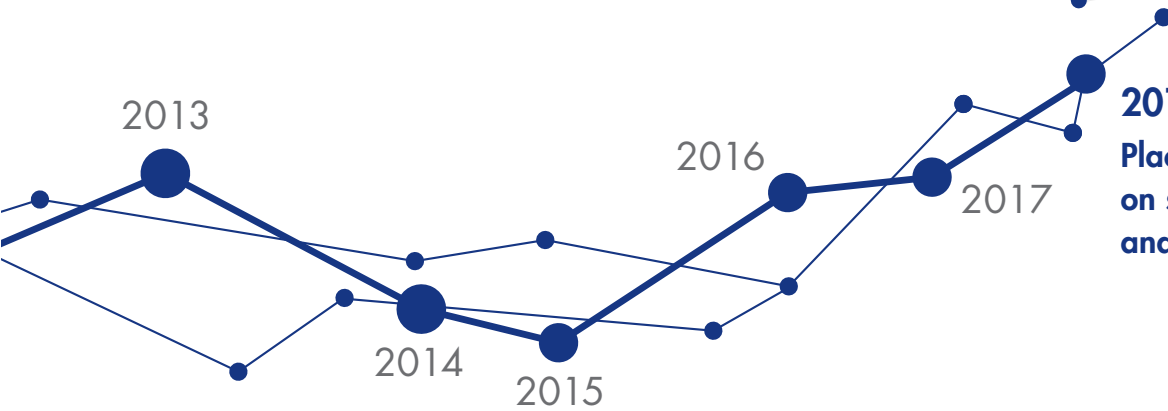


# ANNUAL INTEGRATED REPORT

2017/2018



**2018**

Placing high value  
on skills development  
and training



F A S S E T

*Make the future count*



## Placing high value on skills development and training

For a country beset by poor productivity and languishing at the back of the field in the race for global competitiveness, the value and importance of skills development and training cannot be overemphasised. The finance and accounting services sector, particularly, carries a weighty responsibility demanding of the best skills, in that it is dealing with the purses of every South African corporation and citizen.

Over 18 years, we at Fasset have walked the skills development journey with sector executives, consultants and employees, opening the door for them to new ways of thinking, acting and serving learners.

We have seen skills in action. We know what can be achieved through skills. And that is why we insist on placing high value on skills development and training.

It is more than just the theme of this annual integrated report. It is a commitment we have made, by which we live.

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# GENERAL INFORMATION

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Fasset (Finance and Accounting Services Sector Education and Training Authority)

## Registration Number

01/Fasset/1/04/11

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fasset.org



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# LETTER TO THE MINISTER

Honourable Minister, it is my privilege to present the Finance and Accounting Services Sector Education and Training Authority (Fasset) Annual Integrated Report for the period 1 April 2017 to 31 March 2018.

This report provides an account of Fasset's financial and non-financial performance for the year under review. This includes detail on the manner in which we created value for stakeholders and contributed to the facilitation of skills development across the Post-school Education and Training (PSET) pipeline.

We remain committed to continuing to partner with our stakeholders and various delivery partners to change the personal and professional lives of thousands of South Africans. Combined assurance was provided by the Auditor-General of South Africa (AGSA) who audited the Annual Financial Statements and performance information, as well as Internal Audit and management, taking into account critical risk areas.

The Fasset Board endorses this Annual Integrated Report and remains committed to building a strong legacy in skills development with the objective of facilitating the attainment of world-class finance and accounting skills for the Fasset sector and the broader economy.

**Njabulo Ngwenya**  
Chairman

**Elizabeth Thobejane**  
Acting Chief Executive Officer



**Min Dr Naledi Pandor**  
Minister of  
Higher Education and Training



**DM Buti Manamela**  
Deputy Minister of  
Higher Education and Training



**Njabulo Ngwenya**  
Chairman



**Elizabeth Thobejane**  
Acting Chief Executive Officer

# A INTRODUCTORY REPORTS



## ABOUT THIS REPORT

This Annual Integrated Report provides an account to the Minister of Higher Education and Training, Dr Naledi Pandor, in her capacity as the Executive Authority of the SETA. It covers the period 1 April 2017 to 31 March 2018 and sets out how Fasset has delivered on its skills development mandate.

Fasset was established to provide an institutional framework to devise and implement national, sectoral and workplace strategies that are aligned with the objectives of national economic and social development priorities. It has done justice to this vision over the 18 years of its existence, shaping its programmes to meet changing needs of a dynamic market, while staying true to its core business of upskilling this crucial economic sector.

The Skills Development Act (Act No 97 of 1998), as amended (SDA), and Section 65 of the Public Finance Management Act (Act No 1 of 1999), as amended (PFMA), requires SETAs to produce an annual report. As the custodian of public funds and a responsible corporate citizen, we also account to our various stakeholders – the employers who contribute levies to increase investment in skills development; delivery partners such as professional bodies, Higher Education and Training institutions and other training providers; the employed and unemployed people who are recipients of Fasset-funded programmes as well as other interested and affected stakeholders, including our staff, without whom we would not have the social licence to operate.

Under the theme of ‘Placing high value on skills development and training’, the 2017/2018 Annual Integrated Report reflects on the progress we made in implementing our organisational strategy #LastingLegacy, our approach to managing enterprise-wide risks, our engagements with

stakeholders and how we ultimately delivered on skills development programmes for the benefit of the Fasset sector and the broader economy.

We have adopted the National Treasury Annual Report Guideline for Public Entities to align ourselves with the prescribed standard in the public sector. We have however, continued to be guided by the International Integrated Reporting Committee (IIRC) Framework, and the Global Reporting Initiative (GRI) principles of transparency, inclusiveness, auditability, completeness, relevance, sustainability, context, accuracy, neutrality, comparability, clarity and timeliness to ensure best practice reporting on environment, social and governance (ESG) matters. Only matters deemed to be material to us and of material impact to our stakeholders have been included in this report.

The audited financial statements presented in this Annual Integrated Report were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board and in accordance with the SDA and the Skills Development Levy Act (Act No 9 of 1999), as amended (SDLA). The fully audited financial statements are on page 63 of this report.

The IIRC Framework’s capitals model has been adopted as a guideline to report on the value created for stakeholders, namely financial capital, human capital, social and relationship capital, intellectual capital (manufactured and natural capital are not included as these are not applicable to our environment). The capitals model has enabled us to identify the resources and relationships required to deliver on our mandate.

Capitals	What they mean for the SETA	Report section
Financial	The funding received from 1% SDL levy collected from employers in the Fasset sector in order to fund skills development interventions.	Refer to page 8 of this report
Human	The value we have added to beneficiaries of Fasset-funded programmes to facilitate their entry into the sector, enhance employability prospects for the unemployed as well as continuous professional development opportunities for employees in the sector.  Enhancing our employment proposition for our staff in creating an enabling environment that maximises individuals’ potential to deliver their best in achieving organisational performance and promotes their professional wellbeing.	Refer to page 22 of this report  Refer to page 48 of this report
Social and relationships	The delivery partners that we collaborate with, such as employers in the sector, suppliers, professional bodies and other stakeholder groups.	Refer to page 19 of this report
Intellectual	The innovative skills development interventions that address the needs of the sector.	Refer to page 22 of this report

# STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

for the year ended 31 March 2018

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

- All information and amounts disclosed in the Annual Integrated Report are consistent with the annual financial statements audited by the Auditor-General.
- The Annual Integrated Report is complete, accurate and is free from any omissions.
- It has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgments made on this information.
- The Accounting Authority is, furthermore, responsible for establishing and implementing a system of internal control designed to provide reasonable assurance on the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Integrated Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2018.



**Elizabeth Thobejane**  
Acting Chief Executive Officer



**Njabulo Ngwenya**  
Chairman

## ABOUT FASSET

Fasset is a schedule 3a public entity reporting to the Minister of Higher Education and Training (MHET) as the Executive Authority of the SETA. We are accountable to Parliament and are also under the oversight of National Treasury in terms of performance management and financial administration. We engage with a broad range of stakeholders to fulfil our mandate, which requires us to uphold principles of good governance to make a meaningful contribution in skills development for the benefit of the Fasset sector and the country. We are currently licensed until 31 March 2020 in line with the extension of National Skills Development Strategy (NSDS III).

### Our Mandate

The SDA and SDLA provide the institutional framework for the SETA. The framework serves as our mandate to develop and implement national, sectoral and workplace strategies in order to develop and improve the skills of the national workforce, resulting in improvements in employability and productivity, while contributing to the competitiveness of the country.

Since Fasset started operations in 2000, there has been a significant shift in its mandate. The initial focus was specifically on training for employees in the workplace and has broadened to now include unemployed youth, learners at Technical and Vocational Education and Training (TVET) Colleges, rural development projects and the placement of unemployed graduates into employment.

### Vision, Mission and Shared Values

<b>Vision</b>	<i>'To facilitate the achievement of world-class finance and accounting services skills.'</i>
<b>Mission</b>	<i>'Increase the flow of new finance and accounting services entrants to employment; develop and grow skills required in the sector and facilitate the transformation of the finance and accounting services sector.'</i>
<b>Shared Values</b>	<i>Our shared values articulate what we stand for, what we value as an organisation and inform how we interact with our stakeholders.</i>

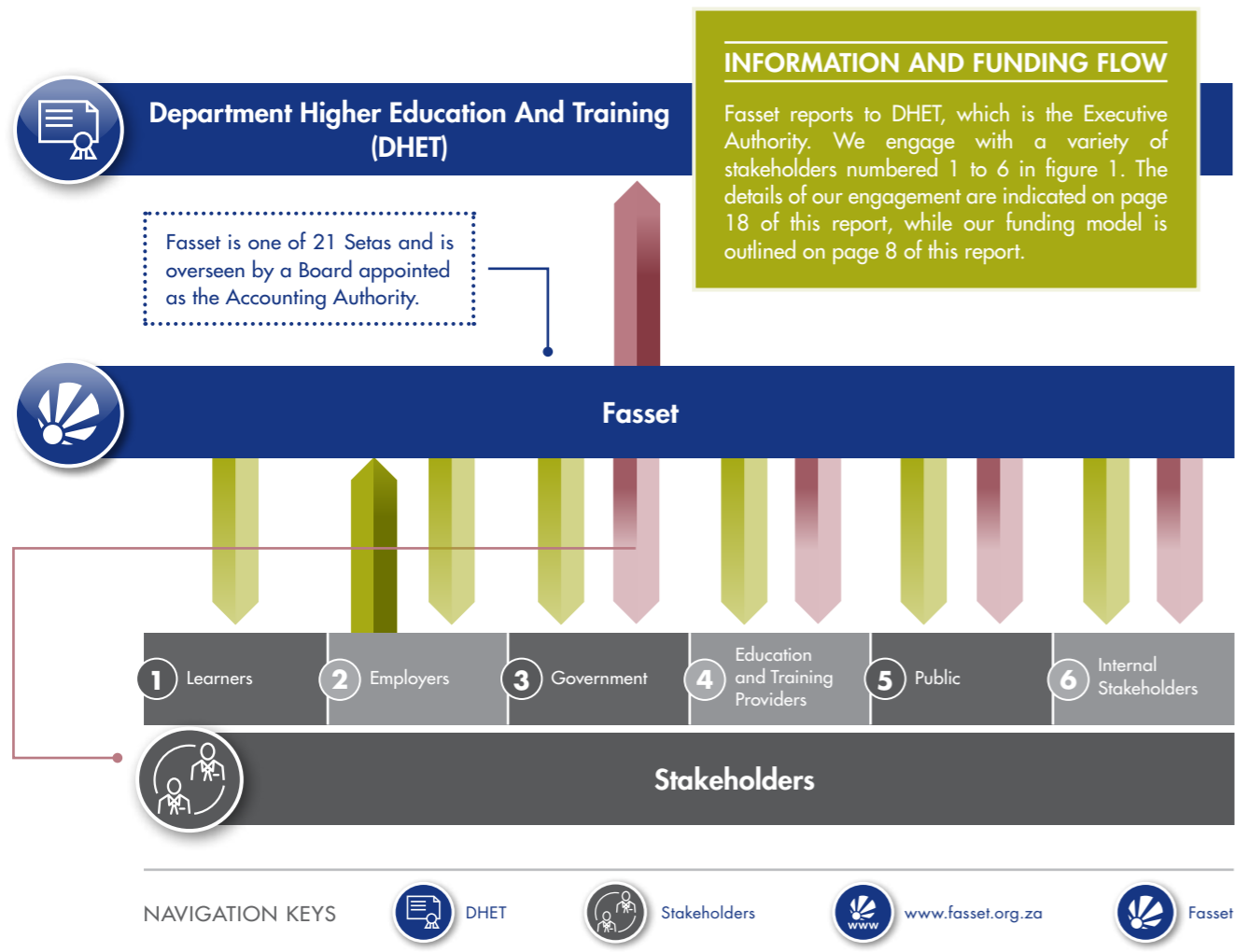
Values	What our values mean to us
<b>Professionalism and accountability</b>	<i>We are a high performance, professional team; we strive for excellence through hard work and by taking responsibility and being accountable within an accepted and agreed code of conduct.</i>
<b>Ethics</b>	<i>We work with integrity and honesty and respect internal and external stakeholders at all times.</i>
<b>Making a difference</b>	<i>We make a difference to the lives of all our stakeholders by identifying their needs and exceeding expectations.</i>
<b>Valuing people</b>	<i>We strive to create a motivating and supportive culture by understanding, respecting, developing and valuing each other.</i>
<b>Innovation</b>	<i>We continuously innovate and improve to add value to all our stakeholders.</i>

## Operating Context

In responding to these imperatives, we have aligned our strategies and skills development initiatives to national imperatives. These include the Human Resources Development Strategy for South Africa (HRDS-SA), the Medium Term Strategic Framework (MTSF), NSDS III, the National Development Plan (NDP) and the White Paper for Post-School Education and Training (White Paper).

Furthermore, we have taken into account the profile of the finance and accounting sector, which is not reflective of the demographics of the country. We have, therefore, aligned our strategy and skills development priorities to transformation charters such as the Financial Sector Charter and the Chartered Accountancy Charter, which seek to increase the participation of African Black people and people with disabilities in our sector.

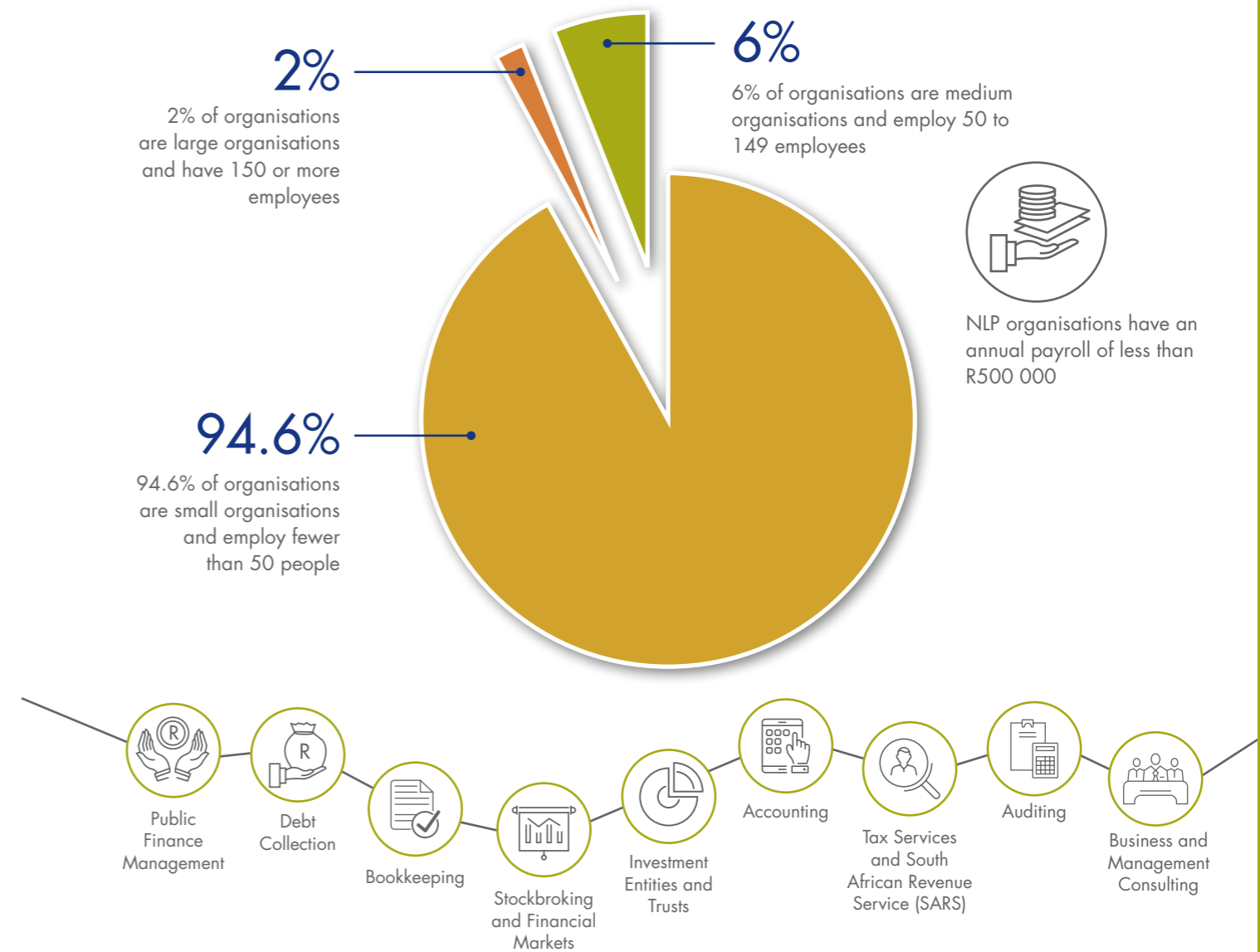
Figure 1: Fasset Operating Environment



## Our sector profile

During the period under review, 7 171 organisations paid skills development levies to Fasset, compared to 7 101 in 2016/2017. A further 171 levy-exempt organisations registered with us as employers in the sector. In addition, there are a number of proprietorships or professionals with very small (often one-person) practices that are not registered with us as non-levy payers (NLPs).

Our sector consists of the following sub-sectors:



The services rendered by organisations in the sector are mainly specialised and professional. Consequently, it tends to employ large numbers of professionals. A special feature of the environment is the presence and influence of a number of professional associations whose roles have become ingrained in the sector's qualification structure, in the organisation of education and training, and in the professional designations used. The professional bodies play a very important role in

skills development and are closely involved in our initiatives and activities.

Full details on the profile of our sector in terms of race, gender, age, occupation levels and provincial representation are available in the Sector Skills Plan (SSP), which can be downloaded from the Fasset website [www.fasset.org.za](http://www.fasset.org.za)

## Our strategy

Our #LastingLegacy strategy strives to benefit the sector, the learner and the employer. This strategy presents a more focused approach, rather than a change in direction. The strategy hinges on two pillars: placement (direct placement into employment, including learnerships and internships), and academic support (supporting learners to complete their degrees, professional qualifications and/or designations). Fasset recognises that if it is to leave a lasting legacy, it needs to build a robust and sustainable skills pipeline.

## Fasset operations

We operate from our head office in Johannesburg, Gauteng; and run a satellite office at Waterberg TVET College in Limpopo, where Fasset is the lead SETA. Our skills development interventions have a national footprint, and we work in partnership with other SETAs and the Provincial Premiers' Offices to provide a regional presence in all provinces of South Africa.

In line with integrated thinking, the Board and management team carefully consider the relationships among various departments, the capitals deployed and the impact that decisions have on mandate delivery. It is recognised that each capital offers benefits and risks and that there is always a trade-off in capital deployment.

The drivers of value in the SETA are performance areas that benefit employers or learners and include mandatory grants, discretionary grants, Learner Professional Development programmes and Lifelong Learning interventions. Our business enablers include our people, intellectual capital, systems and processes, information technology (IT), supply chain management and partnerships with a range of stakeholders.

## Our funding model

We receive a monthly skills development levy (SDL) from employers, who pay SDL based on 1% of their payroll for that month. The levy contribution is dependent on the number of employees employed by SDL contributors. We are allocated 80% of the levies of employers registered with us (in line with the standard industrial classification - SIC - codes that belong to us) and the balance (20%) is allocated to the National Skills Fund (NSF). Government departments may contribute 30% of 1% of their payroll as additional income to us in line with a directive from the Department of Public Service and Administration (DPSA) that SDL may be contributed by government departments to their line SETA. In terms of the SETA grant regulations, SETAs retain 10.5% of the levy for administration, with the additional 0.5% set aside for the Quality Council for Trades and Occupations (QCTO). Any savings or surplus funds are transferred to the discretionary pool to be used for strategic projects such as academic programmes.

## Our strategic-oriented outcomes

Our strategic outcome-oriented goals were set taking into account the needs of the sector outlined in the Fasset SSP, as well as the objectives set by NSDS III, the MTSF, HRDS-SA, NDP, Industrial Policy Action Plan (IPAP), National Growth Plan (NGP) and National Skills Accord (NSA).

- Goal 1** Establish a credible institutional mechanism for skills planning
- Goal 2** Support skills development initiatives to produce middle-level skills, transform the sector and enable employability in the broader economy
- Goal 3** Support skills development initiatives to produce high-level skills, transform the sector and enable employability in the broader economy
- Goal 4** Engage with TVET Colleges
- Goal 5** Encourage better use of workplace-based skills development
- Goal 6** Encourage and support cooperatives, small enterprises, worker-initiated, non-governmental organisations (NGOs), NLP firms and community training initiatives
- Goal 7** Increase public sector capacity for improved service delivery and support the building of a developmental state
- Goal 8** Build career and vocational guidance

## Our material issues

Material issues, the associated risk and potential impact and how the risks of these material issues are being managed are outlined in the table below. We have identified seven material issues as informed by our strategic goals and skills development priorities. An explanation has been provided below on how these material issues are addressed:

Material issues	Risk and potential impact	Managing the risk	Section and page reference
Compliance with general regulatory and SETA-specific legislative frameworks to ensure good governance	Failure to comply with regulatory and SETA-specific legislative framework could result in the loss of our operating licence, legal breach or failure to meet objectives	We ensure compliance and good governance through relevant legislative frameworks	Legislative and other mandates on page 10
Delivering on SETA mandate	Failure to deliver on our SETA mandate could result in shortages of finance and accounting services skills in the Fasset sector and the economy as a whole	We sign an annual service level agreement (SLA) with DHET, which commits us to deliver against NSDS III goals and objectives	Performance overview on page 27
Governance around information and communications	Interruption on the Fasset business due to migration to new information and communications technology (ICT) environment, including the accounting system	The service provider to whom ICT was outsourced over the past 18 years has been retained for further six months after the second extension of three months expired on 30 June 2018. The extension will assist while a tender is being advertised, but most importantly for data migration after the appointment of the service provider	IT governance
Driving transformation in the Fasset sector	The sector does not transform and does not meet the country's demographic profile	Historically we used discretionary funding to support African Black learners only to drive the transformation agenda. Our funding policies have been reviewed to now include Coloured learners in Western Cape and Northern Cape on our discretionary funded programmes	Fasset employer grants as per Annual Performance Plan (APP) on page 25
Ability to attract and retain appropriate skills (human capital and intellectual capital)	We do not have the requisite skills, knowledge, competence, experience or intellectual capital to deliver on our mandate	We rely on our employees' knowledge and skills to fulfil our mandate. The Education and Training Policy ensures that staff are upskilled and capacitated to deliver against our strategic objectives	Human resource management on page 47
Producing high-quality skills research that is relevant and enables effective strategic planning and execution of the skills development mandate	A credible institutional mechanism for skills planning is not in place, the impact of which would be misallocation of financial resources	The research department conducts research on pertinent areas, based on the annual research agenda approved by Board	Research on page 21 and 23
Effective stakeholder engagement	Stakeholders not engaged and we are not informed of stakeholder needs, concerns and expectations. This could negatively impact our social licence to operate and result in misallocation of resources	A stakeholder engagement plan is in place and is being implemented	Stakeholder engagement on page 18

# LEGISLATIVE AND OTHER MANDATES

South Africa is a legislation-rich country, with the SETA environment being particularly so.

Fasset, with its fellow SETAs, was born of the union of the Skills Development Act, (SDA), Act No 97 of 1998, as amended, and the Skills Development Levy Act (SDLA) of 1999 (as amended), with the Public Finance Management Act (PFMA) completing the triumvirate.

Fasset's overarching guiding document is its SETA-standard Constitution. 

The SDA and SDLA provide the framework for us to develop and implement national, sectoral and workplace strategies to develop and improve the skills of the workforce, which, in turn, improves employability and productivity, and boosts the competitiveness of the country.

The PFMA promotes sound financial management based on efficient and effective use of financial resources.

The National Qualifications Framework (NQF), Act 67 of 2008, provides for the regulation of qualifications and professional bodies, and establishes the quality councils with which we interact.

Feeding into our strategic planning processes are important sector-specific documents such as the Financial Sector Charter and the Chartered Accountancy Charter.

We support the aims and objectives of the Human Resources Development Strategy for South Africa (HRDS-SA), which outlines the human resources development strategy for the country; the Medium Term Strategic Framework (MTSF), which is a broad government framework that indicates economic growth drivers, and the National Skills Development Strategy

(NSDS III), which outlines the now seven-year skills strategy and serves as our roadmap.

Our work is further influenced by the White Paper on Post-School Education and Training (PSET), National Skills Accord (NSA), New Growth Path (NGP), Industrial Policy Action Plan (IPAP), National Development Plan (NDP) and B-BBEE Codes of Good Practice.

