the headings below.

### MARKET RISK

#### 1. CURRENCY RISK

The entity is not exposed to any currency risk

#### 2. INTEREST RATE RISK

The entity's interest rate risk arises from interest on cash and cash equivalent and other receivables. Exposure to interest rate risk is monitored on a continuous and proactive basis. The entity's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date are as follows:

Year ended 31 March 2020				
	Interest bearing (Variable rate)		Non- interest bearing	
	Amount	Effective interest rate	Amount	Total
	R'000	R'000	R'000	R'000
<b>Cash and cash equivalents</b>	432 172	6,08%	7	<b>432 179</b>
Accounts receivable	250	6,08%	421	<b>671</b>
Total financial assets	432 422	-	428	<b>432 850</b>
Accounts payable	-	-	(1 587)	<b>(1 587)</b>
	<b>432 422</b>		<b>(1 159)</b>	<b>431 263</b>

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

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.

# Notes to the Audited Annual Financial Statements

## 3. OTHER PRICE RISK

The entity is not exposed to other price risk

### 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 and reputable financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulation TR 31. 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. The impact of the government's announcement on Skills Development Levies' four months break given to employers, will have no significant credit risk impact because MICT SETA does not have material receivables at year end. No events occurred in the industry during the financial year that may have an impact on the accounts receivable that has not been adequately assessed and provided for. Accounts receivable are presented net of an allowance for doubtful debt.

	2020	2019
	R'000	R'000
<b>Cash at bank and short-term investments</b>		
Bank balances	139 798	203 828
Short-term investments	292 374	272 969
	<b>432 172</b>	<b>476 797</b>

### LIQUIDITY RISK

The MICT SETA manages liquidity risk through effective management of working capital, capital expenditure and cashflows. Adequate reserves and liquid resources are maintained. The entity manages liquidity risk through forecasting, as well as monitoring cash flows on a daily basis.

2020	Carrying amount	On Demand	1 - 3 months	4 - 12 months	1 - 5 years months
	R'000	R'000	R'000	R'000	R'000
<b>Current Assets</b>					
Accounts receivables from exchange transactions	4 488	4 488	-	-	-
Accounts receivables from non-exchange transactions	1 690	1 690	-	-	-
UIF Receivables	38 338	38 338	-	-	-
Inventories	449	449	-	-	-
Cash and cash equivalents	432 179	432 179	-	-	-
<b>Current Liabilities</b>					
Accounts payables from exchange transactions	(7 960)	(7 960)	-	-	-
Accounts payables from non-exchange transactions	(109 933)	(109 933)	-	-	-
Finance lease obligation	(243)	(18)	(56)	(169)	-
Provisions	(17 990)	(17 990)	-	-	-
UIF Deferred revenue	(38 338)	(38 338)	-	-	-
	<b>302 680</b>	<b>302 905</b>	<b>(56)</b>	<b>(169)</b>	<b>-</b>

# Notes to the Audited Annual Financial Statements

2019	Carrying amount	On Demand	1 - 3 months	4 - 12 months	1 - 5 years months
	R'000	R'000	R'000	R'000	R'000
<b>Current Assets</b>	-	-	-	-	-
Accounts receivables from exchange transactions	1 606	1 606	-	-	-
Accounts receivables from non-exchange transactions	2 454	2 454	-	-	-
Inventories	334	334	-	-	-
Cash and cash equivalents	476 798	476 798	-	-	-
<b>Current Liabilities</b>	-	-	-	-	-
Accounts payables from exchange transactions	(7 748)	(7 748)	-	-	-
Accounts payables from non-exchange transactions	(114 782)	(114 782)	-	-	-
Finance lease obligation	(188)	(14)	(43)	(131)	-
Provisions	(14 594)	(14 594)	-	-	-
	<b>343 880</b>	<b>344 054</b>	<b>(43)</b>	<b>(131)</b>	<b>-</b>

## CATEGORIES OF FINANCIAL INSTRUMENTS

### FAIR VALUES

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

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

### CASH AND CASH EQUIVALENTS

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

### ACCOUNTS RECEIVABLE

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

### ACCOUNTS PAYABLE

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

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



# Notes to the Audited Annual Financial Statements

## 2020

Financial assets			
	At fair value	At amortised cost	Total
	R'000	R'000	R'000
Accounts receivables from exchange transactions	-	4 488	4 488
Accounts receivables from non-exchange transactions	-	1 690	1 690
UIF Receivables	-	38 338	38 338
Cash and cash equivalents	432 179	-	432 179
	<b>432 179</b>	<b>44 516</b>	<b>476 695</b>

