

Annual Report 20102011

BLUEPRINT



inseta
INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY

Purpose

INSETA's purpose is to grow the pool and quality of scarce and critical skills in the insurance sector, enhancing the sector and supporting the country's transformation.

Values

Partner to enable other

- Form strategic partnerships
- Be an employer of choice
- Consult and collaborate with stakeholders

Lead with Vision

- Develop contemporary solutions to guide the industry
- Listen, learn, influence and shape

Deliver Quality

- Results for real impact
- Value for investment

Touch Lives

- Make a difference
- Leave an enduring legacy

Inspire Trust

- Transparent
- Reliable and consistent
- Accountable

Vision

In 2013 INSETA will be:

- Acknowledged as education and training thought leaders and enablers - the most effective SETA
- Have a highly esteemed reputation as being integral to insure sector's growth
- Demonstrate how a truly transformed organisation should and does operate
- Have grown the talent pool to levels where the skills shortage is no longer critical
- Have a comprehensive research base on international trends and best practices
- Be delivering quality in all nine provinces

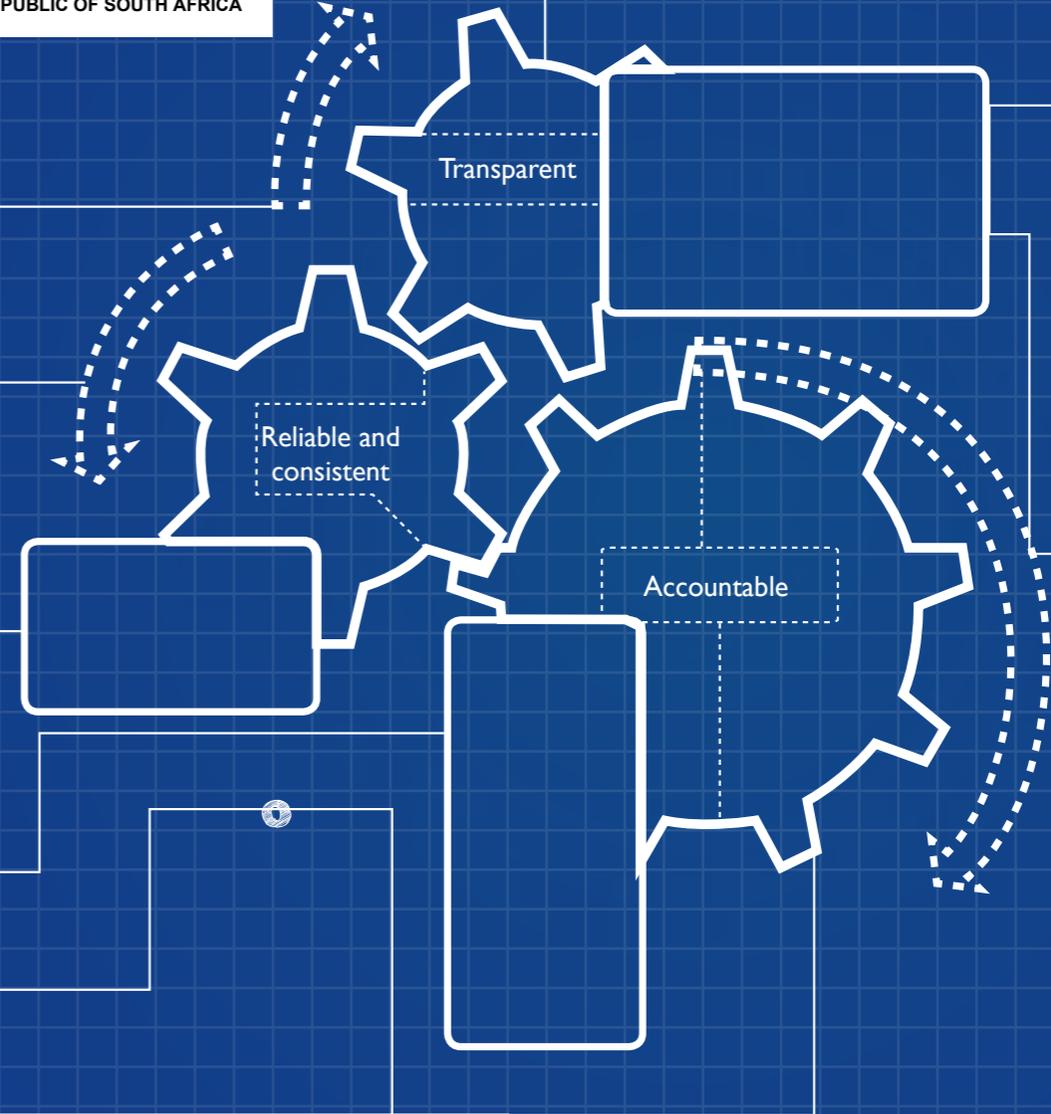


higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



inseta
INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY





Dr Blade Nzimande
Minister of Higher Education & Training



Sandra Dunn
INSETA Chief Executive Officer

Honourable Minister, it is with pleasure that we present to you the Annual Report of the Insurance Sector Education and Training Authority for the period 1 April 2010 to 31 March 2011.