In addition to legislative and policy mandates, we are focused on addressing imperatives as identified by the MHET and the Portfolio Committee on Higher Education and Training. These imperatives have been incorporated into the programmes and interventions that we will implement in the realisation of NSDS III goals and outcomes.

Our scope of coverage is the finance and accounting services sector as determined by Section 9(2) of the SDA read in conjunction with Government Gazette No 33756, RG 9417, No R1055 of 11 November 2010. As a public entity listed in Part A of Schedule 3 of the PFMA, Fasset is established in accordance with Section 9 of the SDA and having all the powers granted to it in terms of the Act.



# CHAIRMAN'S FOREWORD



*It gives me great pleasure to present my first Annual Integrated Report as Fasset Chairman. As a financial professional who has served in several capacities at various organisations over a number of years, I have come face-to-face many times with the work of Fasset. It is truly an honour to accept this national call of duty and take the reins for the final straight to the finish of National Skills Development Strategy (NSDS) III and, hopefully, beyond.*

It is a position I do not take lightly – it carries a huge responsibility, as the SETA plays a crucial role in the continued professionalism and maintenance of the reputation of the finance and accounting services sector and, in so doing, in the development of the South African economy.

I come to the SETA as it is emerging from an unsettling period in its history, characterised by identification of shortcomings in governance processes and specifically supply chain management processes and the loss of certain key staff members. The resultant dent to staff morale was exacerbated by the general unease in the SETA fraternity about where the road will take it in the future.

But the human spirit is equipped to handle and overcome obstacles as part of daily life and Fasset, with its team of strong-willed individuals whose commitment to bettering the lives of fellow citizens is deeply entrenched and non-negotiable, fared well amid the challenges and has, I have no doubt, renewed vigour for the exciting times ahead. An old proverb comes to mind – 'just when the caterpillar thought the world was over, it became a butterfly'. So the Fasset team has cast off its burdensome cocoon to emerge refreshed, revitalised, with a new outlook on the future and ready to fly.

## Performance

In the light of the challenges of the past two years, with the attendant disruption to the order of things and the discontinuation of certain programmes in favour of others, felt to be more appropriate, Fasset has experienced some challenges with meeting some of its targets. The annual performance report on page 27 of this report has more details on all targets and how the Seta has performed.

The results for unemployed learners enrolled on high-level learnerships are remarkable and can be attributed to the strong relationship between the SETA and the South African Institute of Chartered Accountants (SAICA), which led to more learner registrations than anticipated. The target for unemployed learner completions was also exceeded. Another area worthy of mention is the Fasset Bursary Scheme, with a 200% achievement on unemployed learners funded by Fasset.

Where there were shortfalls, such as in the number of learners completing learnerships, this is a knock-on from the previous year, when enrolment targets were not met due to the change in strategy mid-year. In other areas, insufficient numbers of applications or applications that did not meet minimum standards affected the ability to meet targets. These factors are, however, beyond the SETA's control.

## Technology changes

If you'll forgive me a cliché, we certainly do live in interesting times, not least in the technology arena. South Africa, as a member of the global family, is a major stop on the Fourth Industrial Revolution express's route and we must be prepared to have it change how we think and what we do, be willing in fact to have it derail everything we thought we knew.

According to a recent report by Alexander Forbes, technology has evolved to the point where it can fuse robotics and digital with artificial intelligence, biotechnology and the internet. This means we can now do far more than simply automate jobs; we can actually change the way that people and living things organise themselves, regenerate themselves and interact with the world around them. 'With the Fourth Industrial Revolution bearing down on us, we have no choice but to consider how our world of work in South Africa is going to meld with the global world of work,' the report states.

Indeed, ICT intensity has increased by 26% over the last decade and it's anticipated that 41% of all work activities in South Africa will be susceptible to automation. At this rate, by 2020, 39% of the core skills required across occupations will have changed.

If skills have not come into their own already, they certainly will in this environment. But, clearly, they will be skills of a different breed.

The latest Fasset sector survey notes that transformation from manual to automated processing will probably result in the loss of some jobs in the financial services industry, but questions remain regarding the real impact and which categories of professionals will be affected the most. It cites a report by RMIT University and Chartered Accountants

Australia and New Zealand, which concluded that there will be a major growth in 'interaction jobs'. These are jobs that cannot easily be outsourced or automated because people in these roles require high levels of analytical skills, reasoning and judgment. Thus, the ability to manage non-routine tasks and be strong in creative problem-solving will become increasingly important to the sector.

Data security is becoming a crucial issue and all businesses have to introduce additional measures and controls to safeguard data security and to ensure statutory compliance with the manner in which information is collected, stored, used and destroyed. This drives the need for information technology professionals and technicians in the sector.

The survey also points to a change in accountants' roles, from interpreting historical and transactional information to strategic business decision making. Auditors are moving from monitoring and reporting to a more proactive and insightful role in which business risks, corporate governance and business ethics issues are identified and addressed. The role of company secretaries is becoming increasingly outward focused, and these professionals need to be aware of the external environment in which the company operates, outside pressures and the wider implications of decision making. These changing roles require changes to the curricula of education and training institutions. They also leave the existing workforce with extensive skills gaps that need to be filled rapidly.

And where there is a skills gap, there is Fasset.

Fresh, new talent has been brought into the organisation, wooed by the prospect of contributing something truly meaningful to the South Africa of tomorrow by skilling our people today.

A Chief Financial Officer (CFO) and a Human Resources Manager were brought on board during the year under review and are now forming their teams, which will add great strength to the Fasset infrastructure.

## Transformation

At the core of all Fasset's activities is a transformation agenda that has had great impact in recent years, as can be seen from the statistics in the latest SSP. Black African representation stood at a lowly 17% in 2002, but had grown to 37.4% by 2016 – still inadequate, but a step in the right direction. By the same year, the majority of employees in the sector (62.9%) had post-school qualifications, while 37.4% held a NQF Level 4 qualification, followed by 28.8% who have achieved NQF Level 7 qualification. The fact that only 2.3% of employees are on NQF levels 1 to 3 is an indicative of the sector's need for a highly qualified workforce.

The under-representation of African Black and Coloured workers in specific provinces, especially at professional and managerial level, remains an issue. As the main driver of skills development in the sector, Fasset shoulders a sizeable part of this responsibility and the Board is ready to support all efforts to achieve greater transformation.

## Future plan

While we will give our all during the final two years of the NSDS, we are also keeping an open mind on what is to come after that – the National Skills Development Plan (NSDP) emanating from the White Paper on Post-school Education and Training. Although still a discussion document, we believe that a number of gaps need to be addressed in areas such as centralisation of shared SETA services, increased focus on research, monitoring and impact assessment of SETA interventions, the employability pipeline of individuals entering the sector, and the effective use of the skills development levy.

We will continue to participate in the process with the DHET to craft a workable implementation plan which as far as possible, operationalises the policy imperatives of the White Paper.

## Appreciation

During the 2017/2018 year, in an unprecedented situation, we had three different ministers of higher education, but without a hint of disruption to the SETAs' normal run of business. For the smooth transitions, we must thank Minister Dr Blade Nzimande, in office until October 2017, Minister Hlengiwe Mkhize, who served until February 2018, and Minister Dr Naledi Pandor, who stepped into the chair thereafter.

Minister Pandor has spoken already about her desire to become more acquainted with the authorities she now oversees, stressing the importance of the management of the skills levy and ensuring that appropriate skills are being produced for South Africa, and adding that the SETAs are a 'new ballgame and one I am finding interesting'. She has reiterated the Ministry's commitment to a new model of student funding and to collaboration with TVET Colleges, both of which are standard items of discussion and action on the Fasset agenda.

We are confident that we will forge a close and highly productive work relationship with the Minister in the coming years.

I and my fellow new Board members are also looking forward to getting to the crux of Fasset matters, which are a new ballgame for us, too.

We wish to thank Ms Elizabeth Thobejane for caretaking the role of Acting Chief Executive Officer as she directs the SETA through the current SETA landscape; and we are confident that the Fasset team will put its full weight and extensive experience behind her to ensure that Fasset ends off the era of the NSDS as it started out – full of fire and determined to make every last skills development effort count.

And, like the butterfly, ready to spread its wings.



**Njabulo Ngwenya**  
Chairman

# CHIEF EXECUTIVE OFFICER'S OVERVIEW



*As Chief Director: Skills Development at DHET for many years, I was closely involved with the SETAs. When I accepted the role of Chief Operations Officer at Fasset, I never envisaged actually heading the SETA. Stepping in as the Acting CEO is a wonderful opportunity, and one I am settling into comfortably.*

Fasset has acquitted itself well during its 18-year journey of fulfilling dreams through skills development, often striding out among the leaders in the SETA fraternity with its making-a-difference attitude, innovative initiatives and rock-steady commitment to those for whom the SETAs were founded – South African citizens who, in the past, were left behind educationally and who found themselves in dire need of skills to enable them to live their best lives.

These are people such as Accounting Science bursary recipient, Karabo Mengwai, whose story appears in this report and who says the following about the impact of his interaction with Fasset: 'That child within me who wanted to conquer the world and make a mark in his field is really awake now.'

Karabo is one of thousands of recipients of the Fasset helping hand that is shaping the finance and accounting services sector of the future through its skills pipeline approach. This year, while we have not met our usual tally of targets due to circumstances that are explained in this report, we have enriched the lives of each individual with whom we have come into contact, a factor that tends to get lost amid columns of statistics.

## Stand-out projects

The TVET programme is particularly noteworthy, as it provides truly meaningful work experience as a requirement to complete a qualification, but also as a gateway to employment – a candidate who has been exposed to the culture and demands of work is always a more attractive option than one who is fresh out of a tertiary institution.

We are also doing great work in keeping the coffers of the National Student Financial Aid Scheme (NSFAS) charged through our NSFAS Learner Employment Grant, which assists graduates to repay their loans so that they can concentrate all their energy on building a career.

Another perfectly positioned initiative is our non-PIVOTAL grant, which previously was channelled mainly into Lifelong Learning workshops, but has now been extended to high-level programmes that are in great demand, but are not accredited on the NQF. This year, we funded the United States-based Certified Financial Analyst qualification. Employers have expressed their satisfaction with our willingness to be flexible in the allocation of our discretionary grants, and the programme was oversubscribed, as the qualification is highly desired in financial markets.

I am particularly heartened by the impact we are making in the area of career awareness. Although not all its aspects are measured in terms of our SLA with DHET, career awareness is where it all starts. It is the first step in our skills pipeline and is a particularly important one, as it determines where youngsters will end up and how they will contribute not only to their own development, but to the growth and wellbeing of the country. If we can capture their imagination while they are still juggling all the choices the world has to offer, we may influence them to select a career in finance and accounting services, which will fortify this crucial sector.

The career portal launched in 2016/2017 continues to be an invaluable resource to the sector and its popularity is reflected in the growing numbers of users of the site, who visit not only for general career and job-seeking advice, but who treat it as an opportunity to put themselves out there to employers always hungry for new, enthusiastic professionals.

## Replenishing and resourcing

The chair has alluded to the difficult circumstances experienced by Fasset in recent years, but the silver lining is now showing through and casting a light of positivity on future plans and activities. We are replenishing our energy stores and rejuvenating our team with new talent in line with the re-engineered organisational structure approved recently by the Board.

Thokozani Nongauza took up the position of Human Resources Manager in June 2017 and is driving the organisation's capacitation programme.

Fasset's first CFO, Zanoxolo Koyana, is also in office, marking a departure from the outsourcing model of the past to the formation of fully fledged functional units within the organisation. The CFO office is currently being staffed to include managers of finance and supply chain management, who joined in August 2018.

Another key resource to be brought in-house is an Information Technology Manager, who joined in August 2018.

As we populate the new structure, an overhaul is also underway of our policies, covering all areas of procurement and governance matters, including supply chain management processes, where policy development is ongoing in the wake of inadequacies identified in the previous year.

We are also making allowance in the process for greater use of African Black service providers, where the tendency previously was to favour fewer, more familiar suppliers. During the year under review, we actively sought black service providers for our discretionary funding projects. While we had success with this in terms of our larger project work, it was not that easy to identify smaller providers able to deliver to the required standards for, say, our Lifelong Learning events.

## Finance

In the 2017/2018 financial year, Fasset received R535 million in skills development levies compared to R487 million in the previous period. The 9.8% increase can be attributed to inflation. We disbursed R74.4 million in mandatory grants compared to R73.2 million in 2016/2017, while R195 million was ploughed into discretionary grant projects, compared to R262 million in the previous period.

In spite of delays in project implementation, all budgeted funds for 2016/2017 were allocated. However, project expenditure decreased by 25.8% due to implementation of projects later during the financial year. As National Treasury granted us permission to roll over funds for projects not targeted for completion, amounts committed during the review year will be spent in 2018/2019.

The audited financial statements reflect R69.8 million in irregular expenditure due to non-compliance with regulations. Of this amount, R13.8 million related to the prior year (2016/2017), which took time to investigate and was not condoned during 2017/2018. Thus, irregular expenditure for 2017/2018 amounted to R56 million. The irregular expenditure for the year under review linked directly to that of the prior year, as there were no processes in place to ensure full compliance. These weaknesses are being addressed by management.

In spite of these developments and upheavals in staffing during the year, our audit report, while not clean, was unqualified. An Audit Action Plan is in place to address the Auditor-General's concerns and close up governance gaps and control deficiencies that have emerged as a major risk to the organisation. Its implementation will be monitored constantly by the CFO.

## External environment

While internal issues have consumed most of Fasset's time over the 2017/2018 year, external conditions also greatly influence our plans and strategy. Developments in the sector with companies such as KPMG accentuate the importance of sound governance practices across all organisations. The trend points to the need for serious introspection from time to time to ensure that things are on track and functioning at their most effective.

Technology, as we see in almost every daily interaction, is rapidly and constantly changing the way we do life. Technological advances impact heavily on the finance and accounting services sector and will undoubtedly necessitate revamps to curricula and programme design in the future.

Reskilling is a word that will be used increasingly, as those whose current functions are affected by technological advancements prepare for alternative employment or an entrepreneurial lifestyle. With terms such as artificial intelligence, next-generation robotics, the internet of things and big data becoming part of everyday vocabulary, technology can be daunting. But, as with all change in life, the more you know, the less intimidating it is and the more opportunities it reveals.

This is where our ongoing research comes into its own, as it enables us to keep abreast of the technologies and the trends that will inform our skills development initiatives of the future.

## The year ahead

In the coming year, we will focus on strengthening the skills pipeline, ensuring that new entrants achieve professional status, enhancing capacity of TVET colleges and improving the placement of TVET learners, and supporting transformation of the sector. All of these objectives are contained in our APP, which we aligned more closely during the year to the requirements of National Treasury and DHET.

We have earmarked R330 million for PIVOTAL projects, almost two thirds of which will be invested in academic support for completion of an academic qualification or designation. This will benefit more than 3 300 individuals. The Fasset Bursary Scheme will take the lion's share of academic support, assisting more than 600 students.

In the non-PIVOTAL category, Llife Long Learning will be the most heavily funded initiative, and supports the Ministerial

outcome of increasing access to programmes leading to intermediate and high-level learning. This year, our Lifelong Learning programme aims to enrich the professional lives of almost 30 000 employees through presentations on legislation and financial requirements, and on skills such as risk management and personal mastery.

In line with the Ministerial outcome of increasing access to occupationally directed programmes in needed areas to expand the availability of intermediate level skills, 480 TVET graduates will be placed into employment to complete the national diploma qualification and 15 partnerships will be established with employers to support learners on the TVET Work-based Experience programme.

Stakeholder consultation will also be a priority, as we seek to restore the mutual trust and strong cooperation that Fasset and its sector traditionally enjoyed. Among our plans is the reinstatement of our working committee structure with the sector, which served us and our constituents well for many years.

## From strategy to plan

Looking ahead to 2020, we are preparing to close the book on the NSDS and bid farewell to the first era of skills development in South Africa's history. Waiting in the wings is the NSDP, which has been crafted to address areas identified over the years as needing finer focus. The NSDP is described as a coordinated PSET system intended to assist in building a fair, equitable, non-racial, non-sexist and democratic South Africa.

The focuses will be on greater cooperation between education and training institutions and the workplace; expanded access, improved quality and increased diversity of provision, and a PSET system that is responsive to the needs of individual citizens and to employers in both public and private sectors, and that meets broader societal and developmental objectives.

The plan touches on the possibility of formation of a mega-finance SETA. Sharing of resources and establishing a system of shared services have been proposed as cost-cutting measures, with potential areas being information technology, human resources and regional offices.

We have identified some areas of concern with the new plan, in the mechanism rather than the content, and, in view of the flood of comments on the public document from the business community, we expect that it will be the subject of much debate in the months to come. Viability studies are definitely needed into the implications of the suggestions contained in the NSDP.

That said, we are receptive to concepts that will genuinely advance skills development in South Africa, so we are keeping a wide-open mind. The good news is that, although there may be changes in their legislative status, the SETAs are maintaining their relevance in the education and training landscape.

## Appreciation

To the previous Board, which saw the SETA through five eventful years, thank you for ensuring that we fulfilled our objectives and maintained our status as a strong skills development performer.

We welcome the members of the new Board and look forward to benefiting from their insights and expertise in the period to come.

Through the years, we have relied heavily on our stakeholders' support and participation, and my heartfelt thanks go to our employers, professional bodies, providers and beneficiaries for continuing to help us to do our job to best effect.

Although the ink is only just drying on my contract as Acting CEO of Fasset, I have observed enough to know that the office embodies the spirit of resilience of South Africans – that determination to emerge from adversity with a renewed sense of purpose and an infectious energy and enthusiasm for what really matters.

To my team, thank you for establishing the SETA as a force in the good times and sustaining it in the difficult times.

In conclusion, I would like to borrow the words of another beneficiary featured in this report, Lukho Fuyani, who refers to Fasset as ... 'a true game changer'. I look forward to working with a team that has not only changed the game, but is setting the tone for how skills development is played for decades to come.

Together, we have much to do, so let's get to it.



**Elizabeth Thobejane**  
Acting CEO

# STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

for the year ended 31 March 2018

The CEO is responsible for the preparation of Fasset's performance information and for the judgments made on this information.

The CEO is also responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion as the Acting CEO of Fasset, the Annual Integrated Report fairly reflects Fasset's operations, performance and financial affairs for the financial year ended 31 March 2018.

As far as is reasonably possible and to the best of my knowledge, I confirm the following:

- All information and amounts disclosed in the Annual Integrated Report are consistent with the Annual Financial Statements audited by the AGSA;
- The Annual Integrated Report is complete, accurate and free of omissions;
- The Annual Integrated Report has been prepared in accordance with National Treasury guidelines;
- The Annual Financial Statements have been prepared in accordance with GRAP; and
- The AGSA is engaged to express an independent opinion on the Annual Financial Statements.

Furthermore, the Fasset Board has reviewed and approved the Annual Financial Statements and performance information contained in this report.



**Njabulo Ngwenya**  
Chairman



**Elizabeth Thobejane**  
Acting Chief Executive Officer

**B** PERFORMANCE  
INFORMATION

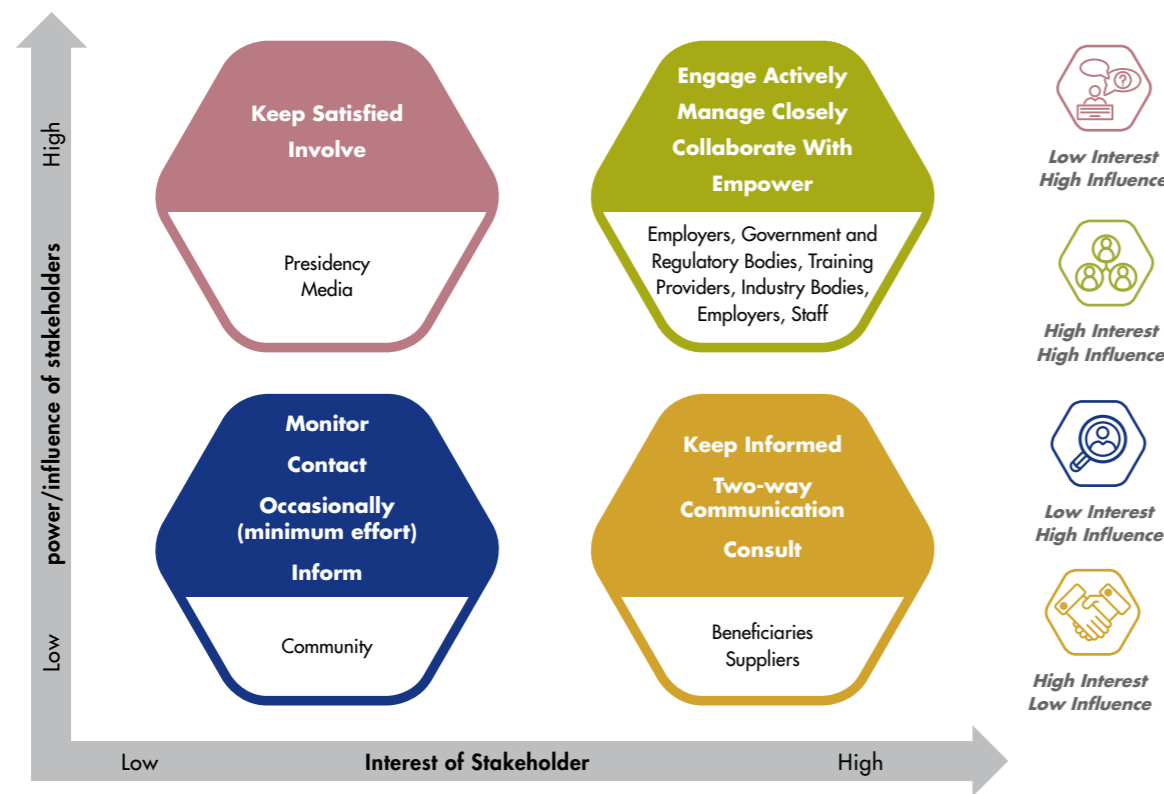
# SITUATIONAL ANALYSIS

for the year ended 31 March 2018

## Service-delivery environment

We have contributed positively to the learning landscape in South Africa over the past 18 years. Individuals in the finance and accounting services sector who may not otherwise have received training or been overlooked in the training budget, including the unemployed, historically marginalised individuals and support staff, have been trained and upskilled as a direct result of our work.

The Fasset sector currently employs about 144 000 people, contributes approximately 1% of the employment opportunities in South Africa and about 6% of the jobs in the finance, real estate and business services sector. Approximately 80% of the workforce is employed in the medium and large organisations in the sector, while the rest are employed in small organisations – mainly professional practices.



We engage proactively with all our stakeholder groups and have an ongoing commitment to working closely with them, learning from past engagement experiences and continuing to improve and respond to social expectations. These relationships help foster an environment that helps us to build on our growth and prosperity.

Our approach to stakeholder engagements is based on an adaptation of the King III Code of Governance. Principle

## Servicing our stakeholders

It is our intention to develop sustainable relationships based on mutual trust. Sustainable relationships form the foundation of our ability to create value in the short-, medium- and long-term. We believe that building strong stakeholder partnerships is key to building a more sustainable future. Our stakeholders, their interests and level of influence in our operations vary according to geographical location, nature of their business and nature of their interest. We recognise that there is a broad range of stakeholders with an interest in us, our training interventions, activities and initiatives and on whom we have an impact. These relationships are depicted in the graph below:

6.1 of King III states that effective communication with stakeholders is essential. Fasset has always subscribed to this principle, with interaction, monitoring and implementation of stakeholder engagement initiatives being the responsibilities of the respective management teams at Fasset, overseen by the Board, which is, itself, committed to stakeholder engagement.

In the execution of its governance role and responsibilities, the Board adopts a stakeholder-inclusive approach that

balances the needs, interests and expectations of material stakeholders, in the best interests of the SETA over time.

Our philosophy is to engage authentically, openly and inclusively with stakeholders so that we can better understand and benefit from their insights, concerns and priorities; seek areas of potential partnership, mitigate risks to the business and create mutual trust and respect. Understanding that the

opportunity now exists for a more effective SETA voice, we ensure that our engagements are based on issues that are both salient for us and aligned to national priorities.

The table below lists the wide range of stakeholders across the skills development spectrum with whom Fasset interacts, and details the diverse channels and approaches used to engage with them.