Financial liabilities			
		At amortised cost	Total
		R'000	R'000
Accounts payables from exchange transactions		7 960	7 960
Accounts payables from non-exchange transactions		109 933	109 933
UIF Deferred revenue		38 338	38 338
		<b>156 231</b>	<b>156 231</b>

## 2019

Financial assets			
	At fair value	At amortised cost	Total
	R'000	R'000	R'000
Accounts receivables from exchange transactions	-	1 606	1 606
Accounts receivables from non-exchange transactions	-	2 454	2 454
Cash and cash equivalents	476 798	-	476 798
	<b>476 798</b>	<b>4 060</b>	<b>480 858</b>

Financial liabilities			
		At amortised cost	Total
		R'000	R'000
Accounts payables from exchange transactions		7 748	7 748
Accounts payables from non-exchange transactions		114 782	114 782
		<b>122 530</b>	<b>122 530</b>

## 25. 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 15.

### TRANSACTIONS WITH ENTITIES UNDER COMMON CONTROL

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

The transactions are consistent with normal operating relationships between the entities, and are undertaken on terms and conditions that are normal for such transactions. Where there were transactions and balances arising due to the movement of funds between entities

# Notes to the Audited Annual Financial Statements

under the common control of the DHET, these amounts were disclosed in the table below:

Transactions, Balances & Commitments with Public TVET colleges, Public Universities are disclosed under note 22.

Balances with UIF are disclosed in note 6, Transactions with QCTO and entities in the National sphere of government are disclosed in note 20 and Transactions with other SETAs are disclosed in note 17.

## RELATED PARTY BALANCES

	2020	2019
	R'000	R'000
<b>InterSETA transfer in/(out)</b>		
MERSETA	-	14
FASSET	-	19
ETDP SETA	-	(4)
	-	<b>29</b>
<b>Amounts included in Trade receivable (Trade Payable) regarding related parties</b>		
MERSETA	(5 935)	(5 935)
FP&M SETA	(53)	(53)
SERVICE SETA	(702)	-
SASSETA	(25)	(727)
ETDP SETA	(1)	(1)
Unallocated	-	(112)
	<b>(6 716)</b>	<b>(6 828)</b>

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

## REMUNERATION OF EXECUTIVE MANAGEMENT SENIOR MANAGEMENT

Senior Management						
2020						
	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
Name	R'000	R'000	R'000	R'000	R'000	R'000
CEO <sup>^^^</sup>	1 887	-	138	117	36	2 178
CFO <sup>^^^</sup>	1 445	-	45	67	16	1 573
Board Secretary	1 029	-	199	110	19	1 357
SM: SSP	1 217	101	148	188	14	1 668
SM: Corporate Services <sup>^^^</sup>	1 050	-	98	105	13	1 266
SM: ETQA <sup>^</sup>	1 337	-	146	103	17	1 603
Acting SM: ETQA <sup>^^</sup>	-	-	122	-	-	122
Acting SM: LPD <sup>^^^</sup>	-	-	186	-	-	186
M: OCEO <sup>^^^</sup>	333	-	32	21	4	390
	<b>8 298</b>	<b>101</b>	<b>1 114</b>	<b>711</b>	<b>119</b>	<b>10 343</b>

<sup>^</sup> The Senior Manager: Education and Training Quality Assurance (ETQA) was suspended on the 10 July 2019 and he lodged a dispute with CCMA. He continued to receive his full employment benefits throughout the 2019/20 financial year. The matter was still not finalised at year end.

<sup>^^</sup> ETQA Advisor and a Manager of the regional office were appointed to act in this position and were paid acting allowances. ETQA advisor acted from 01 October 2019 to 31 October 2019. Manager regional office acted from the 01 November 2019 to 31 March 2020.

<sup>^^^</sup> Manager LPD was appointed to act in this position and was paid an acting allowance. The appointment took effect from 01 May 2019 to 31 March 2020.

<sup>^^^</sup> CFO and Manager OCEO were appointed during the current year, they joined the organisation on the 10 June 2019 and 02 December 2019 respectively. The CEO and Senior Manager Corporate Services were also appointed in the beginning of the current year, they joined the organisation on the 01 April 2020 and 04 April 2020 respectively.