Stakeholder	Channels used to manage relationship	Key focus areas
Government and regulators	<ul style="list-style-type: none"> <li>Correspondence, interviews and meetings</li> <li>Website, reports and presentations</li> <li>Conferences and roundtable</li> </ul>	<ul style="list-style-type: none"> <li>Transformation, B-BBEE</li> <li>Regulatory compliance</li> <li>Economic development</li> <li>IT risk governance</li> <li>Regulatory announcements as required</li> </ul>
Employers in the sector	<ul style="list-style-type: none"> <li>Committee meetings</li> <li>Financial reporting</li> <li>Roadshows and incentives updates</li> <li>Website, newsletters and media</li> </ul>	<ul style="list-style-type: none"> <li>Business performance and continuity</li> <li>Grant payments and workplace learning and development</li> <li>Strategy and growth opportunities</li> <li>Transformation and economic development</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Internal newsletters and staff meetings</li> <li>Information sessions, training and development</li> <li>Website and intranet</li> <li>Performance reviews</li> <li>Functions</li> <li>Employee wellness</li> </ul>	<ul style="list-style-type: none"> <li>SETA performance and business news</li> <li>Industry trends and strategy implementation</li> <li>Training focusing compliance and ethics matters</li> <li>Professional development on programmes</li> <li>Recognition initiatives</li> <li>Employee wellness</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>SLAs</li> <li>Website and advertising of tenders</li> <li>Customer satisfaction surveys</li> </ul>	<ul style="list-style-type: none"> <li>Code of conduct and ethics</li> <li>Business opportunity</li> <li>Trends and requirements</li> </ul>
Communities and civil society	<ul style="list-style-type: none"> <li>Sponsorships</li> <li>Exhibitions</li> <li>Media and advertising</li> <li>Reports and website</li> </ul>	<ul style="list-style-type: none"> <li>Job opportunities</li> <li>Corporate social investment (CSI) opportunities, sponsorship and donations</li> <li>Small business development</li> </ul>
Learners	<ul style="list-style-type: none"> <li>Media and advertising</li> <li>Social media platforms and website</li> <li>Newsletters</li> <li>Reports</li> </ul>	<ul style="list-style-type: none"> <li>Access to funding of higher education and training</li> <li>Innovative skills development and training interventions</li> <li>Youth empowerment and entrepreneurship</li> </ul>
Education and training providers – professional bodies and other providers	<ul style="list-style-type: none"> <li>Advertising and publicity</li> <li>Events and sponsorships</li> <li>Publications</li> <li>Memoranda of understanding (MoUs)</li> </ul>	<ul style="list-style-type: none"> <li>Quality education</li> <li>Internationally recognised qualifications</li> <li>World-class education and training standards</li> <li>Alignment of academic training to practical on-the-job training</li> </ul>

## Quality assurance

Sector professional bodies became officially responsible for quality assuring most qualifications in the Fasset sector on 1 August 2016. This was the result of a revised delegation of quality assurance functions by the QCTO. We remain responsible for issuing certificates for these qualifications, once the relevant professional body has confirmed a learner's competence. We are also responsible for uploading learner registrations and results to the National Learner Records Database (NLRD) hosted by the South African Qualifications Authority (SAQA). The various professional bodies are responsible for the accreditation and monitoring of skills development providers, and for managing the process of assessment and moderation.

This is an interim arrangement by the QCTO, as sustaining a dual model of education and training quality assurance is not feasible in the long term.

## Qualifications realignment

During the previous financial year, the QCTO launched a new process for the realignment of current outcomes-based and unit standards-based qualifications to curriculum-based occupational certificates. The current qualifications were due to expire on 30 June 2018, with 30 June 2019 the final date of enrolment and 30 June 2022 the final date of achievement.

However, liaison with the SETAs during the 2017/2018 year revealed a need for re-registration of qualifications where these are relevant and show adequate uptake. These re-registered qualifications must be subjected to a realignment process to meet QCTO curriculum criteria. As and when the realignment process has been completed, the current qualifications will

be replaced. Careful planning will be required to ensure learners are not compromised in the process. At the time of publication of this report, Fasset and the various professional bodies were awaiting final confirmation of qualification re-registration.

At this point, it is not clear how skills development providers accredited for unit standards will be affected. The intention is for unit standards to be replaced with part qualifications and the QCTO is currently finalising its policy on this.

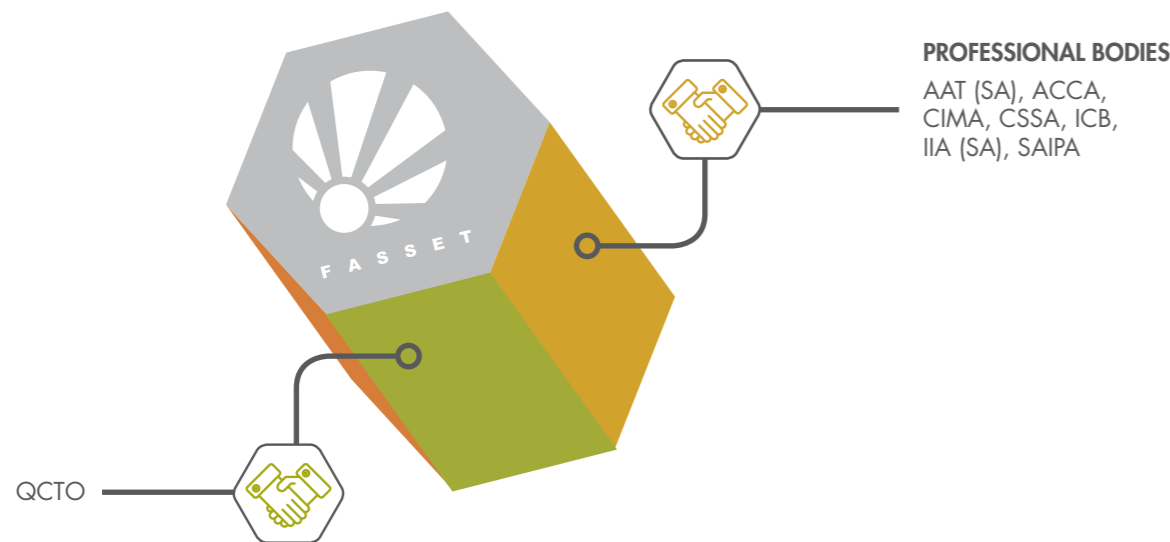
## QCTO Circular 1 of 2017

In 2017, the QCTO issued Circular 1 of 2017, which indicated a number of changes to quality assurance arrangements that will see the migration from a dual to a single system of quality assurance. The main points are:

- An intention to apply for accreditation and learning programme approval for all current SETA programmes must be submitted to the QCTO from 1 July 2018.
- SETAs that volunteer to participate in a QCTO pilot project will implement a national summative assessment for certain full qualifications from November 2018. Skills development providers accredited for these qualifications will no longer be responsible for this. Fasset decided not to participate in the pilot since the majority of finance and accounting qualifications are quality assured by professional bodies.

The exact arrangements and requirements will be communicated to stakeholders once made available from the QCTO.

Figure 2: Quality Assurance Partners in the Fasset sector.



A list of acronyms has been provided on page 98 of this report.

## Organisational environment

The year was, again, characterised by loss of key staff. Notable among those who resigned were the acting CEO/COO and the Director: Processing and Quality Assurance. This former necessitated the appointment of another acting CEO from the research function, who served until the end of the financial year.

Year-end coincided with the end of the tenure of the previous Board and the appointment of an acting CEO from outside the organisation.

The investigations against two former key members of staff, which were concluded during the year, and the reassurance brought by the extension of the SETA's licence until 31 March 2020 helped to restore staff morale to the organisation.

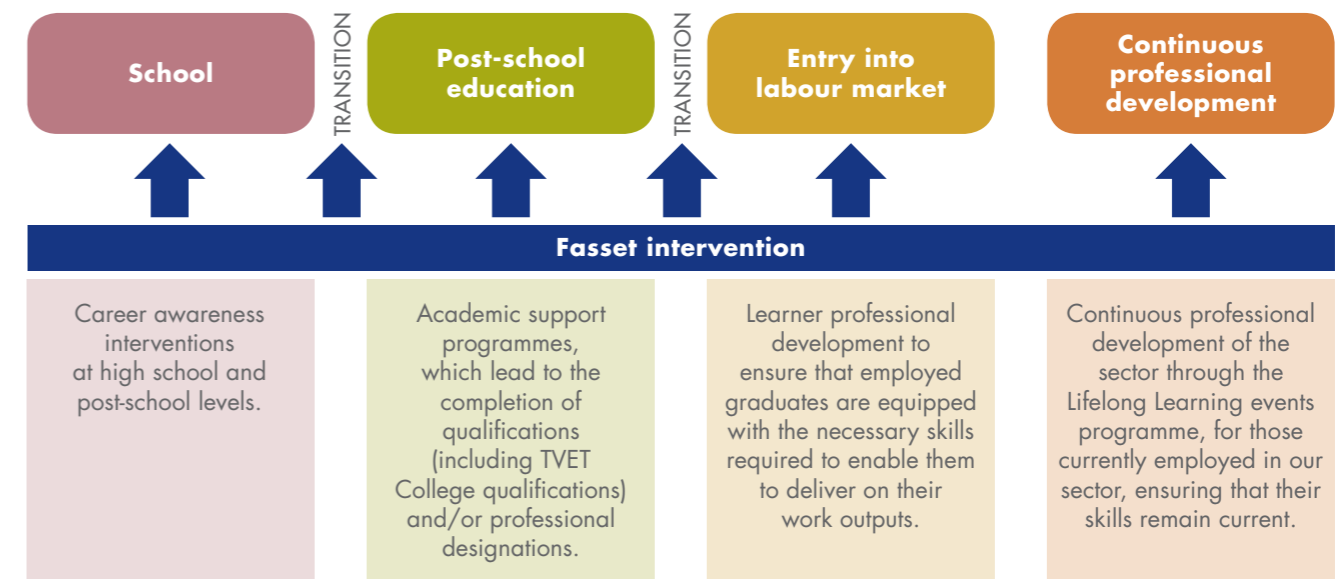
## Key policy developments and legislative changes

We complied with all new legislation introduced by National Treasury during the period under review. National Treasury issued a number of practice notes on supply chain management geared towards the adoption of best practice and/or the implementation of cost containment measures. Some irregularities in supply chain management have been raised as findings by the Auditor-General, and the SETA has accepted those findings and will address all the shortcomings identified.

## Skills pipeline approach

We focus on a skills pipeline approach, which provides support to learners at school level, throughout their university or professional body studies, and current employees, through grants and Lifelong Learning events.

Figure 3 provides more information.



## Research

No intervention takes place without the foundation of research. The SSP is the SETA's guiding document in ensuring that initiatives are focused and targeted correctly and are positioned to produce the required impact.

As is required, the SSP was updated again in 2017/2018, ensuring that it remains a living, dynamic document that stays on top of trends and developments in a fast-moving and ever-changing environment.

Feeding into the SSP is the sector survey involving employers, professional institutes, education and training institutions and learners and culminating a labour market demand and supply analysis, and skills in needs analysis. This, the third such survey, was published in September 2017.

The latest version of the SSP – covering the period 1 April 2018 to 31 March 2023 – was submitted to the Minister at the end of July 2017.

As required, 10 research interventions were conducted during the year, with the following outputs:

1. Fasset Impact Report
2. Monitoring and Evaluation Report
3. Fasset TVET College Research Report
4. Fasset Disability Toolkit
5. Learnership Readiness Pack
6. Scarce Skills Guide
7. SETA Benefits
8. Sector Survey
9. Benchmarking Report
10. Trends Report

## Key performance information

We enter into an annual SLA with DHET. Targets are set for specific learning programmes that are linked to NSDS III outputs. We report on performance in accordance with the skills pipeline approach. The indicators and targets, achievement and reason for deviation are provided in the performance report.

## Learner interventions

Learners include those employed (referred to as 18.1) and those unemployed (18.2). They are supported through a variety of interventions, including, as a first step to employment, a career awareness programme.

## FASSET INTERVENTIONS FOR UNEMPLOYED LEARNERS

### Career awareness

Rapidly changing technology may be altering the way we do business and influencing what career is chosen, but attraction to a specific sector or discipline is still very much a heart-based choice. Often, though, youngsters are not aware of where they want their heart to lead them.

That is why career awareness events are so important – to open the eyes of the undecided, confirm the convictions of the decided and clarify choices for the confused.

Career guidance of the type that is rarely available at school, is a key element of the Fasset skills pipeline and it strives to reach as many individuals a year as possible, particularly in the more outlying areas.



Ludwe Matanzima of Fasset sharing career info in Mvezo.



Simon Mokete of Fasset sharing career info with the youth in Kimberley.

During the year, Fasset piloted its Life Orientation Teacher Training initiative and forged strong partnerships with the Chris Hani Development Agency and the DHET. It participated in seminars in Cofimvaba, Cradock.

Fasset exceeded its target of 20 career events, participating in 33 career events nationally and continues to strongly support the intervention. The Fasset career guide was also updated in the year, under review, to incorporate new occupations identified as important and scarce in the finance and accounting services sector.

### Fasset Career Portal

During 2017/2018, the career portal continued to fuel interest in the sector among young South Africans, attracting almost 29 000 visitors, an increase of 10 000 over the previous year. Some 163 employers have now registered and 778 youngsters seeking employment have created a resume using the site's resume builder. In total, the portal drew 18 000 users during the year, engaged in 25 000 sessions. An important feature of the site, the #LastingLegacy gallery, is gathering momentum, with 66 visitors to date having uploaded their photographs and words under the 'You are the next big thing' banner.

### Alumni Programme

The ongoing success of the alumni initiative is testament to the generosity of spirit of past Fasset beneficiaries. Alumni give of their time to visit schools to share experiences and advice with tomorrow's workplace leaders and, for those undecided about a career, raise the benefits and rewards of a job in finance or accounting.



Ms Harriet Magolego from DHET presenting to life orientation teachers in Cofimvaba.



Fasset career roadshow in Kuruman in Northern Cape.

## FASSET INTERVENTIONS FOR POST-SCHOOL LEARNERS

### TVET Work-based Experience (WBE) Programme

Since Fasset's inception, almost 1 500 interns have stepped through the doors of corporate South Africa to complete work-experience programmes, which not only introduce them to the work environment, thus bridging the divide between tertiary institution and work, but make them far more attractive to prospective employers.

The TVET WBE programme placed 453 learners and 308 learners completed their programmes during 2017/2018, its fifth year.

### Bursary Scheme

The Fasset comprehensive Bursary Scheme introduced in 2016/2017 provides end-to-end support to the 'missing middle' – learners who are above the salary threshold/means test applied by NSFAS, but are not eligible for bank loans.

The programme produced sterling results in the year under review (student numbers appear in Table 1).

Institutions	Number of learners per institution
Cape Peninsula University of Technology	3
Central University of Technology	8
Durban University of Technology	12
Mangosuthu University of Technology	4
Nelson Mandela Metropolitan University	43
North West University	13
Rhodes University	2
Tswane University of Technology	4
UNISA	3
University of Cape Town	58
University of Fort Hare	10
University of Free State (Qwaqwa)	48
University of Johannesburg	36
University of KwaZulu-Natal	2
University of Limpopo	7
University of Pretoria	89
University of Stellenbosch	2
University of the Free State (Bloemfontein)	138
University of Venda	3
University of Western Cape	95
University of Cape Town	3
Vaal University of Technology	3
Wits	4
<b>Total number of funded students</b>	<b>590</b>

Among the many beneficiaries was Xanti Bunguzana, whose leadership abilities were reflected in his appointment to Commerce Student Council chairperson for 2017.

At Nelson Mandela University, the pass rate of an extremely vulnerable and high-risk group exceeded expectation and 88% of the students will continue into second year study, gaining access to the big four Chartered Accountant modules in the second semester of that year.

### Academic Support Programmes

Our Academic Support Programmes assist hundreds of young aspirant accountants and financial managers each year to complete their qualifications through either University, University of Technology or a professional body.

At universities, the support assists those at risk of failing exams and progressing in their courses by providing extra lessons, not mentoring and study skills, while the professional body offering includes mentoring. The Bursary Scheme for second, third and postgraduate students covers tuition, books, accommodation, stipend, transport allowance and academic support; while also facilitating work-readiness skills, extra tuition where required and coaching sessions.

## FASSET INTERVENTIONS FOR THE EMPLOYED

### What we do for employers

Fasset shares with the employers in its sector the belief that high value should be placed on skills development.

Firstly, skills are among the most important enablers of economic growth for the country, and of productivity and profitability for individual companies.

In essence, the SETAs exist to invest significant funds into training and development towards the future wellbeing of the country and its companies.

With unemployment averaging around 26%, there is a huge pool of unemployed graduates who could fill the skills needs that have been identified, and finance and accounting services is no exception.

Although the Fasset suite of initiatives includes those aimed at upskilling employed individuals, the greatest emphasis is on the unemployed – equipping them with both skills and workplace experience, a combination that makes for a well-rounded potential team member.

Employer incentives are varied and include the Learner Employment Grant (LEG), which places learners with at least

an NQF 6 qualification in a scarce skill on a learnership, the Non-PIVOTAL Learner Employment Grant (NLEG), which places unemployed learners with an NQF 6 or higher qualification on internships or in permanent employment; and the NSFAS Loan Repayment Grant (NLRG) is for learners who have completed a three-year qualification aligned to a scarce skill and contributes to the repayment of the learner's outstanding NSFAS study loan.

### Employer Grants

Our grants mechanism incentivises employers in the sector to implement skills development initiatives and allows large and medium levy-paying members to claim back a portion of their SDL contributions. Small levy-paying and non-levy paying members also have access to grants with no limitation imposed according to SDL contributions.

A strategic objective for all our interventions is transformation. During the year, the strategy funded African Black learners primarily and Coloured learners in the Western Cape and Northern Cape. Learners with disabilities are also targeted. Another strategic objective directly aligned to our mandate is a focus on programmes that address scarce skills. In line with this, the grants available to employers required a direct link to the latest scarce skills identified in the sector.

Table 2: Fasset employer grants as per APP and SP

Grant	Objective	Strategic Plan (SDL) paying Employers	Non-SDL paying Employers	Eligible employees	Target achieved
Mandatory grant	To incentivise employers to train their staff. The submission of an Annual Training Report (ATR) combined with a Skills Development Plan (SDP) allows employers to claim 20% of the SDL paid to SARS	Yes	No	All	Yes
Learner Employment Grant (LEG)	To incentivise employers to place and retain learners on learnerships	Yes	Yes	African Black, Coloured in the Western Cape and Northern Cape, learners of all races in all provinces with disabilities	No
Non-PIVOTAL Learner Employment Grant (NLEG)	To incentivise employers to place graduates either in 12-month internships or in permanent employment	Yes	Yes	African Black, Coloured in the Western Cape and Northern Cape, learners of all races in all provinces with disabilities	No
Bursary Grant (BG)	To incentivise employers to support learners in obtaining a qualification relevant to the Fasset sector	Yes	Yes	African Black, Coloured in the Western Cape and Northern Cape, learners of all races in all provinces and learners with disabilities	No
NSFAS Loan Repayment Grant (NLRG)	To incentivise graduate African Black learners and learners with disabilities to complete their learnership by assisting them to repay their NSFAS loans	Yes	Yes	African Black, Coloured in the Western Cape and Northern Cape, learners of all races in all provinces and learners with disabilities	Yes

Table 3 provides more information about the number of grant applications received and the related target achievement for grants. From the table below, it is clear that an insufficient number of applications was received for the LEG in relation to the target set. Even though more applications were received than the target set for the other targets, it must be noted that

the majority of applications for the grants are submitted by large and medium employers to whom a levy cap restriction applies. Based on prior trends, a minimum of at least double the number of applications is required to achieve targets associated with the LEG, NLEG and BG.

Table 3: Approved employer discretionary grant applications

Grant	Target	Applications	Achievement
LEG	3 800	108 employers/2 351 learners	1 138
NLEG	300	36 employers/339 learners	98
BG	500	19 employers/590 learners	265
NLEG	200	63 employers/388 learners	299

## Learnerships

Table 4 provides information about the number of learners signed onto and the number who completed our learnerships during the year under review, as well as the achievements over the last five years.

Table 4: Fasset Learnerships

Fasset learnerships	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Number of learners registered on Fasset learnerships	4 695	4 237	4 322	4 093	4 273
18.1 learners (previously employed)	268	282	176	338	792
18.2 learners (previously unemployed)	4 427	3 955	4 146	2 681	3 481
Number of learners who completed Fasset learnerships	4 298	2 585	2 183	2 941	3 934
18.1 learners (previously employed)	161	252	232	583	453
18.2 learners (previously unemployed)	2 872	2 333	1 951	2 908	3 481

Table 5 provides a breakdown of learners per NQF level category in the 2017/2018 period:

Learnership NQF level	Learners entered target	Learners entered	Learners completed target	Learners completed
NQF levels 6 and above	3 330	4 095	1 360	2 830
NQF levels 3 to 5	700	600	450	203

## Lifelong Learning and Learner Professional Development programme

Lifelong Learning is a permanent fixture on the Fasset calendar, and one of its most popular, and oversubscribed, as it fills in the gaps that more formal programmes open up, dealing with the 'softer' skills that are as essential in the workplace as their technical counterparts, and updates delegates on changes in legislation and regulations in their areas of specialisation.

During 2017/2018, two topics were tackled, as detailed in the table below. Unfortunately Fasset could not implement against all planned topics due to the challenges encountered in procurement of well-experienced African Black providers.

Table 6: Attendance of our Lifelong Learning events

Name of event	Target set for 2017/2018	Number of delegates who attended
Budget and tax update 2018	6 500	6 421
Office etiquette	4 000	1 334

## PERFORMANCE INFORMATION BY PROGRAMME/ACTIVITY/OBJECTIVE

SETAs deliver against NSDS III objectives. We sign an SLA with DHET every year, committing us to deliver against specific NSDS III goals and objectives. During 2017/2018, we had 33 targets, 18 of which were achieved.

NSDS Targets and Achievements								
No	Strategic Outcome-orientated Objective	Programme Performance Indicator	Programme Objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Variance	Reason for Deviation
1.1	Establish a credible institutional mechanism for skills planning	Research that enables sector skills planning	Produce research, such as the SSP and the annual grant analysis, that is professionally researched, provides a sound analysis of the sector and articulates an agreed sector strategy to address skills needs	10 against a target of 10	Commission and conduct 10 research interventions on topics of relevant to strategic planning, monitoring and evaluation of SETA interventions and SSP development	10 research interventions were conducted and the outputs are as follows: 1. Fasset Impact Report 2. Monitoring and Evaluation Report 3. Fasset TVET College Research Report 4. Fasset Disability Toolkit 5. Learnership Readiness Pack 6. Scarce Skills Guide 7. SETA Benefits 8. Sector Survey 9. Benchmarking Report 10. Trends Report	0	The target was achieved.
1.2				1 against a target of 1	Produce annual SSP update for submission to DHET	Produced SSP update for the 2017/2018 financial year for submission to DHET by the due date		Achieved.

NSDS Targets and Achievements								
No	Strategic Outcome-orientated Objective	Programme Performance Indicator	Programme Objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Variance	Reason for Deviation
2.1	Increasing access to occupationally directed programmes: middle-level skills	Number of learners (employed and unemployed) who enter learning programmes (learnerships)	Identify and address middle-level skills needs	416 (175 employed; 241 unemployed) against a target of 700 (280 employed; 420 unemployed)	700 learners (280 employed; 420 unemployed)	600 learners (153 employed; 447 unemployed)	-100	The target was not achieved for employed learners, but was achieved for unemployed learners, which resulted in an overall under-achievement. The limited financial benefits associated with learnerships for employed people may impact on the number of registrations. The targets for both employed and unemployed learners are not within the control of Fasset, as the learnerships are funded by employers.
2.2		Number of learners (employed and unemployed) who complete learning programmes (learnerships)		241 learners (154 employed; 87 unemployed) against a target of 450 learners (135 employed; 315 unemployed)	450 learners (135 employed; 315 unemployed)	203 learners (83 employed; 120 unemployed)	-247	The target was not achieved. The target was based on the expected number of learners who registered on learnerships. Since the registration target was not achieved in the 2016/2017 year, the target for 2017/2018 was not achieved.
2.3		Number of workers who enter and complete skills programmes – Lifelong Learning (LL)		6 110 workers (6 110 employed; 0 unemployed) against a target of 4 000 workers (4 000 employed; 0 unemployed)	4 000 workers (4 000 employed; 0 unemployed)	1 334 workers (1 334 employed; 0 unemployed)	-2 666	The target was not achieved. The programmes were meant to be credit-bearing, but accredited training providers could not be successfully appointed. This resulted in severe implementation delays.

NSDS Targets and Achievements								
No	Strategic Outcome-orientated Objective	Programme Performance Indicator	Programme Objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Variance	Reason for Deviation
3.1	Increasing access to occupationally directed programmes: high-level skills	Number of learners (employed and unemployed) who enter learning programmes (learnerships)	High-level national scarce skills needs are being addressed by work-ready graduates from higher education institutions	3 686 learners (116 employed; 3 570 unemployed) against a target of 3 330 learners (360 employed; 2970 unemployed)	3 330 learners (360 employed; 2970 unemployed)	3 607 learners (104 employed; 3 503 unemployed)	+277	The target was over-achieved, due to more SALCA registrations than expected. The increase in registration numbers for unemployed learners was due to normal annual variances, which cannot be predicted. The sub-target for employed learners was not achieved. The registration of learners on learnerships is not in Fasset's control as employers are free to register learners as and when the business needs dictates.
3.2		Number of learners (employed and unemployed) who complete learning programmes (learnerships)		2 360 learners (118 employed; 2 242 unemployed) against a target of 2 360 learners (95 employed; 2 265 unemployed)	2 360 learners (95 employed; 2 265 unemployed)	2 678 learners (76 employed; 2 602 unemployed)	+318	The target was achieved. The sub-target for employed learners was not achieved, while the sub-target for unemployed learners was over-achieved. Even though the majority of high level learnerships span a three year period, the actual period required to complete the learnership could be anything up to six years. This makes it difficult to predict expected completions. The target is not within the control of Fasset, and no funding is allocated to this target.
3.3		Number of unemployed learners on learnerships entered and funded via Learner Employment Grant		1 260 learners (0 employed; 1 260 unemployed) against a target of 860 learners (50 employed 810 unemployed)	3 800 learners (0 employed; 3 800 unemployed)	1 138 learners (0 employed; 1 138 unemployed)	-2 662	The target was not achieved. An insufficient number of applications was received for learners who meet the stipulated grant criteria. The target has been adjusted to a more feasible level, whilst pushing for greater achievement, for the 2018/2019 year.