# Notes to the Audited Annual Financial Statements

## Senior Management

2019						
	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
Name	R'000	R'000	R'000	R'000	R'000	R'000
CEO	196	-	13	27	269	505
SM : SSP	1 067	189	131	166	25	1 578
SM: ETQA*	1 206	199	450	92	20	1 967
Acting SM: ETQA**	-	-	160	-	-	160
SM: Corporate Services	563	118	21	807	271	1 780
Acting SM: CS***	-	-	2	-	-	2
Acting SM: CS****	-	-	195	-	-	195
SM: LPD	823	380	124	120	139	1 586
	<b>3 855</b>	<b>886</b>	<b>1 096</b>	<b>1 212</b>	<b>724</b>	<b>7 773</b>

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

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

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

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

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

## Remuneration of Board Members

2020				
	Board and Sub-Committees	Audit and Risk Committee	Other Allowances	Total
Ms UM Oliphant	-	211	4	215
Ms M Radebe	180	-	1	181
Mr TD Morobe	200	-	46	246
Ms U Exner	160	42	3	205
Ms N Khumalo	307	-	13	320
Mrs GN Khumalo *	21	-	-	21
Mr L Liphoko	65	-	2	67
Mr TE Mzileni	130	60	21	211
Ms N Maheneza	195	-	38	233
Ms Z Phakathi	216	-	6	222
Mr T Mofokeng	294	-	5	299
Mr S Mantlhakga	229	-	43	272
Mr C Mervin**	17	-	1	18
Ms Z Tshabalala	-	91	1	92
Mr MW Thango	-	108	4	112
Mr M Phasha	233	-	41	274
Mr S Ngubane	267	-	29	296
Mr S Ngobeni	-	33	1	34
Mr M Mopeli	108	-	2	110
	<b>2 622</b>	<b>545</b>	<b>261</b>	<b>3 428</b>

\* The member resigned from the MICT SETA Board on 04 March 2019. The payments relates to outstanding fees.

\*\* The member resigned from the MICT SETA Board on 01 September 2019. The payments relates to outstanding fees.

# Notes to the Audited Annual Financial Statements

The remuneration of Board members above does not include Conference fees, Training and Accommodation and other incidental costs paid for on behalf of the board, these are included as part of the board expenses in note 20.

The term for all the board members ended on the 31 March 2020. The Audit and Risk Committee members term was extended until the end of September 2020 to enable the effective running of the 2019/20 audit.

2019				
	Board and Sub- Committees	Audit and Risk Committee	Other Allowances	Total
Mr S Ngubane	263	-	3	266
Ms UM Oliphant	-	60	2	62
Ms M Radebe	156	-	2	158
Mr TD Morobe	164	-	63	227
Ms U Exner	135	-	3	138
Ms N Khumalo	196	32	13	241
Adv GN Khumalo *	90	32	4	126
Mr L Liphoko	108	-	5	113
Mr TE Mzileni	193	16	69	278
Ms N Maheneza	152	-	17	169
Ms Z Phakathi	210	-	15	225
Mr T Mofokeng	239	-	8	247
Mr S Mantlhakga	198	-	50	248
Mr C Mervin**	134	-	7	141
Ms DS Rampa***	83	-	2	85
Ms Z Tshabalala	-	18	-	18
Mr MW Thango	-	32	4	36
Mr P Phasha	103	-	15	118
#Dr MA Magadlela	17	-	-	17
Mr RG Ntuli	-	53	1	54
Ms L Bashele	-	20	-	20
#Mr AM Parry	17	-	-	17
#Ms TR Makgatho	32	-	-	32
Ms R Clark	-	29	2	31
#Ms N Delport	32	-	1	33
Mr JM Manchu	28	14	-	42
#Mr MJ Mooko	37	-	5	42
#Mr J Morakile	17	-	-	17
#Ms M Pindela	10	-	-	10
#Mr G Roberts	1	-	-	1
#Mr SJ Mjwara	43	-	-	43
	<b>2 658</b>	<b>306</b>	<b>291</b>	<b>3 255</b>