NSDS Targets and Achievements								
No	Strategic Outcome-orientated Objective	Programme Performance Indicator	Programme Objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Variance	Reason for Deviation
3.4		Number of workers/learners who enter and complete skills programme – Learner Professional Development		N/A	6 000 workers (6 000 employed; 0 unemployed)	0 workers (0 employed; 0 unemployed)	-6 000	The target was not achieved. The programmes were meant to be credit-bearing, but accredited training providers could not be successfully appointed. This resulted in severe implementation delays.
3.5		Number of workers who enter and complete skills programmes – LL		6 873 workers (6 873 employed; 0 unemployed) against a target of 6 500 workers (6 500 employed; 0 unemployed)	6 500 workers (6 500 employed; 0 unemployed)	6 421 workers (6 421 employed; 0 unemployed)	-79	The target was slightly under-achieved due to challenges experienced with the service provider.
3.6		Number of unemployed learners who enter bridging programme for the completion of a PIVOTAL qualification – Universities		N/A	1 500 learners (0 employed; 1 500 unemployed)	1 455 learners (0 employed; 1 455 unemployed)	-45	The target was slightly under-achieved. Not all data and supporting evidence for learners on this project were available at the time of reporting.
3.7		Number of unemployed learners who complete bridging programme for the completion of a PIVOTAL qualification – Universities		N/A	1 050 learners (0 employed; 1 050 unemployed)	730 learners (0 employed; 730 unemployed)	-320	The target was under-achieved. Some of the universities failed to meet the required 70% throughput rate and will have to amend their strategy going forward. Changes required relate to the scope, structure, delivery and facilitators of the Academic Support Programme.

NSDS Targets and Achievements								
No	Strategic Outcome-orientated Objective	Programme Performance Indicator	Programme Objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Variance	Reason for Deviation
3.8		Number of unemployed learners who enter bridging programme for the completion of a qualification/designation – professional body		N/A	330 (0 employed; 330 unemployed) learners	104 (0 employed; 104 unemployed) learners	-226	The target was not achieved. An insufficient number of applications met the minimum criteria.
3.9		Number of unemployed learners who complete bridging programme for the completion of a qualification/designation – professional body		N/A	231 learners (0 employed; 231 unemployed)	0 learners (0 employed; 0 unemployed)	-231	The target was not achieved. Delays in the initial implementation of the programme resulted in delays in completion.
3.10		Number of unemployed learners funded on Bursary Grant		495 learners (0 employed; 495 unemployed) against a target of 500 learners (75 employed; 425 unemployed)	500 learners (0 employed; 500 unemployed)	265 learners (0 employed; 265 unemployed)	-230	The target was not achieved. An insufficient number of applications was received.
3.11		Number of unemployed learners funded on NSFAS Loan Repayment Grant		391 learners (0 employed; 391 unemployed) against a target of 150 learners (150 employed; 0 unemployed)	200 learners (0 employed; 200 unemployed)	299 learners (0 employed; 299 unemployed)	+99	The target was over-achieved. Additional funding was made available to support learners.

NSDS Targets and Achievements								
No	Strategic Outcome-orientated Objective	Programme Performance Indicator	Programme Objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Variance	Reason for Deviation
3.12		Number of unemployed learners entered and funded on Fasset Bursary Scheme		69 learners (0 employed; 69 unemployed) against a target of 330 learners (0 employed; 330 unemployed)	330 learners (0 employed; 330 unemployed)	673 learners (0 employed; 673 unemployed)	+343	This target was achieved. The Board made additional budget available based on the number of applications received.
3.13		Number of unemployed learners completed and funded on Fasset Bursary Scheme		0 learners (0 employed; 0 unemployed) against a target of 330 learners (0 employed; 330 unemployed)	264 learners (0 employed; 264 unemployed)	334 (0 employed; 334 unemployed)	+70	The target was achieved. A higher than expected number of learners were entered and funded in the previous financial year, resulting in an over-achievement in completions.
3.14		Number of unemployed learners funded on NSFAS bursary		199 learners (0 employed; 199 unemployed) against a target of 300 learners (no employed; 300 unemployed)	150 learners (0 employed; 150 unemployed)	215 learners (0 employed; 215 unemployed)	+65	The target was achieved. Based on numbers reported by NSFAS in previous financial years, the target was set lower than for 2016/2017. Managing the NSFAS contract in terms of target achievements remains a challenge due to limited administrative capacity at NSFAS.
3.15		Number of unemployed learners funded via Non-PIVOTAL Learner Employment Grant		N/A	300 learners (0 employed; 300 unemployed)	98 learners (0 employed; 98 unemployed)	-202	The target was not achieved. An insufficient number of applications was received.

NSDS Targets and Achievements								
No	Strategic Outcome-orientated Objective	Programme Performance Indicator	Programme Objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Variance	Reason for Deviation
3.16		Number of unemployed learners who enter bridging programme for the completion of a qualification/designation (Non-PIVOTAL)		N/A	160 learners (0 employed; 160 unemployed)	700 learners (0 employed; 700 unemployed)	+540	The target was achieved. Additional budget was made available by the Board based on the number of applications received, and a lower than anticipated cost per learner.
3.17		Number of unemployed learners who complete bridging programmes: Qualification/professional designations support (Non-PIVOTAL)		N/A	112 learners (0 employed; 112 unemployed)	409 learners (0 employed; 409 unemployed)	+297	The target was achieved. An increased number of learners was funded for entry in the 2016/2017 year, resulting in higher than expected completions.

NSDS Targets and Achievements								
No	Strategic Outcome-orientated Objective	Programme Performance Indicator	Programme Objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Variance	Reason for Deviation
4.1	Increase TVET institutional involvement	Number of unemployed TVET graduates placed (in in-service training)	Partnerships among DHET, the SETA, employers, private providers and public TVET Colleges are resulting in increased capacity to meet industry needs throughout the country	287 learners (0 employed; 287 unemployed) against a target of 300 learners (no employed; 300 unemployed)	480 learners (0 employed; 480 unemployed)	453 learners (0 employed; 453 unemployed)	-27	The target was slightly under-achieved. In comparison to the 2016/2017 year, a stretch target was set which was almost met. Some employers failed to recruit their allocated number of learners prior to year-end.
4.2		Number of unemployed TVET graduates completing in-service training		128 learners completed (0 employed; 128 unemployed) against a target of 100 learners completed (no employed; 100 unemployed)	210 learners completed (0 employed; 210 unemployed)	308 learners completed (0 employed; 308 unemployed)	+98	This target was achieved. The learners who have completed started on the project at least 18 months ago. The project is starting to reach a level of maturity where estimations of completions can be based on trends from previous financial years. Thus far, the project is more successful than originally anticipated.
4.3		Number of SETA employer partnerships established		N/A	15 partnerships established	26 partnerships established	+11	This target was achieved. The project was opened to include all employers in the Fasset sector and interest was higher than expected.

NSDS Targets and Achievements								
No	Strategic Outcome-orientated Objective	Programme Performance Indicator	Programme Objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Variance	Reason for Deviation
5.1	Encouraging better use of workplace-based skills development	Large firms (submission of Workplace Skills Plan (WSP)/ Annual Training Report (ATR))	Training of employed workers addresses critical skills, enabling improved productivity, economic growth and the ability of the workforce to adapt to change in the labour market	62 large firms against a target of 60	60 large firms	71 large firms	+11	This target was achieved. There was an increase in submissions which may be due to changes in BBBEE legislation.
5.2		Mediums firms (submission of WSP/ATR)		95 medium firms against a target of 80	80 medium firms	113 medium firms	+33	This target was achieved. There was an increase in submissions, which may be due to changes in BBBEE legislation.
5.3		Small firms (submission of WSP/ATR)		513 small firms against a target of 600	600 small firms	637 small firms	+37	This target was achieved. There was an increase in submissions, which may be due to changes in BBBEE legislation.

NSDS Targets and Achievements								
No	Strategic Outcome-orientated Objective	Programme Performance Indicator	Programme Objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Variance	Reason for Deviation
5.4	Encouraging and supporting cooperatives, small enterprises, worker-initiated programmes, NGOs and community training initiatives	Support to non-levy paying firms	Training of employed workers addresses critical skills, enabling improved productivity, economic growth and the ability of the workforce to adapt to change in the labour market	313 firms against a target of 320	320 firms	181 firms	-139	This target was not achieved. The method and basis of calculation had to be amended due to prior year audit findings.
5.5	Increase public sector capacity for improved service delivery and support the building of a developmental state	Number of government departments supported	Thorough analysis and reflection are conducted on provision of education and training in the public sector and the contribution of the various role-players	6 departments against a target of 5	5 departments	4 departments	-1	This target was not achieved. The method and basis of calculation had to be amended due to prior year audit findings.
5.6		Support to small businesses includes attendance at LL		N/A	400 small firms	592 small firms	+192	This target was achieved. A greater number of small firms attended LL events than expected. The target was based on participation statistics up until 2015/2016.

NSDS Targets and Achievements								
No	Strategic Outcome-orientated Objective	Programme Performance Indicator	Programme Objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Variance	Reason for Deviation
6.1	Build career and vocational guidance	Develop career guide and position finance and accounting services through various platforms as the sector of career choice	Career paths are mapped to qualifications in the sector and sub-sectors, and communicated effectively, contributing to improved relevance of training, and greater mobility and progression	Career guide developed 1. National learner print and online campaign updated 2. 34 learner adverts placed on various print media and online platforms 3. 31 career events held in rural areas and townships 4. 5 relationships established with career guidance/student offices at HETs/TVETs and offices upskilled 5. 4 quarterly learner e-zines produced 6. Career portal developed	The following are planned: 1. 1 career guide updated 2. 1 national learner print media and online campaign update implemented 3. 32 learner advertisements placed 4. 20 career event exhibitions attended 5. 5 relationships created and/or career guidance/student support offices at HETs/TVETs created 6. 4 learner e-zines produced and distributed to learners	Career guide updated • 1 national learner print media and online campaign update implemented • 25 learner advertisements placed • 33 career event exhibitions attended • 5 relationships created and/or career guidance student support offices at HETs/ TVETs created • 4 learner e-zines produced and distributed to learners	-7 +13 0 0	The target was achieved, except for the number of learner advertisements placed. The method and basis of calculation had to be amended due to prior year audit findings. This resulted in a lower achievement than planned. The target for career events was over-achieved as more invitations than anticipated could be accommodated within the allocated budget.

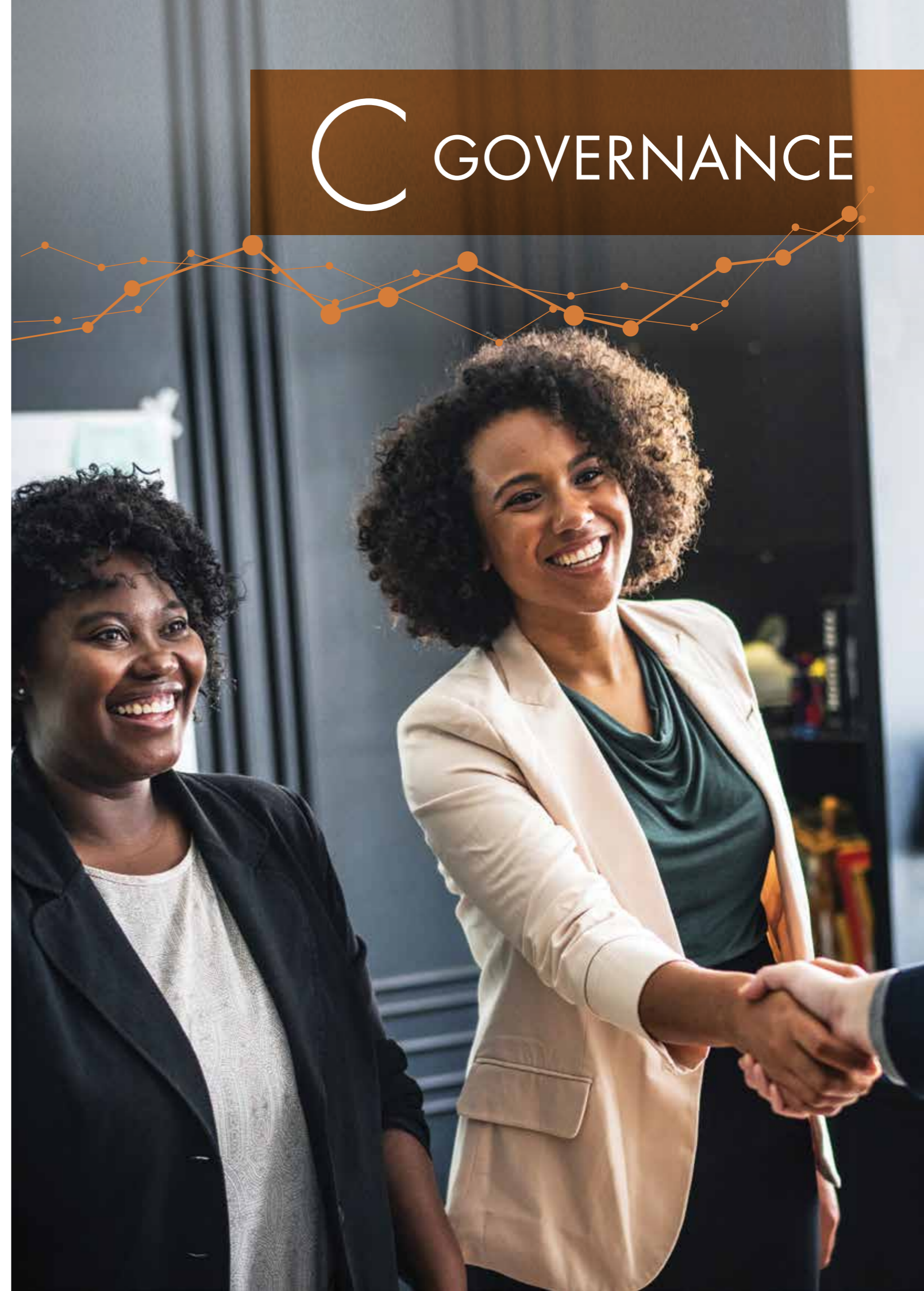
## REVENUE COLLECTION

	2018 R'000	2017 R'000
<b>Revenue</b>		
Revenue from exchange transactions		
Other income	-	174
Investment revenue	36 968	23 900
<b>Total revenue from exchange transactions</b>	<b>36 968</b>	<b>24 074</b>
Revenue from non-exchange transactions		
Transfer revenue		
Levies	535 310	478 195
<b>Total revenue</b>	<b>572 278</b>	<b>511 269</b>

### Capital investment

Fasset does not hold capital investments deposits with any commercial banks. But rather it deposits its levies revenue received into a Corporation for Public Deposits (CPD) account held at the South African Reserve Bank (SARB). When Fasset receives levies revenue from DHET, the funds are transferred to the CPD account immediately in order to capitalise on the interest to be earned. The funds are transferred between the CPD account and Fasset's current account on a need-to basis, which can either be weekly or bi-weekly.

## C GOVERNANCE



# INTRODUCTION

At Fasset, we are committed to good governance practices, which seek to promote transparency and accountability to all our stakeholders as well as promote our ability to create value in the short to medium term.

We comply with all applicable regulations, standards and frameworks. In addition, robust governance structures and processes are in place to ensure the execution of our strategy and the management of risks. Our internal controls include a code of conduct, service level agreements, declarations of conflict of interest, and a gifts and hospitality register.

## EXECUTIVE AUTHORITY

We report on our financial and non-financial performance to the MHET in his capacity as the Executive Authority.

### ACCOUNTING AUTHORITY

The Accounting Authority (Fasset Board) governs and manages the SETA in accordance with applicable legislation and provides strategic direction. As the King III Code of Corporate Governance articulates, the essence of good governance emanates from effective leadership; thus the Accounting Authority and management of Fasset have a critical role to play in ensuring that we fulfil our strategic and operational objectives towards sustainable performance and meet the needs of our stakeholders.

The Board assesses Fasset's performance, assesses risks and reviews Fasset's strategic direction.

### BOARD MEMBERS



**Shahied Daniels**  
Chairman



**Bongani Mathibela**



**Corné Karsten**



**Mauwane Kotane**



**Kate Hlongwane**



**Amanda Dempsey**



**Mopo Mushwana**



**Nyameka Macanda**



**Patricia Stock**



**Sathi Gouden**



**Stadi Mngomezulu**



**Shirley Mashaba**

## CONSTITUENCY

The tenure of the previous Board ended on 31 March 2018, with members who had served only one term being eligible for reappointment for the new term. Three existing Board members elected to serve a second term from 1 April 2018 and, in addition, 12 new members took up office.

### BOARD MEMBERS



**Njabulo Ngwenya**  
Chairman



**Dr Mark Bussin**  
Organised Business



**Skalo Dikana**  
Organised Business



**Bongani Mathibela**  
Organised Business



**Angela Nyathela-Mahanjana**  
Organised Business



**Tlakale Christina Phatlane**  
Organised Labour



**Jacobus Christoffel Kruger**  
Organised Labour



**Mopo Mushwana**  
Ministerial Appointee



**Doreen Jacobs**  
Organised Labour



**Gugu Mthombeni**  
Organised Labour



**Dominic Storum**  
Organised Labour



**Nyameka Macanda**  
Organised Labour



**Daluhlanga Majeke**  
Public Sector

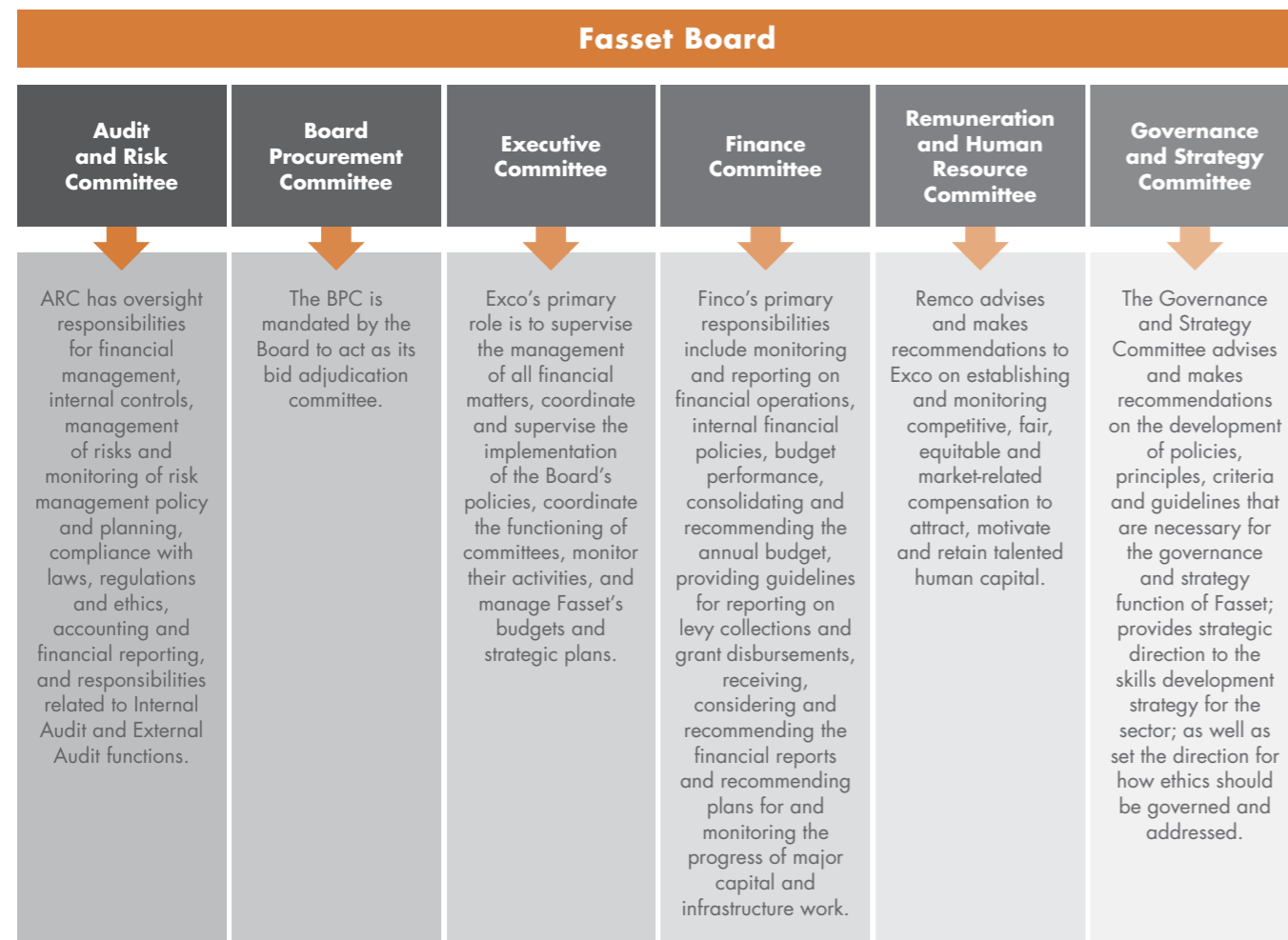


**Nadine Kater**  
Professional Bodies



**Patience Semanya**  
Professional Bodies

The Board and sub-committee responsibilities are outlined below.



The Board assess Fasset's performance, assesses risks and reviews Fasset's strategic direction.



These committees provide advice and strategic input into Fasset's functions. Each committee focuses on a specific stakeholder grouping and provides input from a particular stakeholder grouping's perspective.



## RISK MANAGEMENT

The changes to Fasset's strategy introduced in the middle of the reporting period changed the SETA's risk profile, creating risks relating to stakeholders accessing information timeously to enable them to implement new programmes aligned to the revised strategy, and affecting the achievement of targets.

Fasset remains committed to the optimal management and mitigation of all risks associated with the performance of functions and delivery in line with its vision, mission, objectives and strategic plans. To meet this commitment, the management of risks is integrated into strategy, planning, budgeting and operational internal control processes and is fully recognised in funding and reporting processes on the basis of evaluation of the level of risk and Fasset's risk appetite.

The Fasset Board has overall responsibility for risk management. The Audit and Risk Committee (ARC) provides oversight of this function and an executive Risk Management Committee (RMC) is responsible for risk management. The Board recognises that risk management is an integral part of the SETA strategy-setting process. The responsibility for designing, implementing and monitoring the risk management plan is delegated to management.

The Enterprise-wide Risk Management Framework deploys three lines of defence as depicted below.

- Board and Exco accountability and involvement in business management, supported by appropriate internal control, risk management and governance structures;
- Regular monitoring of risks and performance across all business processes, and
- Independent assurance provided by Internal Audit and the AGSA.

The risk register and risk appetite are discussed monthly at management meetings, then a report is presented quarterly to ARC. An annual risk assessment is also held to review the entire risk universe of the Fasset environment.

As part of managing its risk, the SETA also defines the material issues that can potentially impact on its ability to deliver on its mandate, the associated risk and potential impact, and how the risks of these material issues are being managed. This is detailed on page 9 of this report.

The key risks are tabled and reviewed quarterly by the Audit and Risk Committee. Risk metrics and indicators are clearly defined for all risks, with the risk management process embedded in the SETA's operations. During the period under review, risks relating to the SETA landscape continued. These were allayed towards the end of the year by the extension

of the SETA licence period. Other risks addressed during the period included those related to the mid-year strategy changes, and to ensuring the delivery of discretionary-funded projects being completed on time, within budget and in line with set requirements.

Internal controls relating to the adherence of all policies, processes, legislation and standards in areas such as SCM, IT and reporting of performance information were also reviewed to ensure that all strategic and operational risks were effectively managed. The effective management of inherent and emerging risks will continue to be managed through the governance structures, with the Fasset Board, as the Accounting Authority, remaining ultimately responsible for the risk management function.

### Internal Control Unit

The Audit and Risk Committee monitors audit reviews and all internal controls implemented by Fasset management. The SETA's systems and internal controls include a delegation of responsibilities within a clearly defined framework, effective accounting system and adequate segregation of duties. In addition, all the necessary structures, policies and procedures are in place and updated where necessary to ensure full compliance with various requirements, frameworks and standards, including compliance with the King IV Code of Corporate Governance, which includes placing greater emphasis on IT governance in recognition of the increasingly prominent role of IT as a strategic enabler for organisations.

The Board is of the opinion, based on the information and explanations given by management, ARC and AGSA, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, the Board acknowledges that the weaknesses in the internal control as identified during the audit were a reflection of the previous year's challenges. It should also be acknowledged that any internal controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

### Compliance with Laws and Regulations

Fasset's Legislative Compliance Framework is reviewed quarterly by the Audit and Risk Committee and the Board.

### Fraud and Corruption

To assist Fasset to give effect to its fraud prevention plan, stakeholders are encouraged to make use of the Fasset Tip-offs Hotline to notify Fasset of any suspected fraudulent activities impacting on the SETA. The hotline is monitored monthly and all activities are reported at management meetings. Neither fraud nor corruption was reported in the period under review.

## Minimising Conflict of Interest

Fasset abides by the following principle:

A constituent, representative or employee of Fasset who is directly or indirectly interested in any business of Fasset or the committee of which he/she is a member, or who holds any office or possesses any property that might cause a conflict of interest or duties or such possible perception, must:

- Declare such interest or potential conflict of interest;
- Disclose, in writing, to the Board and CEO (in the case of an employee) any conflict of interest or duties, or possible perception of such, as soon as practicable after he/she becomes aware of the relevant facts and shall not participate in the discussion or decision taken, and
- Not take part in any transaction between Fasset and any company, firm or enterprise in which he/she, or any member of his/her family, has an interest, without declaring such interest and having been specifically authorised by the Board to do so.