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

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

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

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

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

# Notes to the Audited Annual Financial Statements

## NON-EXECUTIVE MEMBERS

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

Type of transaction	Transactions		Balances	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
<b>Administration expenditure</b>				
CWU Commission and Promotional Items	(3)	(150)	-	-
- Mr T Mzileni,				
- Ms N Maheneza,				
- Mr S Mantlhakga,				
- Mr C Mervin,				
- Ms N Khumalo				
WITS Business School	(139)	(62)	-	-
- Mr A Parry				
MTN Zakhele	(4)	(40)	(32)	-
- Dr A Magadlela				
Telkom	(338)	(328)	-	-
- Mr T Morobe,				
- Ms N Maheneza				
<b>Mandatory (employer) grants</b>				
AME Healthcare	(63)	(49)	-	-
- Ms NG Khumalo				
Broadband Infracore SOC LTD	(205)	(146)	-	-
- Ms DS Rampa				
HP South Africa Pty Limited	(28)	(193)	-	-
- Ms M Phindela				
Sentech	(219)	(760)	3	-
- Mr L Mtimde				
MTN Zakhele	-	(1 352)	14	-
- Dr A Magadlela				
JC Decaux South Africa (Pty) Limited	(232)	(210)	-	-
- Mr L Liphoko				
Telkom	(9 873)	(6 385)	-	-
- Mr T Morobe,				
- Ms N Maheneza				
<b>Discretionary grants</b>				
AME Healthcare	-	(333)	-	-
- Ms NG Khumalo				
Sentech	-	(826)	-	-
- Mr L Mtimde				
Investec	4 519	4 522	69 033	64 508
- Ms Lefentse Bashele				
JC Decaux South Africa (Pty) Limited	(88)	(490)	-	-

# Notes to the Audited Annual Financial Statements

	Transactions		Balances	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
- Mr L Liphoko				
Broadband Infracore SOC LTD	(88)	-	-	-
- Ms DS Rampa				
	<b>(6 761)</b>	<b>(6 802)</b>	<b>69 018</b>	<b>64 508</b>

## 26. Events after the reporting date

The President of the Republic of South Africa announced on the 21<sup>st</sup> of April 2020 a four months relief given to employers in respect of the payment of Skills Development Levy effective from the 1<sup>st</sup> May 2020. This was in response to the risk posed by the National shut down that took effect on the 26<sup>th</sup> of March 2020 as a result of the Global Covid-19 pandemic which caused the government to declare a National State of Disaster on the 15<sup>th</sup> March 2020. This has posed a going concern risk to the organisation, however MICT SETA has enough reserves to respond to this risk.

The estimated financial effect is the loss of R 435million in revenue in the 2020/2021 financial year.

## 27. Fruitless and wasteful expenditure

	2020	2019
	R'000	R'000
Opening balance as previously reported	<b>32</b>	<b>21</b>
<b>OPENING BALANCE AS RESTATED</b>	<b>32</b>	<b>21</b>
Add: Amount incurred during the year	2	11
Less: Amount recovered	(22)	-
<b>CLOSING BALANCE</b>	<b>12</b>	<b>32</b>

Fruitless and wasteful expenditure relates to interest charged by the Auditor General and Redefine Properties on invoices paid after 30 days for an amount of R5 553; R500 relates to staff advance not recovered from an employee at the end of their service; R2 957 sums traffic administration costs due to traffic fines; and R2 990 is the cost of expired consumables in the MICT store. The amount recovered in the current year equals to R22 297.

The Fruitless and Wasteful expenditure of R12 000 is currently being investigated to determine the recoverability of the amount according to the Fruitless and Wasteful Expenditure Framework.

## 28. Irregular expenditure

The following is the summary of Irregular Expenditure during the period under review.

	2020	2019
	R'000	R'000
Opening balance	89 092	1 011
Add: Current year	83 339	88 081
Less: Irregular Expenditure on contracts condoned by National Treasury	(20 366)	-
	<b>152 065</b>	<b>89 092</b>

During the year National Treasury approved our request for condonation of Irregular contracts identified by management in the prior year 2018/19. Some of these contracts had not reached their expiry at the reporting date, as a result there was additional expenditure incurred on these condoned contracts in the current financial year. Below is the analysis of the irregular expenditure incurred from these condoned contracts.

# Notes to the Audited Annual Financial Statements

	2020	2019
	R'000	R'000
<b>Analysis of Irregular Expenditure on Contracts Condoned by National Treasury per age classification</b>		
Irregular Expenditure incurred in the prior year	14 848	-
Irregular Expenditure incurred in the current year	5 518	-
	<b>20 366</b>	<b>-</b>

Management investigated the irregular expenditure and took effective and appropriate disciplinary steps against the officials who made and/or permitted the irregular expenditure. Included in the irregular expenditure reported is an amount of R128.865million submitted to the relevant authority for condonation, R2.597million supported by the accounting authority for condonation and R0.321million not condoned by the relevant authority.

Included in the irregular expenditure is R20million related to the former CEO that was investigated by the Public Protector.