All disclosures made to a meeting of the Board, and related decisions and motivations, are recorded in the minutes of the meeting.

## Code of Conduct

Fasset is committed to a policy of fair dealing and integrity in the conduct of its business. This commitment, which is actively endorsed by the Board, is based on a fundamental belief that Fasset's affairs should be conducted honestly, fairly, ethically and legally. Fasset expects all constituents, representatives and employees to share in its commitment to high moral, ethical and legal standards and be aware of and adhere to Fasset's Code of Conduct.

## Health, Safety and Environmental issues

The pressing need to address the growing pressure on resources, and rising emissions and global temperatures is almost universally accepted. Fasset subscribes to the philosophy that small, sustainable actions make a big impact and this belief forms the basis of the Fasset Environmental Policy and its implementation plan, enacted during the 2016/2017 financial year.

In spite of the relatively low environmental impact of the SETA, the policy seeks to ensure that its business is conducted in a responsible, fair and honest manner, in keeping with

regulations and codes of practice related to environmental protection. The policy concentrates on energy and water usage and on printing, while encouraging a culture of recycling and of managing and disposing of all waste responsibly.

These efforts are still in force and will continue into 2018/2019, along with other initiatives identified during the annual review of the environmental policy.

## Company Secretary

The Board is cognisant of the duties of the Company Secretary and an environment exists in which the Company Secretary is able to ensure full adherence to Board procedures and relevant regulations. The Company Secretary's role entails:

- recording minutes of the Board and meetings of its committees;
- determining the annual calendar for Board meetings in consultation with the Board Chairman and the CEO;
- preparation and distribution of Board packs for meetings;
- maintenance of statutory records;
- facilitating the annual performance evaluation process for the Board and its committees;
- managing the nomination process of new Board members;
- facilitating the induction of new Board members and developing mechanisms for providing continuous education and training for Board members to improve and maintain Board effectiveness;
- Providing guidance on Board members' fiduciary responsibilities and duties;
- Providing guidance to Board members on governance, and
- Managing conflicts of interest.

These duties were discharged accordingly.

## Social Responsibility

The PFMA precludes public entities from using public funds to support corporate social responsibility (CSR) initiatives. Fasset's CSR initiatives are, therefore, staff driven and voluntary in line with its commitment to making a difference, however slight, in the communities in which it operates.

# REPORT OF THE AUDIT AND RISK COMMITTEE

*Report of the Audit and Risk Committee in terms of Regulations 27 (1) (10) (B) and (C) of the PFMA. We are pleased to present our report for the financial year ended 31 March 2018.*

## Audit and Risk Committee responsibility

The Audit and Risk Committee has adopted appropriate terms of reference as its ARC charter.

The charter is updated regularly and complies with the principles of good governance and with the requirements of the PFMA. The Audit and Risk Committee is accountable to the Board and has an oversight function for:

- Financial management
- IT governance
- Risk management and internal audit
- Compliance with laws, regulations and good ethics
- Reporting practices, and
- External audit

The Audit and Risk Committee has satisfied its responsibilities for the year, in compliance with its terms of reference and charter.

## Report on the operations of the Audit and Risk Committee

During the period under review, the following activities were undertaken and demonstrate the commitment of the Audit and Risk Committee to achieve its mandate:

- Updated the ARC charter;
- Considered the risk management process;
- Considered the internal audit plans and reports and made recommendations as appropriate;
- Monitored progress with the internal audit coverage plans as well as management's follow-up on matters requiring attention;
- Monitored compliance with policies and applicable legislation;
- Conducted separate informal meetings with management, internal and external audit;
- Reviewed external audit plans, reports and management's follow-up of matters requiring attention;

- Provided guidance to the Board on IT governance issues and alignment to applicable legislation, and
- Conducted self-assessment during the year. Results concluded that the Audit and Risk Committee is effective in the execution of its duties. Minor areas of improvement were identified and action plans were put in place.

## The effectiveness of internal control

The ARC is satisfied that:

- The risk management process is in place and that Fasset's major risks are managed properly;
- The internal control systems are effective for the most part. Internal control weaknesses in the SCM and HR processes were identified and are being addressed;
- The internal auditors are operating objectively and independently, and
- Matters requiring management's attention have been addressed adequately.

## Evaluation of financial statements

The Audit and Risk Committee has:

- Reviewed and discussed with the Auditor-General the audited financial statements to be included in the Annual Integrated Report;
- Reviewed the Auditor-General's management letter and management's response thereto;
- Reviewed significant adjustments resulting from the audit;
- Reviewed and discussed the Auditor-General's report, and
- Reviewed and confirmed the independence of the external auditors with respect to non-audit services.

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

## Audit and Risk Committee attendance and remuneration 2017/2018

Member	Shirley Machaba <sup>1</sup> (Chairman)	Amanda Botha <sup>2</sup>	Veronica du Preez	Patricia Stock	Edson Ragimana	Mdu Zakwe
Position	Board Member	Independent Member	Independent Member	Board Member	Independent Member	Independent Member
Meetings						
23 May 2017	✓	✓	✓	✓	×	✓
30 July 2017	×	✓	✓	✓	✓	✓
14 September 2017	✓	×	✓	×	✓	✓
31 October 2017	✓	✓	✓	✓	✓	×
20 February 2018	✓	✓	✓	×	✓	✓
Meetings attended	4	4	5	3	4	4
Remuneration during year for financial year ending 31 March 2018	R40 208.00	R32 000.00	R40 000.00	R26 420.00	R32 000.00	R32 000.00
Travel reimbursement	R963.47	N/A	R1 405.80	R1 001.10	R1 139.55	R678.05

<sup>1</sup> Committee fees paid to: PricewaterhouseCoopers (PWC): Shirley Machaba

<sup>2</sup> Committee fees paid to: Accounting Standards Board (ASB): A Botha

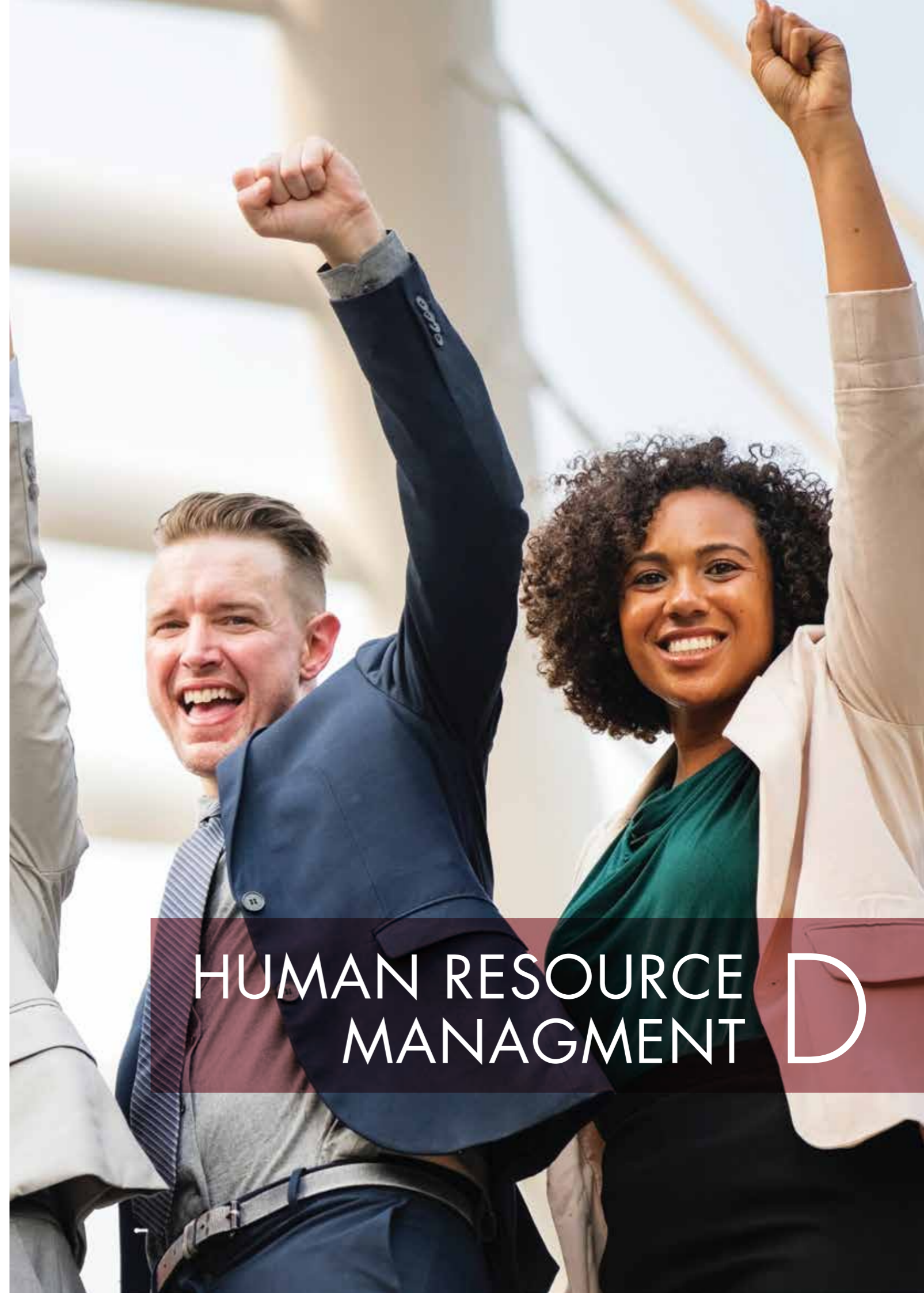
### Remuneration Rate

Independent member	=	R8 000 per meeting
Chairman (Board member)	=	R10 052 per meeting
Board member	=	R8 184 per meeting
Independent Chairman	=	R8 500 per meeting



**Skhalo Dikana**

Chairperson of the Audit and Risk Committee



# HUMAN RESOURCE MANAGEMENT

# INTRODUCTION

At 31 March 2018, Fasset's staff complement stood at 26, three fewer than in the previous year. Six staff members left during the year, and three new recruits were appointed.

## Recruitment and selection

To ensure we remain focused on the recruitment and retention of talented staff, and to fulfil our transformation goals, we have a Recruitment and Selection Policy and an Employment Equity Plan (EEP), under whose conditions all new appointments are made.

During the year, we underwent an intensive recruitment campaign to capacitate areas that were under-resourced, such as human resources, or that had traditionally been outsourced, namely finance and IT.

By year-end, a Human Resources Manager and a Chief Financial Officer had been appointed, but recruitment was ongoing in IT, with an external provider continuing to fulfil the role.

The organisational structure at year-end showed 16 positions to be filled, the majority in the newly created finance team. The external agency will remain involved until the unit is fully staffed.

The call centre will continue to be outsourced.

## Training and development

We rely on the knowledge and training of our employees to fulfil our mandate.

Through our Education and Training Policy, we ensure that staff members are upskilled to meet their development potential and capacitated to deliver on Fasset's strategic priorities. Although there was some movement of staff during the year under review, the Fasset team has remained relatively stable since inception, growing proportionately over time and including several long-serving team members. This has ensured that the institutional knowledge of the organisation is retained. Our mode of operation includes a multi-skilling approach that provides opportunities for exposure to a variety of work assignments and enables us to manage in times of operational constraints.

Although recruitment continues and is scheduled to be completed by December 2018, the current skills capacity is well poised to enable Fasset to deliver effectively on its mandate for the upcoming financial year.

## Talent management and succession planning

One of the immediate responsibilities of the new Human Resources Manager is crafting a set of human resources policies that will accompany the SETA on its journey through the last two years of NSDS III. These will be taken into account the uncertainty surrounding the future of the SETAs after end-March 2020. Important among these will be the talent management and succession plan.

## Measuring people practices

Investors in People remains the human development standard of choice at Fasset, it being a well-respected benchmark globally and one that allows the SETA to share in international best practices.

## Recognition and reward

The integrated performance management system is being reviewed as part of the responsibilities of the Human Resources Manager.

## Employee wellness

Healthy employees reduce healthcare costs, decrease the likelihood of illness and injuries and reduce absenteeism. Fasset regards employee wellness as a priority and as such, various wellness initiatives and awareness days are held to ensure that employees are aware of health risks.

Fasset's wellness programme is facilitated by staff and various events are organised in order to boost staff morale and improve the team spirit.

## Employee relations

An employee forum established in 2015/2016 to facilitate communication between employees and senior management and provide an opportunity for employees to participate and contribute constructively to operations continued to meet in the year under review. At these meetings, pertinent matters were raised with senior management on areas such as reward and recognition, training and development as well as issues that impact the SETA's operations and strategic matters.

Based on the outcomes of the employee forum sessions held, we have now embarked on a process of reviewing our human resources policies and processes with the view of addressing some of the concerns raised by staff.

## Performance Rewards

Performance bonuses were not paid during the 2017/2018 financial year, due to changes in the performance rewards strategy and payment cycles.

## Personnel cost by salary band

Level	Personnel expenditure	% of personnel exp to total personnel cost	No of employees	Average personnel cost per employee
	R'000	R'000		R'000
Top management	4 863	27	4	1 945
Senior management	3 322	18	3	1 107
Managers	4 231	23	5	846
Professional qualified	3 199	17	10	323
Skilled	2 020	12	8	252
Unskilled	345	2	2	172
Interns	174	1	3	58
<b>Total</b>	<b>18 154</b>		<b>35</b>	

# HUMAN RESOURCE OVERSIGHT STATISTICS

From 1 April 2017 to 31 March 2018

Staff member	Position	Race	Disability	Gender	Date joined	Resignation/termination date
Nomadlozi Buthelezi	Learnerships Specialist	African	Non-disabled		Oct-03	
Berlinda Chidi	Learnership Administrator	African	Non-disabled		Sep-08	
Lauren Derman	Director of Research	White	Non-disabled		Apr-01	
Natércia Faustino	Director of PQA	White	Non-disabled		Mar-08	Nov-17
Cheryl James	Chief Executive Officer	White	Non-disabled		May-00	Aug-17
Lesego Lebuso	Chief Operating Officer	African	Non-disabled		Aug-11	Nov-17
Tania Lee	Projects Director	Coloured	Non-disabled		Mar-04	Aug-17
Mando Mahlangu	Grants Specialist	African	Non-disabled		Nov-07	
Annah Maseko	Office Attendant	African	Non-disabled		Sep-03	
Bomkazi Mnombeli	Operations Manager	African	Non-disabled		Apr-08	
Gugu Moetanaló	Company Secretary	African	Non-disabled		Jun-00	
Glodinah Moleko	Operations Administrator	African	Non-disabled		May-08	
Nomandla Mtetwa	Projects Administrator	African	Non-disabled		Jun-09	
Thandiswa Nduna	Projects Administrator	African	Non-disabled		Apr-07	
Marlie Spencer	Quality Assurance Manager	White	Non-disabled		Apr-13	
Desireé Rikhotso	Grants Administrator	African	Non-disabled		Oct-05	
Thabiso Sebashe	Communications Assistant	African	Disabled		Sep-03	
Pearl Thomo	Office Attendant	African	Non-disabled		Sep-05	
Maphuti Setati	Grants Administrator	African	Non-disabled		Jun-10	
Amos Nokoane	Projects Specialist	African	Non-disabled		May-13	

Staff Member	Position	Race	Disability	Gender	Date joined	Resignation/termination date
Molly Rabaloi	QA Specialist	African	Non-disabled		May-13	
Simon Mokete	Learnerships Administrator	African	Non-disabled		Apr-13	
Unathi Nkosiyané	Learnerships Administrator	African	Non-disabled		Apr-13	
Queen Maphoto	Operations Assistant	African	Non-disabled		May-13	
Sello Malatsi	Governance Specialist	African	Non-disabled		Apr-14	
Biggie Chidzondo	Database and Research Specialist	African	Non-disabled		Jan-15	Apr-17
Khomotso Petla	QA Administrator	African	Non-disabled		Nov-15	
Zandile Skosana	Marketing and Comms Manager	African	Non-disabled		Jul-15	
Ludwe Matanzima	Marketing and Comms Specialist	African	Non-disabled		Apr-16	Nov-17
Thokozani Nongauza	HR Manager	African	Non-disabled		Jun-17	
Zanoxolo Koyana	Chief Financial Officer	African	Non-disabled		Oct-17	
Elizabeth Thobejane	Chief Operating Officer	African	Non-disabled		Mar-18	



## Employment changes

Six staff members left the organisation and there were three key appointments made during the year under review.

## Reasons for staff leaving

The two senior staff suspended in the previous year in the wake of the investigation into supply chain irregularities resigned in the year under review, once the matter had been concluded. In addition, two senior staff members and two specialists left the organisation.

## Labour relations: Misconduct and disciplinary action

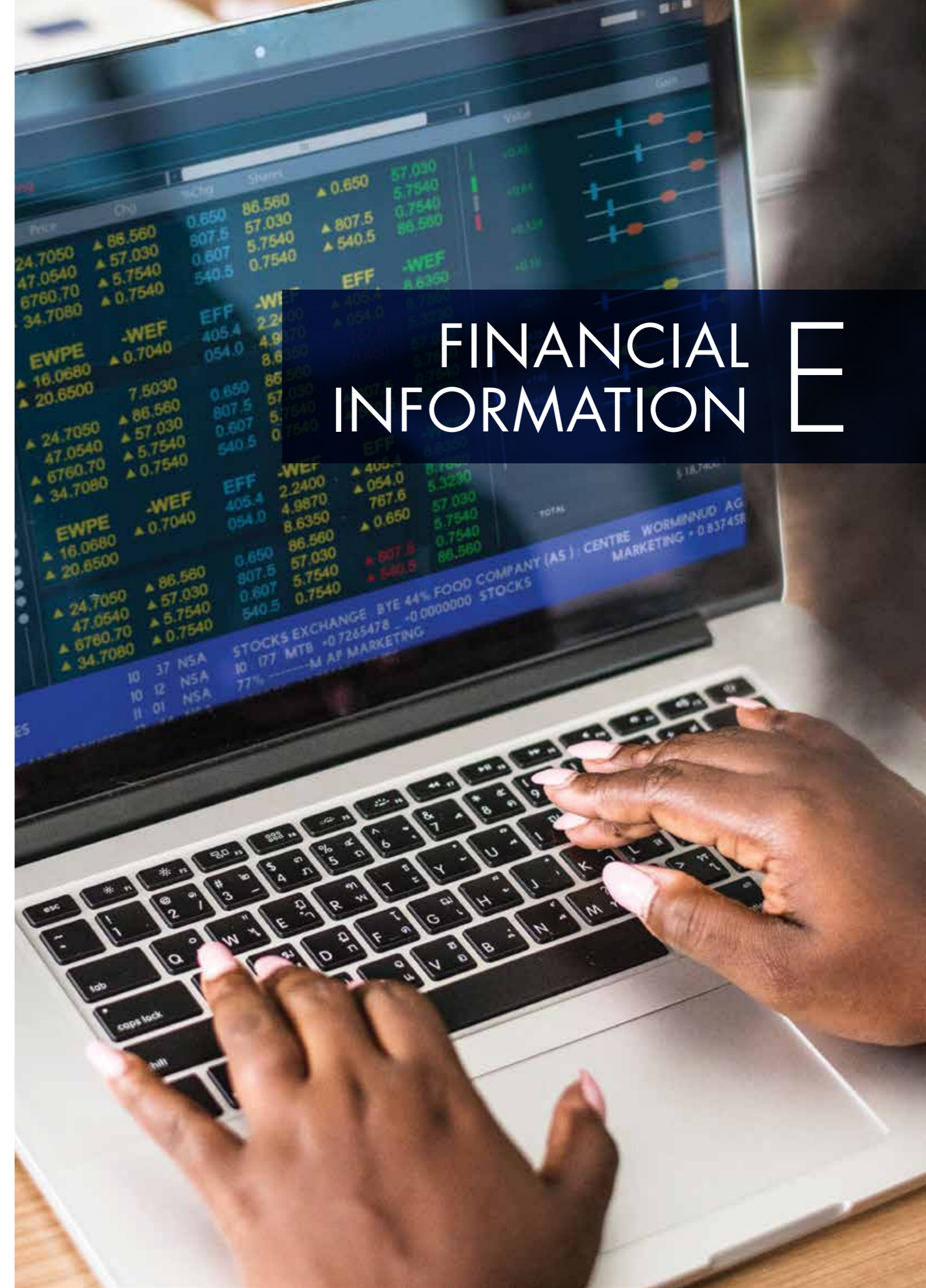
Nature of disciplinary action	Number
Verbal warning	0
Written warning	0
Final written warning	0
Dismissal	2

## Equity target and employment equity status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	1	0	0	0	0
Senior management	1	1	0	0	0	0	0	0
Professional qualified	2	0	0	0	0	0	0	0
Skilled	1	0	0	0	0	0	0	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	1	0	0	1	1	0
Senior management	0	1	0	1	0	1	2	3
Professional qualified	2	0	0	1	0	1	0	1
Skilled	0	3	0	0	0	1	0	1
Semi-skilled	11	0	0	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
<b>Total</b>	<b>16</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>3</b>	<b>5</b>

Levels	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top management	1	0	0	0
Senior management	0	0	0	1
Professional qualified	0	1	0	2
Skilled	0	1	0	1
Semi-skilled	0	1	0	1
Unskilled	0	1	0	1
<b>Total</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>6</b>



# STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Accounting Authority is responsible for the preparation of Fasset's financial statements and for judgments made in compiling this information.

It is responsible for establishing and implementing a system of internal control to provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements.

In our opinion, the Annual Financial Statements fairly reflect the operations of Fasset for the financial year ended 31 March 2018.

The external auditors have a statutory duty to express an independent opinion on Fasset's Annual Financial Statements for the year ended 31 March 2018. The Auditor-General's report is on page 58.

The Annual Financial Statements of Fasset have been approved. The full set of audited financial statements can be found on page 63 of this report.



**Njabulo Ngwenya**  
Chairman

# REPORT OF THE ACCOUNTING AUTHORITY

The Board is Fasset's Accounting Authority. As the highest governing structure, it retains full and effective control over Fasset. It monitors the CEO's performance and ensures that decisions on material issues are addressed and that the SETA carries out its fiduciary duties.

The members of the Board have scrutinised the preparation and presentation of this Annual Integrated Report. In their view, it provides insights into Fasset's organisational strategy and how this relates to Fasset's ability to create value for the Fasset sector. The report also provides a holistic picture of the combination, interrelatedness and dependencies among the factors that affect the SETA's ability to deliver on its mandate. All material matters, both positive and negative, have been included in the report in a balanced manner.

It is the considered opinion of the Board, as the Accounting Authority, that the Annual Integrated Report provides a fair representation of Fasset's financial and non-financial performance for the year ending 31 March 2018 and that it has been prepared in accordance with reporting requirements. Appropriate accounting policies, supported by reasonable and prudent judgment and estimates, have been applied on a consistent, going-concern basis and the Annual Financial Statements comply with GRAP and the PFMA.

Fasset complies with all other applicable legislation and the Board discharges its responsibilities of:

- Providing strategic direction to the organisation;
- Determining strategic objectives, goals and policies, and
- Monitoring performance against these objectives and goals as well as annual performance plans.

An investigation into SCM irregularities instituted in an earlier year was concluded in 2017/2018. This issue has been addressed in the Auditor-General's report and included in the Annual Financial Statements under irregular expenditure.

It is the opinion of the Board, as the Accounting Authority, that Fasset will continue as a going concern for the ensuing year as it has met its budgetary requirements for the year under review and will continue to do so in the future.

## Remuneration

The CEO and COO are traditionally separate functions. However, during the second half of the 2016/2017 financial year, the Fasset COO performed the role of Acting CEO until the end of the 2017/2018 financial year. The newly appointed COO had to step into the role and continue leading the SETA, until the Minister approves the appointment of a new CEO. Both the CEO and COO roles are full-time positions and remuneration was in line with the approved salary bands and remuneration policy for the period.

Details of senior management remuneration for the year under review is on page 88 on the audited financial statements.

Board members are remunerated for attending Board and sub-committee meetings in accordance with National Treasury Guidelines Level S. The amount paid to each Board member appears in Table 3 of this report and on page 89 of the Annual Financial Statements.