	2020	2019
	R'000	R'000
<b>Analysis of closing balance of irregular expenditure awaiting condonation per age classification</b>		
Current year - Awaiting condonation	77 822	88 081
Prior years - Awaiting condonation	73 922	1 011
Prior year - Not condoned	321	-
	<b>152 065</b>	<b>89 092</b>

## Details of irregular expenditure

Contract extensions exceeded 15% threshold without prior written approval from the National Treasury. This is as a result of contravention of SCM Instruction Note 3 of 2016/17; expansion of variation of orders.	2 464	9 111
Procurement of services above threshold values determined by National Treasury. Contravention of Treasury Regulation 16A 6.1 and Practice Note 8 of 2007/2008.	159	822
Incorrect awarding due to misallocated B-BBEE points. Contravention of Preferential Procurement Policy Framework Act 2017 6(2).	-	674
Single source procurement without justifiable reasons. Contravention of Treasury Regulation 16A 6.1 and SCM Instruction Note 3 of 2016/17.	-	112
Deviation from normal bidding process. Contravention of SCM Instruction Note 3 of 2016/17.	-	4 154
Contravention of PPPFA Regulation.	295	295
Irregular expenditure relates to budget management. R67m (2018/19) and R6m (2016/17) and R55m from current year.	128 866	73 924
Contravention of section 50 & 51 of PFMA.	20 130	-
Contravention of Treasury Instruction Note 4A of 2016-2017.	47	-
Contravention of Practice Note 7 of 2009/10.	104	-
	<b>152 065</b>	<b>89 092</b>

## 29. 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.

# Notes to the Audited Annual Financial Statements

## SKILLS DEVELOPMENT LEVY: INCOME FROM NON-EXCHANGE TRANSACTIONS

Levy income received for the year 2019/20 is R956.063million and exceeds the approved budget by 1.91%. This is due to possible growth in the sector. The SETA received 8.62% more year-on-year.

## FINANCE REVENUE

Interest received from investments and bank balances is R26.654million which is -5,93% below approved budget. This is 0.39% greater than prior year actuals this is caused by the adverse economic conditions, resulting in lesser money being saved.

## MANDATORY AND DISCRETIONARY GRANT EXPENDITURE

Mandatory grant expenditure for the year is R175.082million which is -8,85% below approved budget. Year-on-year there is a 4.95% increase in mandatory grants expense. The variance is due to actual payout ratio of 75% compared to budgeted payout ratio of 83%. Compared to

prior year there is a 4,95% increase in mandatory grant expenditure due to higher income received resulting in higher mandatory grants payments.

Discretionary expenditure for the year is 15,02% greater than budget of R651.970million. Compared to prior year there is a 34% increase in grants disbursed linked to current year targets. The actual expenditure exceeds both approved budget and prior expenditure due to higher level of commitments in the prior year that were claimed in the current year.

## ADMINISTRATION EXPENDITURE

Administration expenditure for 2019/20 is -21.26% below budget. The saving in the administration expenditure is a result of underspending mainly due to cost cutting measures and savings in the below major expenses. The actual is however 3.75% greater than 2018/19 mainly due to salaries costs on filling up of some of strategic positions as well as road shows and forums embarked throughout the current year. Major items of admin expenditure are indicated below:

Description	Final budget	Actual expenditure	Total
	R'000	R'000	R'000
Compensation of employees	46 545	48 420	1 875
Legal fees	2 500	582	(1 918)
Consulting fees	7 650	3 197	(4 453)
Repairs and maintenance	1 060	204	(856)
Internal audit fees	700	645	(55)
ICT support costs	9 750	7 323	(2 427)
Building Rentals	7 000	5 080	(1 920)
Marketing and advertising	6 703	2 105	4 598
Investigations	5 200	2 615	(2 585)
Depreciation & Armotisation	5 160	2 352	(2 808)
External audit fees	3 200	3 748	548
Remuneration to Board and Sub-committees	4 175	3 608	(567)
Research	1 800	860	(940)
	<b>101 443</b>	<b>80 739</b>	<b>(11 508)</b>