Fasset Board Members 2017/2018 as at 31 March 2018

Name	Organisation	Constituency	Sub-sector
Vacant	Chairman	Independent	
Amanda Dempsey	(Independent Ministerial Appointee)	Ministerial Appointee	N/A
Mopo Mushwana	(Independent Ministerial Appointee)	Ministerial Appointee	N/A
Vacant	IDC	Organised Business	
Mauwane Kotane	Mamepe Capital	Organised Business	Financial and capital markets
Sathie Gounden	S Gounden Co	Organised Business	Business and management consulting
Patricia Stock	Africa Rising	Organised Business	Large accounting, auditing and tax practices
Shirley Machaba	PWC	Professional Bodies	Professional bodies
Shahied Daniels	Mawmad Consulting	Professional Bodies	Professional bodies
Vacant		Professional Bodies	
Herbert Bongani Mathibela	Basamandla Consulting	Organised Labour	Small and medium accounting, auditing and tax practitioners
Kate Hlongwane	NEHAWU	Organised Labour	Trade unions
Corné Karsten	PSA	Organised Labour	Trade unions
Nyameka Macanda	NEHAWU	Organised Labour	Trade unions
Stadi Mngomezulu	National Treasury	The State	Government

Figure 4: Fasset's Board and sub-committee meeting attendance and remuneration(excludes costs and expenses for meetings)2016/2017

Board and Committee Attendance

Name	Chairman	Board	ARC	BPC	EXCO	REMCO	FINCO	GSC	Total attended	Total amount paid
Shahied Daniels	Board; Exco; GSC	15/15			3/3			1/1	19/19	177
Amanda Dempsey	Finco	14/15					9/9		2324	168
Sathie Gounden		11/15		1/3				1/1	13/19	116
Kate Hlongwane		15/15		3/3	3/3				21/21	141
Corné Rheeder		12/15		3/3	2/3		7/9		24/30	138
Mauwane Kotane		7/15		1/2					8/17	75
Shirley Machaba*	ARC	6/15	4/5			1/4		1/1	12/25	95
Patricia Stock	Remco	14/15	3/5			2/2			19/22	174
Bongani Mathibela		14/15		2/2	3/3	4/4			23/24	120
Stadi Mngomezulu		0/15		0/3					0/18	
Mopo Mushwana	BPC	12/15		3/3			8/9		23/27	143
Nyameka Macanda		8/15				1/4			9/19	65

Vacancies during the period:

- 1 x Independent Chairman
- 1 x Organised Business representative
- 1 x Organised Labour representative

Meeting Fees

- Board Daily Rate:
- Chairman R10 052.00
  - Member R 8 184.00
- Committee Daily Rate:
- Chairman R1 314.00
  - Member R1 022.00



**Njabulo Ngwenya**  
Chairman

# REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

## Report of the Auditor-General to Parliament on the Finance and Accounting Services Sector Education and Training Authority (Fasset)

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Finance and Accounting Services Sector Education and Training Authority set out on pages 63 to 96, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Finance and Accounting Services Sector Education and Training Authority as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No 97 of 1998) (SDA).

#### 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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of the Accounting Authority for the financial statements

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

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

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

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2018:

Objectives	Pages in the Annual Performance Report
<b>Objective 2</b> Increasing access to occupationally directed programmes: middle-level skills	28
<b>Objective 3</b> Increasing access to occupationally directed programmes: high-level skills	29 to 33
<b>Objective 4</b> Increase TVET institutional involvement	34
<b>Objective 5</b> Encouraging better use of workplace-based skills development	35

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

14. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

### Objective 2: Increasing access to occupationally directed programmes: middle-level skills

#### Various indicators

15. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

No	Indicator description	Reported achievement
2.1	Number of learners (employed and unemployed) who enter learning programmes: middle-level skills	600 learners (153 employed; 447 unemployed)
2.2	Number of learners (employed and unemployed) who complete learning programmes (learnerships)	203 learners (83 employed; 120 unemployed)

### Objective 3: Increasing access to occupationally directed programmes: high-level skills

16. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

No	Indicator description	Reported achievement
3.1	Number of learners (employed and unemployed) who enter learning programmes (learnerships)	3 607 learners (104 employed; 3 503 unemployed)
3.2	Number of learners (employed and unemployed) who complete learning programmes (learnerships)	2 678 learners (76 employed; 2 602 unemployed)
3.6	Number of unemployed learners funded on NSFAS bursary	1 455 learners (no employed; 1 455 unemployed)
3.14	Number of learners (employed and unemployed) who complete learning programmes (learnerships)	215 learners (no employed; 215 unemployed)

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

- Objective 4 – Increase TVET institutional involvement
- Objective 5 – Encouraging better use of workplace-based skills development

#### Other matters

18. I draw attention to the matters below.

#### Achievement of planned targets

19. Refer to the annual performance report on pages 28 to 37 for information on the achievement of planned targets for the year and explanations provided for the under-/over- achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in this report.

#### Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of objective 2: increasing access to occupationally directed programmes: middle-level skills, objective 3: increasing access to occupationally directed programmes: high-level skills, objective 4: increase TVET institutional involvement and objective 5: encouraging better use of workplace-based skills development. As management subsequently corrected some of the misstatements, I raised material findings on the reliability of the report performance information. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

### Report on the audit of compliance with legislation

#### Introduction and scope

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

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

#### Annual Financial Statements and performance information

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by sections 55(1) (a) and (b) of the Public Finance Management Act. Material misstatements of the disclosure note on commitments and contingent assets, identified by the auditors in the submitted financial statements, were corrected and supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

#### Procurement and contract management

24. Some goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

25. Some goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulation 16A6.1. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of Treasury Regulation 16A6.4.

26. Bid adjudication was not always done by committees that were composed in accordance with the policies of the public entity, as required by Treasury Regulation 16A6.2(a), (b) and (c).

27. Some contracts were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with Treasury Regulation 16A9.2.

28. Contracts were awarded to bidders based on evaluation/adjudication criteria that were not stipulated in the original invitation for bidding, in contravention of Treasury Regulation 16A6.3(a).

29. Some contracts were awarded to suppliers whose tax matters had not been declared by the South African Revenue Service to be in order as required by Treasury Regulation 16A9.1(d).

30. Contracts and quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

31. Contract and quotations were awarded to bidders based on functionality criteria that were not stipulated in the original invitation for quotations, as required by the 2017 Preferential Procurement Regulation 5(6) and (7).

#### Expenditure management

32. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R56 million as disclosed in note 29 to the Annual Financial Statements for the current period, as required by Section 51(1)(b)(ii) of the Public Financial and Management Act. The majority of the irregular expenditure was caused by non-compliance with supply chain management requirements.

33. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R8 million as disclosed in note 28 to the Annual Financial Statements, as required by Section 51(1)(b)(ii) of the Public Financial and Management Act.

## Other information

34. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the Chief Executive Officers' report, the audit committee's report and the human resource management report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
35. 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.
36. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
37. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Internal control deficiencies

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

## Leadership

39. Deficiencies in the control environment mainly in the areas of the preparation of financial statements that are free from material misstatements, procurement of training contracts and accurate and complete performance reporting were noted. These deficiencies were a consequence of inadequate monitoring by management and the Accounting Authority.
40. Oversight monitoring in respect of the procurement of training contracts and performance reporting was also inadequate. The entity's oversight was ineffective in detecting matters of non-compliance by training providers. Oversight control of performance reported in the annual performance report will need to be strengthened to ensure reliable and credible performance reporting.

## Financial and performance management

41. Although the entity has developed and approved policies and procedures for the preparation of the financial statements, performance reporting and compliance with procurement regulations, these policies were not strictly adhered to. As a result, there was dependency in the audit effort to identify misstatements that existed to ensure that the Annual Financial Statements and the annual performance report are fairly stated.

## Other reports

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

## Investigations

43. An independent consulting firm was contracted to perform a forensic investigation into alleged supply chain management irregularities as disclosed in note 29 of the Annual Financial Statements. This matter was concluded subsequently after the reporting date and the Accounting Authority is in the process of considering the recommendations of the report.

*Auditor-General*

Brooklyn Pretoria  
31 July 2018



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## Statement of Financial Position

as at 31 March 2018

	Note(s)	2018 R'000	2017 R'000
<b>Assets</b>			
Current assets			
Inventories		66	55
Receivables from exchange transactions	3	202	10 010
Receivables from non-exchange transactions	4	3 676	4 306
Cash and cash equivalents	5	695 645	447 249
		<b>699 589</b>	<b>461 620</b>
Non-current assets			
Property, plant and equipment	6	541	676
Intangible assets	7	97	16
		<b>638</b>	<b>692</b>
		<b>700 227</b>	<b>462 312</b>
<b>Liabilities</b>			
Current liability			
Operating lease liability		-	39
Payables from exchange transactions	8	30 859	23 098
Payables from non-exchange transactions	9	52 773	71 099
Provisions	10	10 133	11 915
		<b>93 765</b>	<b>106 151</b>
		<b>606 462</b>	<b>356 161</b>
<b>Net Assets</b>			
Reserves			
Administration reserve		638	692
Mandatory reserve		589	442
Discretionary reserve		605 235	355 027
		<b>606 462</b>	<b>356 161</b>

## Statement of Financial Performance

for the year ended 31 March 2018

	Note(s)	2018 R'000	2017 R'000
<b>Revenue</b>			
Revenue from exchange transactions			
Other income	15	-	174
Investment revenue	13	36 968	23 900
<b>Total revenue from exchange transactions</b>		<b>36 968</b>	<b>24 074</b>
<b>Revenue from non-exchange transactions</b>			
Transfer revenue			
Levies	14	535 310	487 195
<b>Total revenue</b>		<b>572 278</b>	<b>511 269</b>
<b>Expenditure</b>			
Employee-related costs	16	(18 154)	(19 729)
Internal audit fees		(752)	(760)
External audit fees		(2 875)	(1 905)
Depreciation and amortisation		(473)	(430)
Impairment of receivables		(72)	174
Consulting and professional fees	17	(15 536)	(14 043)
Repairs and maintenance		(20)	(168)
Employer grant and project expenses	18	(269 483)	(335 880)
Administration expenses	19	(14 612)	(18 050)
<b>Total revenue</b>		<b>(321 977)</b>	<b>(390 791)</b>
<b>Surplus for the year</b>		<b>250 301</b>	<b>120 478</b>

## Statement of Changes in Net Assets

as at 31 March 2018

	Administration reserve R'000	Mandatory reserve R'000	Discretionary reserve R'000	Total reserves R'000	Accumulated surplus R'000	Total net assets R'000
<b>Balance at 01 April 2016</b>	<b>608</b>	<b>1 081</b>	<b>233 994</b>	<b>235 683</b>	<b>-</b>	<b>235 683</b>
Changes in net assets						
Surplus for the year	-	-	-	-	120 478	120 478
Allocation of accumulated surplus	13 471	45 929	61 078	120 478	(120 478)	-
Excess reserves transferred to Discretionary reserve	(13 387)	(46 568)	59 955	-	-	-
<b>Total changes</b>	<b>84</b>	<b>(639)</b>	<b>121 033</b>	<b>120 478</b>	<b>-</b>	<b>120 478</b>
<b>Balance at 01 April 2017</b>	<b>692</b>	<b>442</b>	<b>355 027</b>	<b>356 161</b>	<b>-</b>	<b>356 161</b>
Changes in net assets						
Surplus for the year	-	-	-	-	250 301	250 301
Allocation of accumulated surplus	20 818	50 994	178 489	250 301	(250 301)	-
Excess reserves transferred to Discretionary reserve	(20 872)	(50 847)	71 719	-	-	-
<b>Total changes</b>	<b>(54)</b>	<b>147</b>	<b>250 208</b>	<b>250 301</b>	<b>-</b>	<b>250 301</b>
<b>Balance at 01 April 2018</b>	<b>638</b>	<b>589</b>	<b>605 235</b>	<b>606 462</b>	<b>-</b>	<b>606 462</b>

## Cash Flow Statement

as at 31 March 2018

	Note(s)	2018 R'000	2017 R'000
<b>Cash flows from operating activities</b>			
Receipts			
Levies, interest and penalties received		525 444	490 846
Interest income		37 975	23 079
		<b>563 419</b>	<b>513 925</b>
Payments			
Grants and project payments		(281 286)	(283 974)
Compensation of employees		(18 402)	(19 031)
Payments to suppliers		(14 917)	(40 060)
		<b>(314 605)</b>	<b>(343 065)</b>
<b>Net cash flows from operating activities</b>	20	<b>248 814</b>	<b>170 860</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(281)	(319)
Purchase of other intangible assets	7	(137)	(21)
		<b>(418)</b>	<b>(340)</b>
<b>Net cash flows from investing activities</b>			
<b>Net increase in cash and cash equivalents</b>		<b>248 396</b>	<b>170 520</b>
Cash and cash equivalents at the beginning of the year		447 249	276 729
<b>Cash and cash equivalents at the end of the year</b>	5	<b>695 645</b>	<b>447 249</b>

## Statement of Comparison of Budget and Actual Amounts

as at 31 March 2018

Budget on Accrual Basis						
	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	R'000

### Statement of Financial Performance

#### Revenue

Revenue from exchange transactions						
Interest received – investment	20 327	-	20 327	36 968	16 641	Note 27
Revenue from non-exchange transactions						
Transfer revenue						
Levies	469 673	-	469 673	535 310	65 637	Note 27
<b>Total revenue</b>	<b>490 000</b>	<b>-</b>	<b>490 000</b>	<b>572 278</b>	<b>82 278</b>	

#### Expenditure

Employee-related costs	(27 642)	-	(27 642)	(18 154)	9 488	
Internal audit fees	(975)	-	(975)	(752)	223	Note 27
External audit fees	(2 033)	-	(2 033)	(2 875)	(842)	Note 27
Depreciation and amortisation	-	-	-	(473)	(473)	
Impairment of receivables	-	-	-	(72)	(72)	
Consulting and professional fees	(14 200)	-	(14 200)	(15 536)	(1 336)	Note 27
Repairs and maintenance	(218)	-	(218)	(20)	198	
Employer grant and project expenses	(425 539)	-	(425 539)	(269 483)	156 056	Note 27
Administration expenses	(19 393)	-	(19 393)	(14 612)	4 781	Note 27
<b>Total expenditure</b>	<b>(490 000)</b>	<b>-</b>	<b>(490 000)</b>	<b>(321 977)</b>	<b>168 023</b>	
<b>Surplus for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250 301</b>	<b>250 301</b>	

# ACCOUNTING POLICIES

## 1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999). Accounting policies are in accordance with the Skills Development Act, Act No 97 of 1998, as amended and the Skills Development Levies Act, Act No 9 of 1999, as amended.

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

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

### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

### 1.3 Significant judgments and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgment 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 judgments include:

#### Receivables from exchange transactions

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

#### Receivables from non-exchange transactions

Fasset refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected this may result in grants that have been paid to affected employers being in excess of the amount Fasset would have granted to those employers had all information been available at the time of paying those grants. A receivable relating to overpayments made in earlier periods is recognised at the amount of the grant overpayment, net of bad debts and allowance for irrecoverable amounts.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 – Provisions.

### 1.4 Property, plant and equipment

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

Office furniture and fittings	10 years
Office equipment	5 years
Computer equipment	3 years
Leasehold improvements	over the lease term

An entity should assess whether there is any indication that the expected useful life of the asset has changed based on whether the condition of the asset has improved or declined. This is based on any condition assessments undertaken by the entity on its assets during the reporting period.

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

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

### 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.

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:

Item	Useful life
Computer software	2 years

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

Intangible assets are amortised on the straight-line basis over their expected useful lives to their estimated residual value.

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

### 1.6 Financial instruments

#### Financial assets

All financial assets of the entity are categorised as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Cash and cash equivalents

Cash and cash equivalents comprise balances held at banks and deposits made with the Corporation for Public Deposits and are stated at amortised cost, which, due to their short-term nature, closely approximates their fair value.

#### Financial assets at amortised cost

Fasset classifies receivables from exchange and non-exchange transactions as financial assets at amortised cost and measures these using the effective interest method. These financial assets are not quoted in an active market and have fixed or determinable payments as defined in the standards of Generally Recognised Accounting Practice.

Interest income is recognised by applying the effective interest rate.

#### Effective interest method

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

#### Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

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

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

#### Financial liabilities

All financial liabilities of the entity are classified as financial liabilities at amortised cost. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or to the notes thereto:

Class	Category
Trade and payables	Financial liability measured at fair value

## Other financial liabilities

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

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

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

## 1.7 Tax

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

## 1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

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 reporting date.

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

Liabilities for annual leave are recognised as they accrue to employees. The entity recognises the leave obligation during the vesting period based on the best available estimate of the accumulated leave expected to vest. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee. The leave liability is recognised as an accrual.

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

## 1.9 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.

Fasset recognises a provision for the repayment of levies contributed by companies exempted from contributing skills development levy but continue to do so.

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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or (b) a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

No provision is made for projects approved at year-end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. Commitments are disclosed in a note to the financial statements if both the following criteria are met:

Contracts should be non-cancellable or cancellable at a significant cost; and

Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts are excluded.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

## 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 entity and these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

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

## 1.11 Revenue from non-exchange transactions

Non-exchange revenue transactions result in resources being received by the entity, usually in accordance with a binding arrangement.

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

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

The asset and the corresponding revenue are measured on the basis of the fair value of the asset on initial recognition. Non-exchange revenue transactions include the receipt of levy income from the DHET and contributions received from government departments for which Fasset qualifies as the line function SETA.

### Levy income

The accounting policy for the recognition and measurement of skills development levy income is based on the Skills Development Act (SDA), Act No 97 of 1998, as amended and on the Skills Development Levies Act (SDLA) Act No 9 of 1999, as amended.

In terms of sections 3(1) and 3(4) of the SDLA, 1999 as amended, registered member companies of the entity pay a skills development levy of 1% of the total payroll cost to SARS, which collects the levies on behalf of the DHET. Companies with an annual payroll cost less than R500 000 are exempted in accordance with Section 4(b) of the SDLA (1999) as amended, effective 1 August 2005.

80% of Skills Development Levies (SDL) are paid over to Fasset (net of the 20% contribution to the NSF).

Revenue is adjusted for transfers between the SETAs due to employers changing SETAs. Such adjustments are separately disclosed as inter-SETA transfers. The amount of the inter-SETA adjustment is calculated according to the most recent standard operating procedure issued by DHET. SDL transfers are recognised on an accrual basis when it is probable that future economic benefits or service potential will flow to the SETA and these benefits can be measured reliably. This occurs when the DHET makes an allocation to the entity, as required by Section 8 of the SDLA, 1999 as amended.

In terms of the DPSA circular, circular HRD 1 of 2013, all departments are required to set aside a minimum of 1% of the total department's annual personnel budget for training and

development of personnel and potential employees. 30% of this amount is appropriated to the SETA with which the department is affiliated. For departments belonging to more than one SETA, 30% levy is apportioned proportionally. Fasset receives contributions in this regard from SARS (as an employer) and national and provincial treasuries.

### Interest and penalties

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

## 1.12 Fruitless and wasteful expenditure

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

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

## 1.13 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; 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.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required, with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.14 Segment information

Segments are identified by the way in which information is reported to management, for both purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by Fasset. The major classifications of activities identified in budget documentation reflect the segments on which Fasset reports information to management.

Segment information is presented based on service. Service segments relate to a distinguishable component of Fasset that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Fasset's service segments are mandatory, discretionary and administration activities.

### 1.15 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.16 Reserves

Net assets are classified based on the restrictions placed on the distribution of monies received in accordance with the SETA Grant Regulations as follows:

- Administration reserve
- Mandatory reserve
- Discretionary reserve
- Accumulated surplus

Employer levy payments are set aside in terms of the SDA (1998) and the SETA Grant Regulations for the purpose of:

- Administration costs of the SETA 10.5%
- Employer grant fund levy 20.0%
- Discretionary grants and projects 49.5%
- Contributions to the National Skills Fund 20.0%

Government department levy payments are set aside for the purpose of:

- Administration costs of the SETA 33.3%
- Discretionary grants and projects 66.7%

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

Surplus funds in the administration and unallocated funds in the employer grant reserves are moved to the discretionary fund reserve. Provision is made in the administration reserve equal to the book value of depreciable assets. Provision is made in the employer grant reserve for newly registered member companies, participating after the legislative cut-off date.

### 1.17 Grants and project expenditure

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

#### Mandatory grants

The grant expenditure is recognised when the employer has submitted an application for a grant in the prescribed form within the legislated cut-off period and the application has been approved. The grants are equivalent to 20% of the total levies contributed by employers.

### 1.18 Grants

#### Mandatory grant payments

A liability is recognised for mandatory grant payments once the specific criteria set out in the SETA Grant Regulation have been complied with by member companies and it is probable that the entity will approve the grant application for payment. The liability is measured at estimated cash outflow as determined in accordance with the SDA (1998). This measurement involves an estimate based on the amount of levies received.

#### Discretionary grant payments

A liability is recognised for discretionary grant payments once the specific criteria set out in the SETA Grant Regulation and any additional criteria as approved by the Accounting Authority have been complied with by member companies and it is probable that the entity will approve the grant application for payment.

The liability is measured at the net present value of the expected future cash outflow as determined in accordance with GRAP. This measurement involves an estimate, based on the amount of levies received.

#### Discretionary projects

No provision is made for projects approved at year-end, unless the service in terms of the contract has been delivered. Where a project has been approved, but has not been accrued for or provided for, it is disclosed as approved and allocated for future projects in the notes to Annual Financial Statements.

Commitments as per the SETA Regulations are defined as contractual obligations that exist at the end of the financial year that oblige the SETA to make payments or agreement (written) with specific terms between a SETA and a third party, whereby the third party undertakes to perform something in relation to a discretionary project for which a SETA will be obliged to make a payment against the discretionary grant.

Commitments are disclosed where the entity has, in the normal course of its operations, entered into a contractual agreement with entities related to project expenses that are yet due for payment.

### 1.19 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity or another entity is subject to common control. Only disclosed if not at arm's length.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 2. New standards and interpretations

### 2.1 Standards effective and adopted in the current year

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

### 2.2 Standards issued and relevant 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 2018 or later periods:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
<b>GRAP 20: Related parties</b>	<b>01 April 2019</b>	This standard prescribes the disclosure of information relevant to draw attention to the possibility that the entity's financial statements may have been affected by the existence of related parties. The adoption of this standard is not expected to impact on the results of Fasset but may result in more disclosure than is currently provided in the Annual Financial Statements.
<b>GRAP 108: Statutory Receivables</b>	<b>01 April 2019</b>	This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. It is not expected that this standard will significantly impact future disclosures.
<b>GRAP 109: Accounting by Principals and Agents</b>	<b>01 April 2019</b>	This standard outlines the principles to be used by an entity to assess whether it is a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. It is not expected that this standard will significantly impact future disclosures.

### 2.3 Standards and interpretations not yet effective or relevant

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

<b>GRAP 32: Service Concession Arrangements: Grantor</b>	<b>01 April 2019</b>	Adoption of the standard is not expected to have an impact on future disclosures as service concession arrangements are not relevant to Fasset.
<b>IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</b>	<b>01 April 2019</b>	Adoption of the standard is not expected to have an impact on future disclosures as service concession arrangements are not relevant to Fasset.

## 3. Receivables from exchange transactions

Prepayments  
Deposits  
Interest accrued – RMB  
Other receivables

	2018	2017
	R'000	R'000
Prepayments	40	290
Deposits	104	224
Interest accrued – RMB	-	1 007
Other receivables	58	8 489
	<b>202</b>	<b>10 010</b>

## 4. Receivables from non-exchange transactions

Levy debtor receivable  
Employer receivables  
Impairments

	2018	2017
	R'000	R'000
Levy debtor receivable	-	1 315
Employer receivables	3 676	3 000
Impairments	-	(9)
	<b>3 676</b>	<b>4 306</b>

R3 676 000 (2016/2017: R3 000 000) was recognised as a receivable relating to the overpayment to employers in earlier periods, as a result of inaccurate information received, and is based on the amount of such grant overpayments. R333 (2016/2017: R9 000) was provided for as doubtful debts. Fasset refunds amounts to employers in the form of grants, based on information from DHET. Where information is retrospectively amended, it may result in grants that have been paid to certain employers that are in excess of the amount Fasset is permitted to have granted to employers.

A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant overpayment, net of bad debts and provision for irrecoverable amounts. The carrying amount of accounts receivable is net of allowance for any doubtful debt, estimated by the Accounting Authority based on assessment of the risk of non-recoverability. The carrying amount of these assets approximates their fair value.

## 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand  
Bank balances

	2018	2017
	R'000	R'000
Cash on hand	2	2
Bank balances	695 643	447 247
	<b>695 645</b>	<b>447 249</b>

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. Surplus funds were invested in line with an investment policy as required by Treasury Regulations 31.3.5. During 2017/2018 funds were invested with the CPD and the Rand Merchant Bank account was closed and, funds transferred to the CPD account. The average interest rate on funds held at the CPD was 7.08% (2016/2017: 7.38%).

Cash and cash equivalents comprise cash held by Fasset, deposits with the CPD and short-term bank deposits on call. The carrying amount of these assets approximates their fair values. The bank balances are significantly higher compared to 2016/2017 due to the implementation of some discretionary projects taking place in the last quarter of the financial year. This resulted in lower discretionary project expenditure for 2016/2017 (refer to note 11). In addition, the bank balances are significantly higher due to the Learner Employment Grant, Non-PIVOTAL Learner Employment Grant and Bursary Grant expenses that were processed in the reporting period but payment was effected post-31 March 2018.

## 6. Property, plant and equipment

	2018			2017		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture and fittings	610	(560)	50	610	(544)	66
Office equipment	1 042	(856)	186	1 017	(761)	256
Computer equipment	1 300	(995)	305	1 044	(788)	256
Leasehold improvements	687	(687)	-	687	(589)	98
<b>Total</b>	<b>3 639</b>	<b>(3 098)</b>	<b>541</b>	<b>3 358</b>	<b>(2 682)</b>	<b>676</b>

## Reconciliation of property, plant and equipment – 2017/2018

	Opening balance	Additions	Depreciation	Total
Office furniture and fittings	66	-	(16)	50
Office equipment	256	25	(95)	186
Computer equipment	256	256	(207)	305
Leasehold improvements	98	-	(98)	-
	<b>676</b>	<b>281</b>	<b>(416)</b>	<b>541</b>

## Reconciliation of property, plant and equipment – 2016/2017

	Opening balance	Additions	Other movements	Depreciation	Total
Office furniture and fittings	70	13	-	(17)	66
Office equipment	263	100	-	(107)	256
Computer equipment	216	206	-	(166)	256
Leasehold improvements	23	-	174	(99)	98
	<b>572</b>	<b>319</b>	<b>174</b>	<b>(389)</b>	<b>676</b>

Repairs and maintenance amounted to R20 000 (2016/2017: R168 000).  
There were no disposals during the reporting period.

## 7. Intangible assets

	2018			2017		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	390	(293)	97	253	(237)	16

## Reconciliation of intangible assets – 2017/2018

	Opening balance	Additions	Amortisation	Total
Computer software	16	137	(56)	97

## Reconciliation of intangible assets – 2017/2017

	Opening balance	Additions	Amortisation	Total
Computer software	36	21	(41)	16

## 8. Payables from exchange transactions

	2018 R'000	2017 R'000
Trade payables	13 626	1 056
Project creditors	15 177	17 369
Accrued leave pay	540	981
Accrued bonus	525	332
Administration accruals	991	3 360
	<b>30 859</b>	<b>23 098</b>

## 9. Payables from non-exchange transactions

	2018 R'000	2017 R'000
Skills development grants payable – mandatory	13 897	6 130
Skills development grants payable – discretionary	36 289	51 476
Intersecta payables	755	480
Levy creditors	1 832	13 013
	<b>52 773</b>	<b>71 099</b>

## 10. Provisions

### Reconciliation of provisions – 2018

	Opening balance	Additions	Change in estimate	Total
Exempt employers provision	11 915	22	(1 804)	10 133

### Reconciliation of provisions – 2017

	Opening balance	Additions	Change in estimate	Total
Exempt employers provision	8 205	1 333	2 377	11 915

### Exempt employers provision

An amount of R10 133 000 (2016/2017: R11 915 000) relates to levies incorrectly contributed by employers, and paid over by SARS and DHET, after being exempted from contributing SDL due to legislation changes that came into effect from 1 August 2005. As SARS collects the levies on behalf of DHET, the responsibility to refund the levies to the employers remains with SARS.

The change in estimate relates to prior scheme year levy reversals that occurred in the current year.

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

## 11. Accumulated surplus

### Allocation of surplus to reserves

#### Current year 2017/2018

	Administration reserve R'000	Mandatory reserve R'000	Discretionary reserve R'000	Total per statement of financial performance R'000
Levies	73 312	125 394	336 604	535 310
Interest received – investment	-	-	36 968	36 968
Total revenue	73 312	125 394	373 572	572 278
Administration expenses	(52 494)	-	-	(52 494)
Employer grants and project expenses	-	(74 400)	(195 083)	(269 483)
<b>Surplus per statement of financial performance allocated</b>	<b>20 818</b>	<b>50 994</b>	<b>178 489</b>	<b>250 301</b>

#### Prior year 2016/2017

	Administration reserve R'000	Mandatory reserve R'000	Discretionary reserve R'000	Total per statement of financial performance R'000
Levies	68 208	119 174	299 813	487 195
Interest received – investment	-	-	23 900	23 900
Interest received – investment	174	-	-	174
Total revenue	68 382	119 174	323 713	511 269
Administration expenses	(54 911)	-	-	(54 911)
Employer grants and project expenses	-	(73 245)	(262 635)	(335 880)
<b>Surplus per statement of financial performance allocated</b>	<b>13 471</b>	<b>45 929</b>	<b>61 078</b>	<b>120 478</b>

## 12. Financial instruments disclosure

### Categories of financial instruments

	2018 R'000	2017 R'000
<b>Financial assets at amortised cost</b>		
Receivables from exchange transactions	202	10 010
Receivables from non-exchange transactions	3 676	4 306
Cash and cash equivalents	695 645	447 249
	<b>699 523</b>	<b>461 565</b>
<b>Financial liabilities at amortised cost</b>		
Payables from exchange transactions	30 859	23 098
Payable from non-exchange transactions	52 773	71 099
	<b>83 632</b>	<b>94 197</b>

## 13. Investment revenue

	2018 R'000	2017 R'000
<b>Interest revenue</b>		
Bank	<b>36 968</b>	<b>23 900</b>
<b>Interest income on bank deposits</b>		
Accrued	-	1 007
Received	36 968	22 893
	<b>36 968</b>	<b>23 900</b>

## 14. Levies

	2018 R'000	2017 R'000
Levy transfer: Employer grants	125 394	119 174
Levy transfer: Discretionary grants	326 910	300 665
Levy transfer: Administration	73 312	68 208
Levy penalties and interest	9 694	(852)
	<b>535 310</b>	<b>487 195</b>

## 15. Other income

	2018 R'000	2017 R'000
Reassessment surplus – property, plant and equipment	-	174

## 16. Employee-related costs

	2018 R'000	2017 R'000
Basic salaries	17 258	17 104
Bonuses	193	1 109
Medical aid – company contributions	431	427
Unemployment Insurance Fund	50	51
Workmens compensation	32	26
SDL	193	186
Leave pay accrual	(441)	366
Group life benefits	438	460
	<b>18 154</b>	<b>19 729</b>

## 17. Consulting and professional fees

	2018 R'000	2017 R'000
Fees for accounting, finance and ICT related	<b>15 536</b>	<b>14 043</b>

## 18. Employer grant and project expenses

	2018 R'000	2017 R'000
Mandatory grants	74 400	73 245
Discretionary grants	45 138	60 480
Project expenditure	149 945	202 155
	<b>269 483</b>	<b>335 880</b>

## 19. Administration expenses

	2018 R'000	2017 R'000
Advertising	760	1 098
Legal fees	635	102
Bank charges	72	53
Small assets write-offs	18	-
Committee fees	591	810
Assignments	550	3 085
Office maintenance	133	-
Insurance	316	207
Postage and courier	4	4
Printing and stationery	446	445
Research expenditure	844	1 635
Telephone	116	108
Training	414	499
Travel and subsistence	79	57
Water and electricity	442	573
Education and Training Quality Assurance (ETQA)	180	233
Other administration expenses	199	194
Committee costs	597	447
Remuneration to members of the Accounting Authority	1 592	1 096
Quality Council for Trades and Occupations (QCTO)	2 411	2 174
Lease rentals on operating lease	1 830	1 822
Board legal project costs	2 359	3 374
Committee travel costs	24	34
	<b>14 612</b>	<b>18 050</b>

The Board legal project costs, committee travel, assignments and committee fees incurred are in relation to the investigations into the supply chain management and human resources.

## 20. Cash generated from operations

	2018 R'000	2017 R'000
Surplus	250 301	120 478
<b>Adjustments for:</b>		
Depreciation and amortisation	473	430
Impairment of receivables	72	(174)
Reassessment surplus	-	(174)
Movements in operating lease assets and accruals	(39)	39
Movements in provisions	(1 782)	3 710
Investment income accrued	1 007	(821)
<b>Changes in working capital:</b>		
Inventories	(11)	(6)
Receivables from exchange transactions	8 801	(8 648)
Receivables from non-exchange transactions	558	(2 411)
Payables from exchange transactions	7 761	(694)
Payables from non-exchange transactions	(18 327)	59 131
	<b>248 814</b>	<b>170 860</b>

## 21. Commitments

<b>Admin commitments due</b>	<b>2018</b> R'000	<b>2017</b> R'000
<b>Within one year</b>		
Operating lease	673	1 860
Internal audit services	49	-
Document storage	27	-
Service provider fees	3 885	14 200
Certificate printing	388	-
Professional indemnity cover	180	-
Printing services – course material	1 294	-
Training facilitator – N	276	-
Training facilitator – S	373	-
	<b>7 145</b>	<b>16 060</b>

The operating lease related to the rental of office space in which the entity operates. Fasset entered into a lease agreement on 1 April 2018 until 31 July 2018. This was an extension to the initial lease entered into in the year 2011, where a deposit of R75 000 was paid. Interest earned from 2011 to date amounts to R26 954. The deposit amount, which is refundable upon termination of the lease, will be reduced by any outstanding costs and will accrue interest based on prime less five percentage points per annum. The rent escalates annually on 1 April by 9%.

The contract with the service provider was further extended by a period of six months. This event occurred after year-end but before the reporting period was finalised.

<b>Discretionary projects</b>	<b>2018</b> R'000	<b>2017</b> R'000
<b>2015/2016 projects</b>		
ACCA Impumelelo Eyethu	-	193
TVET Learner Workplace-based Experience Project	-	327
University of the Free State Intrabas (BAcc)	-	256
University of the Free State PGDip (GA)	-	127
University of the Free State Intrabas (BComAcc)	-	8 865
University of the Free State PGDip (CA)	-	24
SAIPA Achiever Project	-	1 349
NMMU Higher Certificate in Accountancy	-	81
UWC and MBAT Ukwazi Bridging Programme	-	185
TUT and MBAT Borogo Bridging Programme	-	184
NMMU and MBAT Umchankatho Bridging Programme	-	184
NMMU Simanye Academic Programme	-	271
	-	<b>12 046</b>

<b>Discretionary projects (cont)</b>	<b>2018</b> R'000	<b>2017</b> R'000
<b>2016/2017 active projects</b>		
TVET Workplace-based Experience Project	6 114	16 251
Sector Survey Update	-	974
	<b>6 114</b>	<b>17 225</b>
<b>2016/2017 projects – to be implemented in 2017/18</b>		
ABP University of the Free State (Intrabas BAcc)	-	1 988
ABP University of the Free State (Intrabas BAcc Hons)	-	512
ABP University of the Free State (Intrabas BCom Acc)	-	2 233
ABP Unisa College of Accounting	-	7 975
ABP Walter Sisulu University	-	3 619
ABP University of the Free State (PIVOTAL)	-	897
ABP University of Fort Hare	-	4 711
FBS University of Cape Town	-	7 830
FBS University of the Free State (BAcc Hons)	-	1 303
FBS University of the Free State (BAcc)	-	3 949
FBS University of the Free State (BCom Hons)	-	1 308
FBS University of the Free State (BCom Acc)	-	3 940
FBS University of the Free State (Intrabas)	-	4 564
FBS University of the Free State – Qwaqwa	-	7 173
FBS Career Wise Empowerment Ventures	-	26 162
FBS Madiba Bay Accountant Training	-	29 366
FBS University of Pretoria	-	9 117
SAICA APC	-	2 937
SAIT Imali	3 339	3 798
SAIT Intela	4 146	10 101
SAICA ITC	-	5 873
SAIPA	-	9 817
Special Projects – National Treasury	5 558	6 000
Special Projects – SAICA/DHET	110 000	110 000
ABP Nelson Mandela	-	1 358
TVET Workplace-based Experience Project	25 711	-
	<b>148 754</b>	<b>266 531</b>

Discretionary projects (cont)	2018 R'000	2017 R'000
<b>2017/2018 projects – to be implemented in 2018/2019</b>		
ABP University of the Free State	10 068	-
ABP University of Fort Hare (Year 1)	3 550	-
ABP University of Fort Hare (Year 2)	3 550	-
ABP University of Fort Hare (Year 3)	3 550	-
ABP Unisa College of Accounting	9 300	-
ABP CPUT	17 222	-
ABP SAICA	7 420	-
FBS University of Western Cape	14 934	-
FBS University of Johannesburg	13 455	-
FBS University of Limpopo	21 056	-
FBS University of the Free State	9 142	-
FBS Career Wise Empowerment Ventures	7 598	-
FBS University of Pretoria	11 907	-
FBS University of Cape Town	9 273	-
FBS University of the Free State (Qwaqwa)	6 105	-
FBS Thuthuka Education Upliftment Fund	14 964	-
FBS Rhodes University	5 880	-
Spectrum	10 660	-
Institute of Certified Bookkeepers and Accountant (ICBA)	5 122	-
	<b>184 756</b>	-
<b>Total</b>	<b>339 624</b>	<b>295 802</b>

An amount of R339 642 000 (2016/2017: R295 802 000) was contracted out of the total R605 235 000 (2016/2017: R355 027 000) discretionary reserves. The percentage commitment as at 31 March 2018 was 56%. A request for accumulation of the discretionary surplus has been submitted to National Treasury through DHET.

#### Year 2016/2017 split between PIVOTAL and Non-PIVOTAL:

The grant regulations require at least an 80/20 split for discretionary projects between PIVOTAL and Non-PIVOTAL programmes. We have performed the calculation based on current year project allocations. During the current year, Fasset has allocated 97% (2016/2017: 91%) of its 2016/2017 projects to PIVOTAL programmes and 3% (2016/2017: 9%) to Non-PIVOTAL programmes.

## 22. Related parties

### Relationships

Controlling entity	DHET
Entities under common control	By virtue of the fact that Fasset is a national public entity controlled by DHET, it is considered related to other SETAs, the QCTO and the NSF. The transactions are consistent with normal operating relationships between the entities and are undertaken on terms and conditions that are normal for such. Where there were transactions and balances arising due to the movement of funds between entities under common control of the DHET, these amounts are disclosed below.
Entities with a representative serving on Fasset's Accounting Authority	PricewaterhouseCoopers (S Machaba), SARS (K Hlongwane)
Members of Accounting Authority	S Daniels (Acting Chairman) A Dempsey S Gounden K Hlongwane M Kotane S Machaba N Macanda B Mathibela M Mushwana A Rheeder P Stock
Members of key management	C James (CEO) – up to October 2017 L Lebuso (COO) – up to November 2017 T Lee – up to October 2017 N Faustino – up to November 2017 L Derman Z Koyana (CFO) EP Thobejane (COO/Acting CEO)

Related-party balances	2018 R'000	2017 R'000
<b>Inter-SETA payables</b>		
HWSETA	-	(3)
SERVICES SETA	(60)	(107)
MICT SETA	(23)	-
MERSETA	(238)	-
Uncategorised	(434)	(370)
	<b>(755)</b>	<b>(480)</b>

Related-party transactions	2018 R'000	2017 R'000
Transactions with SETAs and other entities under common control		
QCTO	(2 411)	(2 174)
Remuneration of Chief Executive Officer (CEO) Cheryl James (up to October 2017)		
Basic	1 058	2 371
Allowances	18	42
Other benefits*	1 421	77
	<b>2 497</b>	<b>2 490</b>
Remuneration of Chief Operating Officer (COO) Lesego Lebuso (up to November 2017)		
Basic	1 143	1 602
Bonuses	-	117
Acting allowances	404	297
Other benefits*	76	57
	<b>1 623</b>	<b>2 073</b>
Remuneration of Chief Financial Officer (CFO) Zanoxolo Koyana (appointed October 2017)		
Basic	657	-
Other benefits	22	-
	<b>679</b>	<b>-</b>
Remuneration of Chief Operating Officer (COO) Elizabeth Thobejane (appointed March 2018)		
Basic	63	-
Other benefits	1	-
	<b>64</b>	<b>-</b>
Directors' remuneration		
Basic	2 552	3 411
Allowances	35	49
Bonuses	-	155
Other benefits*	584	190
Acting allowances**	149	-
	<b>3 320</b>	<b>3 805</b>

Directors remuneration comprises of three key staff members: Director – Projects, Director – PQA and Director – Research.

\* Other benefits include termination benefits.

\*\* Acting as CEO from December 2017 to March 2018

Remuneration – members of the Accounting Authority (excludes travel)	2018 R'000	2017 R'000
P Badal	-	16
S Daniels (Acting Chairman)	177	127
A Dempsey	168	76
H Fischer	-	53
S Gounden	116	76
K Hlongwane	141	82
M Kotane	75	47
S Louis	-	29
N Macanda	65	16
S Machaba*	95	26
B Mathibela	120	80
S Mngomezulu	-	34
M Mushwana	143	57
C Rheeder	138	74
P Stock	174	125
	<b>1 412</b>	<b>918</b>

The Accounting Authority consists of members appointed in terms of Fasset's Constitution. Remuneration is paid to members or to their nominating organisations. Fasset has remunerated members of the Accounting Authority for attending Board and sub-committee meetings as disclosed above. The transactions above occurred under terms that were no more favourable than those available in similar arm's length dealings.

\* Remuneration for attending Accounting Authority and sub-committee meetings relating to these members is paid to their nominating entity.

Remuneration – Accounting Authority ad hoc costs	2018 R'000	2017 R'000
S Daniels**	589	659
B Mathibela**	109	151
	<b>698</b>	<b>810</b>

\*\* Remuneration for S Daniels and B Mathibela is for Accounting Authority ad hoc costs incurred in relation to investigation into the supply chain management and human resources matters that took place in the prior financial year.

Fasset is a public entity that reports to the DHET. Fasset is accountable to the MHET as its Executive Authority. Levies were received from DHET and are disclosed in note 14.

## 23. Risk management

### Liquidity risk

2017/2018				
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years
Payables from exchange transactions	(30 859)	(30 859)	-	-

### 2016/2017

	Carrying amount	6 months or less	6 - 12 months	1 - 2 years
Payables from exchange transactions	(23 098)	(23 098)	-	-

### Credit risk

Financial assets that potentially subject Fasset to the risk of non-performance by counterparties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents and receivables from exchange transactions.

Fasset limits its treasury counterparty exposure by dealing only with well-established financial institutions approved by National Treasury. Fasset's exposure is continuously monitored by the Accounting Authority.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. Fasset does not have any material exposure to any individual or counter-party. Fasset's concentration of credit risk is limited to the industry (finance and accounting services) in which Fasset operates. No events occurred in the industry during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debt. Fasset is exposed to a concentration of credit risk, as significant amounts are owed by SARS and DHET. This concentration of risk is limited as SARS and DHET are government entities with sound reputation.

### 2018

	Gross	Impairment	Carrying amount
Receivables from exchange transactions	202	-	202
Cash and cash equivalents	695 645	-	695 645

### 2017

	Gross	Impairment	Carrying amount
Receivables from exchange transactions	10 010	-	10 010
Cash and cash equivalents	447 249	-	447 249

### Market risk

Fasset is exposed to fluctuations in the employment market, for example, sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year in the market that Fasset is aware of. There are adequate procedures in place to address changes in the market when necessary.

### Interest rate risk

Fasset manages its interest rate risk by effectively investing Fasset surplus cash in term deposits with the CPD according to Fasset's investment policy.

The exposure to cash flow interest rate risk and the effective interest rates on financial instruments at reporting date is as follows:

### 2018

	Floating rate	Non-interest bearing	Total
	R'000	R'000	R'000
Cash	695 643	2	695 645
Receivables from exchange transactions	-	202	202
Payables from exchange transactions	-	(30 859)	(30 859)
	<b>695 643</b>	<b>(30 655)</b>	<b>664 988</b>

### 2017

	Floating rate	Non-interest bearing	Total
	R'000	R'000	R'000
Cash	447 247	2	447 249
Receivables from exchange transactions	1 007	9 003	10 010
Payables from exchange transactions	-	(23 098)	(23 098)
	<b>448 254</b>	<b>(14 093)</b>	<b>434 161</b>

## 24. Events after the reporting date

### Non-PIVOTAL learner employment grant and learner employment grants

Non-PIVOTAL learner employment grant and learner employment grants totalling R30 000 and R30 000 respectively, relating to applications received during the year that were approved after year-end.

## 25. Going concern

The entity is currently established until 31 March 2020. The ability of the entity to continue as a going concern beyond 31 March 2020 is dependent on the MHET's decision to relicense the SETA at that time. There are no known instances which cast doubt on the SETA's ability to continue as a going concern for the next 12 months.

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

## 26. Contingencies

### Discretionary projects

Liability: Fasset has a possible obligation to pay R46 234 295 for applications received in the current financial year for the Bursary Grant, Non-PIVOTAL and PIVOTAL Learner Employer Grants which will be assessed only after July 2018. This obligation is dependent on the approval of the grants and final levy information.

### First-time employer registrations

The Skills Development legislation allows an employer, registering for the first time, six months to submit an application for a Mandatory Grant.

At the reporting date it is estimated that, as a result, additional mandatory grant expenditure of R589 000 (2016/2017: R442 000) will be payable. The amount is contingent on the number of submissions received and approved.

### Surplus funds

#### Retention of cash

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

#### As of 31 March 2018 the surplus for the year was as follows:

	2018 R'000	2017 R'000
	258 989	59 612

## 27. Budget differences

### Notes to statement of comparison of budget and actual amounts

Legislation requires that Fasset annually, in September submit a budget to the Minister for approval. Variances of 10% and above are considered material and are explained below:

#### Investment revenue

Investment income was 82% higher than budget due to higher average cash balances being held during the year as a result of levies received being significantly higher than forecasted.

#### Transfer revenue – levies

Levy receipts were 14% higher than budgeted for and the variance is immaterial. This is attributable to increased levies from SARS/DHET and government contributions.

#### Employer grant and project expenses

Employer grants and project expenditure are 37% lower than budget. The most significant factors contributing to this reduction were as follows:

##### Project expenses:

The decrease is due to the implementation of some projects taking place during the last quarter of the financial year.

##### Mandatory grants:

The continued effects of changes in grant regulations from 50% to 20% mandatory grant percentage contributed to the decrease when compared to budget.

The actual payout ratio in the current year was only 60%. The actual expenditure was in line with the budget.

##### General expenses

General expenditure was 25% lower than budget. The most significant factors contributing to this were the increase in the remuneration to the members of the Accounting Authority.

##### Employee-related costs

Employee costs were 34% below budget. There were two reasons for the low expenditure. Fasset saw a higher than usual staff turnover. Vacancies approved to be filled in the reporting year were still vacant at year-end.

##### Repairs and maintenance

Repairs and maintenance were 91% lower than budget. This is an adhoc expense line item and demand was less than budgeted for.

##### Internal audit fees

Internal audit fees were 23% below budget. This was as a result of the coverage plan being approved very late in the year (end of October 2017), which resulted in significantly low expenditure due to the delay in the audit.

##### External audit fees

External audit fees were 41% above budget. The overspend was due to extensive work conducted by the external auditors, which resulted in an audit overrun for the 2016/2017 year-end. An additional R500 000 was requested in August 2017 and was approved by Finco. The total budget has been exceeded.

## 28. Fruitless and wasteful expenditure

	2018 R'000	2017 R'000
Fruitless and wasteful expenditure – opening balance	22 000	-
Fruitless and wasteful expenditure – current year	8 035	22 000
	<b>30 035</b>	<b>22 000</b>

### Details current year

	Total
Supplier was paid but did not meet the deliverables as per the memorandum of agreement. Fasset is in the process of engaging the service provider in an effort to recover the funds.	8 032
Interest charged on late payment of invoice.	3
	<b>8 035</b>

### Details prior year

	Total
Fasset made a payment to an approved training provider for a work-readiness programme. Subsequently, Fasset received a grant, which was paid to the same training provider for the exact same project, in the 2006/2007 financial year.	<b>22 000</b>

## 29. Irregular expenditure

	2018 R'000	2017 R'000
Opening balance	13 776	7 470
Add: Irregular Expenditure – current year	56 043	6 306
	<b>69 819</b>	<b>13 776</b>

### Details of irregular expenditure – current year

Fasset incurred irregular expenditure as a result of non-compliance with supply chain management laws and regulations. The expenditure incurred was in line with Fasset's mandate as per the SETA Grant Regulations and the entity did not incur any material financial loss.

### Non-compliance

- Total procurement above the thresholds.
- Quotations above R30k not evaluated using 80/20 criteria.
- Appointed service providers not selected from the Central Supplier Database.
- Deviation was approved without the supplier submitting the required documents.
- Payment was made to service providers without a valid contract.
- Expenditure was incurred without the necessary approval.
- Insufficient supporting documentation for discretionary grant invoices paid to stakeholders.
- Contract value was exceeded.