# Notes to the Audited Annual Financial Statements

## 30. Segment information General information

### IDENTIFICATION OF SEGMENTS

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

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

Segment surplus or deficit, assets and liabilities				
2020				
	Administration	Mandatory	Discretionary	Total
	R'000	R'000	R'000	R'000
<b>Revenue</b>				
<b>Revenue from non-exchange transactions</b>				
Skills Development Levy: Income	123 169	234 080	581 141	938 390
Skills Development Levy: Interest and penalties	-	-	17 596	17 596
Other revenue - grants received	77	-	-	77
<b>Revenue from exchange transactions</b>				
Interest revenue	-	-	26 654	26 654
<b>TOTAL SEGMENT REVENUE</b>	<b>123 246</b>	<b>234 080</b>	<b>625 391</b>	<b>982 717</b>
<b>Expenditure</b>				
Cost of employment	48 420	-	-	48 420
Depreciation and amortisation	2 352	-	-	2 352
Other administration expenses	45 456	-	-	45 456
Employer grant and project expenditure	-	175 082	749 907	924 989
Finance costs	132	-	-	132
<b>TOTAL SEGMENT EXPENDITURE</b>	<b>96 360</b>	<b>175 082</b>	<b>749 907</b>	<b>1 021 349</b>
<b>TOTAL SEGMENT (DEFICIT) SURPLUS</b>	<b>26 886</b>	<b>58 998</b>	<b>(124 516)</b>	<b>(38 632)</b>
<b>Assets</b>				
Non-current assets	6 844	-	-	6 844
Consumables	449	-	-	449
Accounts receivable from exchange transactions	4 488	-	-	4 488
Accounts receivable from non-exchange transactions	-	1 690	-	1 690
UIF Receivables	-	-	38 338	38 338
<b>TOTAL SEGMENT ASSETS</b>	<b>11 781</b>	<b>1 690</b>	<b>38 338</b>	<b>51 809</b>
Cash and cash equivalents				432 179
<b>TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION</b>				<b>483 988</b>
<b>Liabilities</b>				
Accounts payable from exchange transactions	7 960	-	-	7 960
Accounts payable from non-exchange transactions	-	75 099	34 833	109 932
Finance leases	399	-	-	399
Provisions	5 819	12 171	-	17 990
UIF Deferred revenue	-	-	38 338	38 338
<b>TOTAL SEGMENT LIABILITIES</b>	<b>14 178</b>	<b>87 270</b>	<b>73 171</b>	<b>174 619</b>

# Notes to the Audited Annual Financial Statements

Segment surplus or deficit, assets and liabilities				
2019				
	Administration	Mandatory	Discretionary	Total
	R'000	R'000	R'000	R'000
<b>Revenue</b>				
<b>Revenue from non-exchange transactions</b>				
Skills Development Levy: Income	113 801	216 162	537 029	866 992
Skills Development Levy: Interest and penalties	-	-	13 099	13 099
Other revenue - grants received	75	-	-	75
<b>Revenue from exchange transactions</b>				
Interest revenue	-	-	26 550	26 550
Other revenue	304	-	-	304
<b>TOTAL SEGMENT REVENUE</b>	<b>114 180</b>	<b>216 162</b>	<b>576 678</b>	<b>907 020</b>
<b>Expenditure</b>				
Cost of employment	38 563	-	-	38 563
Depreciation and amortisation	1 681	-	-	1 681
Other administration expenses	52 504	-	-	52 504
Employer grant and project expenses	-	166 826	560 418	727 244
Finance costs	87	-	-	87
<b>TOTAL SEGMENT EXPENDITURE</b>	<b>92 835</b>	<b>166 826</b>	<b>560 418</b>	<b>820 079</b>
<b>TOTAL SEGMENT SURPLUS</b>	<b>21 345</b>	<b>49 336</b>	<b>16 260</b>	<b>86 941</b>
<b>Assets</b>				
Non-current assets	4 519	-	-	4 519
Consumables	334	-	-	334
Accounts receivable from exchange transactions	1 606	-	-	1 606
Accounts receivable from non-exchange transactions	-	2 454	-	2 454
<b>TOTAL SEGMENT ASSETS</b>	<b>6 459</b>	<b>2 454</b>	<b>-</b>	<b>8 913</b>
Cash and cash equivalents				476 798
<b>TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION</b>				<b>485 711</b>
<b>Liabilities</b>				
Accounts payable from exchange transactions	7 748	-	-	7 748
Accounts payable from non-exchange transactions	-	31 656	83 126	114 782
Finance leases	587	-	-	587
Provisions	4 280	10 314	-	14 594
<b>TOTAL SEGMENT LIABILITIES</b>	<b>12 615</b>	<b>41 970</b>	<b>83 126</b>	<b>137 711</b>





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RP No.: RP192/2020

ISBN No.: 978-0-621-48410-6