## 30. Segment reporting

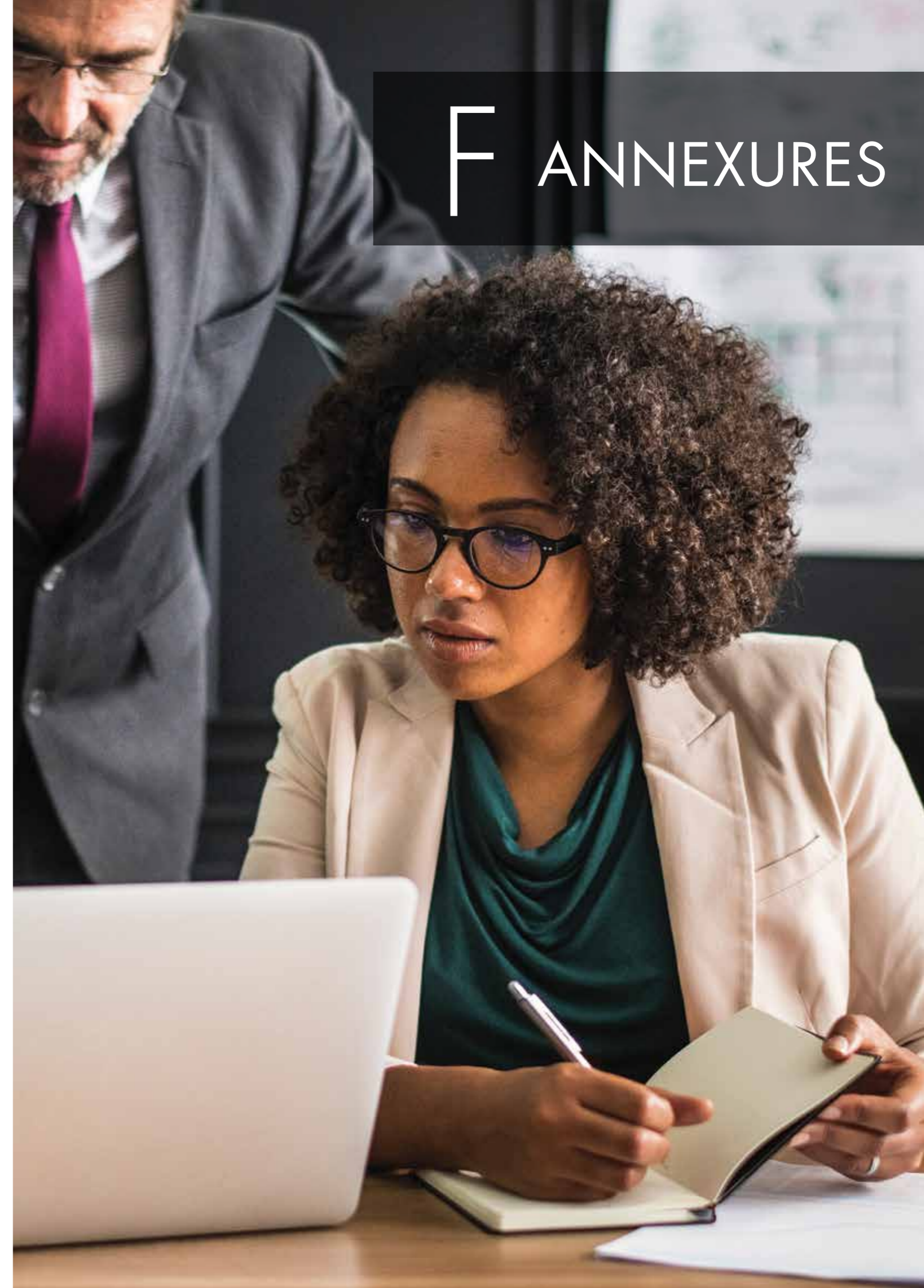
	2018				
	Administration R'000	Mandatory R'000	Discretionary R'000	General R'000	Total R'000
Revenue from exchange transactions					
Investment income	-	-	36 968	-	36 968
Revenue from non-exchange transactions					
Skills development levy: Income	73 312	125 394	326 910	-	525 616
Penalties and interest	-	-	9 694	-	9 694
Total segment revenue	73 312	125 394	373 572	-	572 278
Expenditure					
Employee-related costs	(18 154)	-	-	-	(18 154)
Depreciation and amortisation	(473)	-	-	-	(473)
Employer and project expenses	-	(74 400)	(195 083)	-	(269 483)
Other administration	(33 867)	-	-	-	(33 867)
Total segment expenditure	(52 494)	(74 400)	(195 083)	-	(321 977)
<b>Total surplus</b>	<b>20 818</b>	<b>50 994</b>	<b>178 489</b>	<b>-</b>	<b>250 301</b>

	Administration R'000	Mandatory R'000	Discretionary R'000	General R'000	Total R'000
Assets					
Consumables	66	-	-	-	66
Receivables from exchange transactions	104	-	98	-	202
Receivables from non-exchange transactions	-	3 676	-	-	3 676
Cash and cash equivalents	-	-	-	695 645	695 645
Non-current assets	638	-	-	-	638
<b>Total assets</b>	<b>808</b>	<b>3 676</b>	<b>98</b>	<b>695 645</b>	<b>700 227</b>
Liabilities					
Payables from exchange transactions	30 859	-	-	-	30 859
Payables from non-exchange transactions	37 044	15 729	-	-	52 773
Provisions	1 298	4 448	4 387	-	10 133
<b>Total liabilities</b>	<b>69 201</b>	<b>20 177</b>	<b>4 387</b>	<b>-</b>	<b>93 765</b>

Information about the surplus/(deficit), assets and liabilities reconciliations

2017					
	Administration R'000	Mandatory R'000	Discretionary R'000	General R'000	Total R'000
<b>Revenue</b>					
Revenue from exchange transactions					
Other income	174	-	-	-	174
Investment income	-	-	23 900	-	23 900
Revenue from non-exchange transactions					
Skills development levy: Income	68 208	119 174	300 665	-	488 047
Penalties and interest	-	-	(852)	-	(852)
<b>Total segment revenue</b>	<b>68 382</b>	<b>119 174</b>	<b>323 713</b>	<b>-</b>	<b>511 269</b>
<b>Expenditure</b>					
Employee-related costs	(19 729)	-	-	-	(19 729)
Depreciation and amortisation	(430)	-	-	-	(430)
Employer grant and project expenses	-	(73 245)	(262 635)	-	(335 880)
Other administration	(34 752)	-	-	-	(34 752)
<b>Total segment expenditure</b>	<b>(54 911)</b>	<b>(73 245)</b>	<b>(262 635)</b>	<b>-</b>	<b>(390 791)</b>
<b>Total surplus</b>	<b>13 471</b>	<b>45 929</b>	<b>61 078</b>	<b>-</b>	<b>120 478</b>

	Administration R'000	Mandatory R'000	Discretionary R'000	General R'000	Total R'000
<b>Assets</b>					
Consumables	55	-	-	-	55
Receivables from exchange transactions	224	-	9 786	-	10 010
Receivables from non-exchange transactions	-	4 306	-	-	4 306
Cash and cash equivalents	-	-	-	447 249	447 249
Non-current assets	692	-	-	-	692
<b>Total assets</b>	<b>971</b>	<b>4 306</b>	<b>9 786</b>	<b>447 249</b>	<b>462 312</b>
<b>Liabilities</b>					
Payables from exchange transactions	5 729	-	17 369	39	23 137
Payables from non-exchange transactions	-	19 143	51 956	-	71 099
Provisions	1 492	5 369	5 054	-	11 915
<b>Total liabilities</b>	<b>7 221</b>	<b>24 512</b>	<b>74 379</b>	<b>39</b>	<b>106 151</b>



F ANNEXURES

# ANNEXURE A: ACRONYMS

AAT	(SA) Associate Accounting Technician	MoA	Memorandum of Agreement
ACCA	Association of Certified Chartered Accountants	MoU	Memorandum of Understanding
AGSA	Auditor-General of South Africa	MTSF	Medium-term Strategic Framework
APP	Annual Performance Plan	NDP	National Development Plan
AQP	Assessment Quality Partner	NGO	Non-governmental Organisation
ARC	Audit and Risk Committee	NGP	National Growth Plan
ASB	Accounting Standards Board	NLEG	Non-PIVOTAL Learner Employment Grant
ATR	Annual Training Report	NLP	Non-levy Paying
BAC	Bid Adjudication Committee	NLRD	National Learner Records Database
BPC	Board Procurement Committee	NLRG	NSFAS Loan Repayment Grants
CA (SA)	Chartered Accountant South Africa	NQF	National Qualifications Framework
CAS	Central Application System	NSA	National Skills Accord
CEO	Chief Executive Officer	NSDS	National Skills Development Strategy
CFO	Chief Financial Officer	NSF	National Skills Fund
CHE	Council on Higher Education	NSFAS	National Student Financial Aid Scheme
CIMA	Chartered Institute of Management Accountants	PCHET	Portfolio Committee on Higher Education and Training
COO	Chief Operating Officer	PFMA	Public Finance Management Act
CPA (SA)	Chartered Professional Accountant South Africa	PIVOTAL	Professional, Vocational, Technical and Academic Learning Programme
CSD	Central Supplier Database	PPFA	Preferential Procurement Policy Framework Act
CSR	Corporate Social Responsibility	PSET	Post-school Education and Training
CSSA	Chartered Secretaries Southern Africa	QA	Quality Assurance
CTA	Certificate in Theory of Accounting	QAP	Quality Assurance Partner
DHET	Department of Higher Education and Training	QCTO	Quality Council for Trades and Occupations
DoL	Department of Labour	REMCO	Remuneration and Human Resource Committee
DPSA	Department of Public Service and Administration	RMC	Risk Management Committee
DQP	Development Quality Partner	ROI	Return on Investment
ESG	Environmental, Social and Governance	SAICA	South African Institute of Chartered Accountants
EWC	Employee Working Committee	SAIPA	South African Institute of Professional Accountants
EXCO	Executive Committee	SAIT	SA Institute of Tax Professionals
FBS	Fasset Bursary Scheme	SAQA	South African Qualifications Authority
FINCO	Finance Committee	SARS	South African Revenue Service
GRAP	(Standards of) Generally Recognised Accounting Practice	SCM	Supply Chain Management
GRI	Global Reporting Initiative	SDA	Skills Development Act
HET	Higher Education and Training	SDF	Skills Development Facilitator
HR	Human Resources	SDL	Skills Development Levy
HRDS-SA	Human Resources Development Strategy for South Africa	SDLA	Skills Development Levy Act (Act No 9 of 1999)
ICB	Institute of Certified Bookkeepers	SETA	Sector Education and Training Authority
ICT	Information and Communications Technology	SIC	Standard Industrial Classification
IIA (SA)	Institute of Internal Auditors	SLA	Service Level Agreement
IIRC	International Integrated Reporting Committee	SMME	Small, Medium and Micro Enterprises
IPAP	Industrial Policy Action Plan	SP	Strategic Plan
IPDWC	Initial Professional Development Working Committee	SSP	Sector Skills Plan
IT	Information Technology	TVET	Technical and Vocational Education and Training
King III	King III Code of Governance Principles for South Africa	UIF	Unemployment Insurance Fund
King IV	King IV Code of Governance Principles for South Africa	UNISA	University of South Africa
LCG	Learnerships Cash Grants	UJ	University of Johannesburg
LEG	Learner Employment Grant	UP	University of Pretoria
LIWC	Learner Interest Working Committee	UWC	University of Cape Town
LPD	Learner Professional Development	WBE	Work-based Experience
Manco	Management Committee MTSF Medium Term Strategic Framework	White Paper	White Paper for Post-school Education and Training
MHET	Minister of Higher Education and Training	WSP	Workplace Skills Plan

# ANNEXURE B: AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

## Financial statements

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

## Communication with those charged with governance

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

## Academic Support

### Repeated triumphs for Thuthuka

In the world of skills development, one acronym often leads to another. For many armed with a Certificate in the Theory of Accounting (CTA), the Initial Test of Competence (ITC) is the next milestone to be achieved. The ITC is the standard-setting exam written assessing core technical competence; it is no walk in the corporate park. Help is at hand in the form of the Thuthuka ITC Repeat Programme, an initiative involving Fasset and the South African Institute of Chartered Accountants (SAICA). The programme assists African Black and Coloured candidates (working and studying in the Northern and Western Cape only) who have previously failed the ITC. And the numbers are really adding up and speaking for themselves, says SAICA Senior Executive: Professional Development, Mandi Olivier.

'The latest intake recorded an excellent pass rate of 74%, against only 50% for those not undertaking a support programme,' says Mandi. 'The repeat programme pass rate is higher than the national average of 64% and is in line with pass rates for white candidates, at 73%.'

This intensive programme, run at the universities of Johannesburg and Cape Town, takes candidates through six weeks of full-time lectures, tutorials and assessments, and includes a mentoring and coaching element. Also playing their part are the employers of these full-time employees who are mostly trainees, who grant them time off to achieve this all-important qualification.

The programme slots in excellently with the transformation goals of both SAICA and Fasset, with the former candidate numbers representative of the country's demography and equivalent pass rates across all race groups, and Fasset committed to advancement of primarily African Black aspirant accountants, but also Coloured candidates in areas where the need has been identified.

## Academic Support

### Fasset support a game changer for Lukho

Like many young South Africans, Lukho Fuyani had big dreams, but small means. His grandparents' pension fund would not stretch to university costs, but that did not deter Lukho from his vision of himself as a Chartered Accountant. Lukho literally got on his bike and started pedalling towards his objective, having landed a job delivering post for the South African Post Office.

That was back in 2010. 'I enrolled as a part-time student at University of Fort Hare, but it was not easy juggling a demanding and tiring job with lecture times and studying. I couldn't afford to buy a textbook or even food some days, as transport to get to lectures was the most important cost,' he says. 'Even then, many times I was not able to attend tutorials and lectures. But I was determined to write the mid-year exams in Accounting and Computer Literacy.'

As it turned out, he failed accounting, but he did not give up. At the time, Fasset did not have an initiative that Lukho could call on, but, ultimately, he was able to benefit from the SETA's intervention in the form of the Academic Support Programme, which transformed him into a happier and more successful student, among the top performers in his class.

'I'm truly grateful to have been part of this initiative,' says Lukho. 'I attended extra classes and there was enough time to clarify the areas I struggled with in Accounting and Financial Management. 'Fasset is a true game changer.'

## Bursary Support

### The gift of study without the worry

'If there is one thing that makes a black child believe that he can't achieve his goals, it has to be lack of funding for university.'

So says Karabo Mengwai, second year Accounting Sciences student at University of Pretoria (UP).

Karabo is one of many fortunate youngsters countrywide who are following their dreams because of Fasset's forward-thinking funding programmes.

The Fasset Bursary Scheme is proving such a huge hit with students countrywide because of its simple promise: to relieve the cost burden of tertiary studies to allow young minds to concentrate on the job in hand – achieving the gateway qualification to a wonderful career in the finance and accounting services sector.

For Karabo, receiving a bursary brought joy and a huge sigh of relief. He was so stressed in his previous year with having to find money for tuition and accommodation, and coping with poor marks caused by his predicament, that, he says candidly: 'I found myself on the verge of doing things that I knew weren't right so that I could pay my fees.'

But the Fasset bursary saved the day – and the man – and Karabo was able to sleep well again at night knowing that he wouldn't be kicked out of res and that his mother wouldn't be under such intense pressure to cover his costs, as his living and tuition expenses were covered.

The support Michelle Mohale received was nothing short of a miracle for the third year Financial Sciences student.

'I was blessed with Fasset when I needed it the most,' she explains.

Fasset has been a parent, a friend and my greatest fan, and the opportunity has changed me into an individual who recognises her true potential.'

'Fasset has taught me to do things with a purpose and, because of that, I'm mindful about everything I participate in,' adds fellow Financial Sciences student, Reabetswe Mashamaite.

For Lesley Nakeng, who has been working towards her Certificate in the Theory of Accounting, Fasset's support means so much that she would like nothing more than to visit companies that pay the skills development levies that Fasset invests in young talent to thank them personally for their role in what will undoubtedly be her success. 'I'm from an area where only about 10% of school leavers make it to varsity, due to lack of funds and lack of knowledge about available funding schemes,' she says. 'I will be a Chartered Accountant one day and it will be thanks to organisations such as Fasset.'

Financial Sciences learner, Mosebjadi Mpho Molala, comments: 'The bursary not only provides academic support, but focuses on the creation of a well-rounded, effective student. Through the skills sessions, Fasset gives me an opportunity to explore my purpose and know myself better. Everything I have learnt will be valuable to me for the rest of my life.'

For the fortunate few, the bursary also comes into play when travel is on the cards, as Siyanda Mbekeli, third year Financial Sciences student discovered when the SETA funded her China exchange programme. 'Without the support, I would never have been able to take advantage of this once-in-a-lifetime opportunity,' she says. 'It has been a true blessing for me and my parents and I am so grateful.'

But the true essence of Fasset's bursary boost is perhaps best summed up in Karabo's experience. 'I have never had such academic success,' he gushes. 'I went from passing with 50s or early 60s to marks above 70 and I am so full of energy and drive that I will keep it up and make Golden Key next year.'

'That child within me who wanted to conquer the world and make a mark in his field is really awake now.'

## Workplace Experience

## Turning out talented interns

So enthusiastic is Hosny Masetlwa of Lagab Financial Services in Pretoria about the Fasset TVET Workplace-based Experience programme that he feels it should continue indefinitely and should be rolled out to universities as well as TVET institutions.

Many young TVET products have entered the doors of Lagab to gain workplace experience and many have left enriched and emboldened to go out and conquer the world of finance and accounting. The others have been retained by Lagab in a contract or permanent capacity.

'We started our association with the TVET programme in 2016 with two interns,' explains Hosny. 'Currently, we have 12 interns busying themselves in financial accounting, taxation and secretarial services.'

'The country needs a skilled workforce and this programme has changed the lives of our interns for good. Not only have they developed skills that are in demand, but have also been exposed to managing their own personal budgets.'

In this win-win arrangement, the programme has provided the extra hands needed for Lagab to fulfil its responsibilities as a progressive black-owned company approaching its 19th year of offering a wide range of services in the financial services environment.

The company's association with Fasset has spanned 10 years, during which the highlight has been having five graduates pass their SAIPA examination and now proudly using the designation: Professional Accountant (SA).

Reiterating the call for continued financial backing for the internship programme, Hosny adds: 'Some of the graduates who have participated in this programme are now financial managers, directors and entrepreneurs. That is a lasting legacy!'

## Internships

## Break Bread rises with Fasset support

Not all training needed by Fasset stakeholders fits neatly into finance and accounting boxes. Sometimes, one has to think a little bit further than the margins of the ledger to see the potential benefits of training in other areas.

Fasset's non-PIVOTAL grants are for just such occasions and among those benefiting is Break Bread Group, a marketing agency with a special focus on brand advocacy in the township market. A major part of its strategy is to offer opportunities to the youth of South Africa through internships, says CEO, Thabiso Maphanga.

'Our internship programme has been running since late 2015 and it was fully self-funded until 2017, when we became a stakeholder of Fasset,' he explains. 'Fasset's non-PIVOTAL grant has allowed us to offer our young staff members a level of income that can really add value to their families. The grant has assisted us in retaining our interns and we recently offered two interns permanent positions.'

'The funds have also allowed us to invest in other areas of skills development and progressive learning in the workplace. For example, we subsidised driving lessons for one of our new permanent employees and are assisting another intern, an FET graduate who has enrolled with a university of technology, to enhance her marketing and consulting knowledge and expertise.'

## NLRG Programme

## Granting hard-pressed graduates a lifeline

Money really does make the world go 'round. It is the coin in the slot for most of life's achievements and it usually starts when one waves goodbye to school that final time. Securing a NSFAS loan for study is a huge step in a youngster's life, as it is often the key to a study path of choice. But it also looms large as graduation approaches.

Because Fasset believes that dwelling on money owed is not conducive to building a flourishing career in finance and accounting, and that new graduates should not be burdened with sizeable money worries before they have even set foot through the doors to career fulfilment, it offers the NSFAS Loan Repayment Grant.

For accounting trainee at KPMG Nangamso Dimalisile, it has been a blessing that she finds hard to capture in words. 'When I completed my studies, I didn't know how I was going to pay such a huge amount to NSFAS,' she explains.

'The email from Fasset saying it would pay off R60 000 of the loan was the greatest relief for me. I am beyond grateful, as some people do not have this opportunity.'

And, she adds, the loan amount that has been paid off can go to other students who do not have the means to pay for their university fees.

## Fasset Career Portal

## Threesome accounting their blessings

When Evans Mashamaite finished school, he had no idea what he wanted to do, having never been exposed to career counselling. But he knew he did not want to be a warehouse assistant, even though he was fortunate enough to have secured this job straight from school. He worked diligently for two years, before he'd saved up enough money to leave the forklifts behind and head for the lecture room.

A spell in the human resources management faculty at Tshwane University of Technology also proved not to be his dream, even though he completed the course and excelled, notching up distinctions along the way, while moonlighting as a warehouseman after hours.

When the university appointed him student assistant in the computer lab during his final year, the penny dropped. It was figures he needed in his life.

But where to start? The Fasset career portal provided all the answers he needed, pointing him in the direction of Accounting Technician, and he applied to Letaba TVET College in Tzaneen. With good matric symbols in Maths and Accounting, a national diploma and work experience, he was the perfect candidate. Locating to Tzaneen was not easy, he says, but the opportunity to advance his life and increase his employment chances sealed the deal. 'We found the competency-based and online assessment nature of the training difficult,' says Evans. 'But we were very fortunate to have a wonderful facilitator who took us through things step by step.'

He completed his training at the end of October 2014, but stayed on to assist students who were having difficulty being declared competent for certain modules. In February 2015, he returned to Gauteng where he found a permanent position as a dispatch clerk.

However, AT(SA) had submitted his CV to Lion of Africa, which offered him a three-month contract as credit controller for a lower salary. He accepted, as, he says. I wanted my AT programme to work for me, as I had worked for it.'

Free State's Maggie Mots is another proud AT(SA) graduate. Her interest and aptitude for accounting revealed itself early during her school days and, after attending Flavius Mareka TVET College to improve her matric results, sheen rolled for the National Diploma in Internal Auditing at Vaal University of Technology. To her surprise, she struggled with Accounting and lost focus, leaving the course after second year for a job as a creditor's clerk in Johannesburg. There, her love of Accounting surfaced stronger than ever and when she discovered the AT (SA) programme, there was no need to think it over. With her committed facilitator by her side and many late hours of study, she finally aced Accounting.

Maggie plans to pursue the NQF level 5 AT(SA) qualification next year and, further down the line, Chartered Institute of Management Accountants (CIMA) qualifications.

She owes much to AT(SA) and Fasset, she says. 'The course came at a time when I was feeling down and despondent. It was a great opportunity and it showed me that I can actually do Accounting ... it relit the fire that I had for finance.'

### Demystifying a taxing issue

Taxation in South Africa has become a minefield, to the extent that even a basic level of tax knowledge is hard to maintain. This is the view of Kate Mofokeng, a tax assistant at Triton Associates.

Kate is a regular face at Fasset's Lifelong Learning seminars, particularly those that equip her to perform better in her tax returns, e-filing and client liaison role. There is always a need to stay up to date on changes in areas of specialisation,' she says. 'I wanted to build on my basic understanding of the various tax types and of what is needed to be tax compliant at all times.

'By attending the Fasset tax and budgeting workshop, I am able to perform better in the workplace and this allows my managers to recognise the effectiveness and efficiency I bring to the job and, thus, the value I bring to the company.'

### Fasset Alumni make an indelible and inspiring mark

The altruistic practice of 'paying it forward', popularised by Haley Joel Osment in the successful 2000 film, is an ideal to live by for all people across all industries. In the finance and accounting services sector, Fasset has formalised the concept through its innovative Alumni programme.

To date, more than 23 previous recipients of Fasset-funded interventions have volunteered to pay it forward at schools across the country, particularly in the more rural areas, sharing their experiences and advice with grades 9 to 12 learners. At the same time, they are planting the seed that a career in the world of figures delivers untold reward, job satisfaction and advancement opportunities. These accounting ambassadors also dedicate time to coaching or mentoring students, which includes tutoring them in Maths and Accounting.

Emily Maluleke is one of the special people who carries the Fasset Alumni badge with great pride. Emily was always a talented student, whose academic ability enabled her to skip grades at school and who sailed through her BCom in Financial Management studies. She was understandably disappointed to find that all of this was not enough to secure her a job.

Fortunately, the Guarantee Trust, in partnership with Fasset, was advertising for graduates to take part in its work-readiness programme.

'I joined the Guarantee Trust programme and my life changed completely,'

says this study star, who went on to complete her articles with SizweNtsalubaGobodo and add a BCompt in Accounting and Auditing to her credentials.

Emily already had a natural tendency to help others and her sense of community spirit had seen her sharing her problem-solving skills with school classmates and fellow tertiary students to allow them, too, to conquer course challenges.

To this day, she continues to share and lead by example. 'I discuss with as many people as I can how I have achieved in spite of a very unsettled childhood. The Fasset Alumni programme has given me another outlet to do this and to impress upon youngsters that everyone can do what I have done and can have a successful career in Accounting.'

Emily has presented her story and promoted the sector to audiences of more than 700 matrics at a time, and will often devote a whole day to an event to ensure that she is available to each and every student clamouring for information. 'Youngsters make poor career choices because of lack of information,' she stresses. 'Imparting information is the best gift one can give another person.'

### Notes

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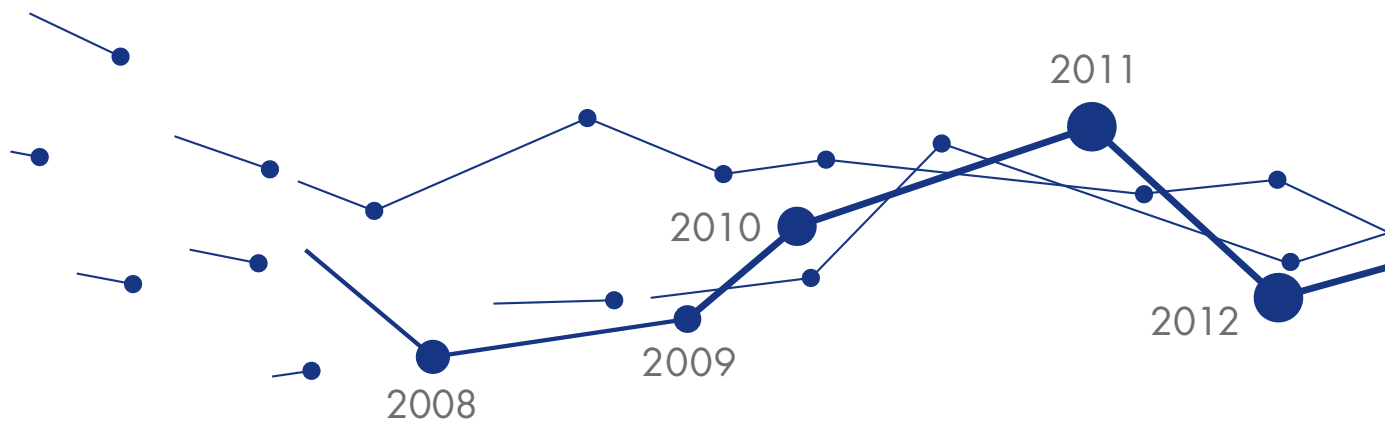


## ACKNOWLEDGEMENTS

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- The Fasset Board, Exco, Finco and ARC for providing the necessary guidance and leadership on Fasset's integrated reporting journey, conducting the necessary reviews and signing off the report
- The various assurance teams, including management, Internal Audit and External Audit as well as the Fasset Board
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- The production and editorial team for writing and proofreading the content as well as for design and printing of the report.



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