Table of Contents

1. Chairperson's Report	8
2. Chief Executive Officer's Report	10
3. Report of the Audit Committee to INSETA Council for the years ended 31 March 2011	24
4. Report of the Auditor-General	26
5. Annual Financial Statements	31
6. INSETA Council and Council Sub-Committees	80
7. INSETA Team	84
8. Appendices:	
a. Appendix A - INSETA Organogram	88
b. Appendix B - National Skills Development Strategy (NSDS) II: Targets and Achievements	89
c. Appendix C - INSETA's staff as at 31 March 2011	96
d. Appendix D - INSETA's Standards Industrial Classification (SIC) Codes	97
e. Appendix E - Glossary of Terms	98



Executive Reports

- 1. Chairperson's Report**
- 2. CEO's Report**

1. Chairperson's Report

In a foreword to a policy discussion paper released by National Treasury titled "A Safer Financial Services Sector to Serve South Africa better" it states that the financial sector plays a central role in supporting the real economy. Whilst our financial services sector remained fairly resilient in the face of the recent financial crisis and global economic meltdown, the sector is seen to have a vital role in the ongoing transformation of our society. INSETA, in turn, has a central role to play in supporting our sector to meet its needs in terms of skills development and training. With this in mind, we are pleased to report that INSETA has made a significant contribution in meeting its targets during the year under review.

INSETA has once again achieved an unqualified audit. We firmly believe that this is testimony to the principles of the organisation where a strong ethos of corporate governance, trust and integrity exists amongst Council members and the management and staff of INSETA. During the year Council hosted a strategic planning session with management and we spent time reaffirming our purpose statement, vision and values. We also reviewed our key strategic focus areas namely youth development, scarce and critical skills, small and micro enterprise development, social development and research and benchmarking. All of these focus areas are unpinned by the principles of transformation, stakeholder collaboration and sound governance.

Our sub-committees met regularly during the year and provided Council with recommendations relating to policy matters, financial matters and projects. An Ethics Hotline was introduced which provides an independent mechanism to stakeholders for complaints handling.

Our levy income increased by R16.5 million from R203,3 million for the 2009/10 financial year to R219,8 million for the 2010/11 financial year. Despite experiencing a delay in the receipt of levy information, we still managed to maintain a 94% grant payout ratio for mandatory grants.

Highlights

INSETA made strides in its national footprint by expanding its skills development network. Highlights during the year included the initiation of a pilot Articulation Project, which will transform the financial planning sector and offer new opportunities for young people looking to carve out a career in the field. INSETA also launched an internship programme for the intellectually impaired aimed at equipping young adults who have completed their training to gain valuable experience in the workplace.



Rama Govenden,
Chairperson of INSETA Council

Mzimkulu Msiwa,
Chairperson of INSETA Board

The year also saw the continuation of the highly successful partnership between INSETA and the South African Actuaries Development Programme (SAADP), a venture aimed at increasing the pool of Black Actuaries for the Insurance Sector. The FAIS Fit & Proper project gained impetus and remains a critical project for INSETA. Learning material has been made available to support and assist stakeholders in their preparations for the Regulatory Examinations. A FAIS Advisory Committee comprising of industry representatives was established and advises INSETA on the sector's needs in respect of the Fit and Proper requirements.

Appreciation

In going forward INSETA like all the Sector Education and Training Authorities (SETA's) will be governed by a new Constitution and have a newly elected Board in place, it is thus only appropriate that I thank all of my fellow Councillors for their endless support and advice during my tenure as Chairperson. It has been an honour to work with you. To INSETA's management and staff, well done on your achievements this year. As we enter into a new landscape, we stand proud, knowing that we have laid a solid foundation to build upon. We wish our new Chairperson, Mr. Mzimkulu Msiwa and Board members all the very best for the future.

Our appreciation must also be expressed to the Department of Higher Education and Training and the South African Qualifications Authority.

RAMA GOVENDEN
CHAIRPERSON OF INSETA COUNCIL

I. Chairperson's Report



**INSETA made strides
in its national footprint
by expanding its skills
development network.**

Working together
for a skilled tomorrow

2. Chief Executive Officer's Report

2. Chief Executive Officer's Report

INTRODUCTION

"When people honor each other, there is a trust established that leads to synergy, interdependence and deep respect. Both parties make decisions and choices based on what is right, what is best, what is valued most highly." - Blaine Lee, one of the original founders of the Covey Leadership Centre.

One of INSETA's core values is to inspire trust, to be transparent, reliable, consistent and accountable. It is thus with this in mind that we have chosen "Inspiring Trust" as the theme for our Annual Report for 2010/11. Trust by definition alludes to more than one party, where one entity places a firm reliance on the integrity, ability or character of the other entity, a value crucial to the success of INSETA.

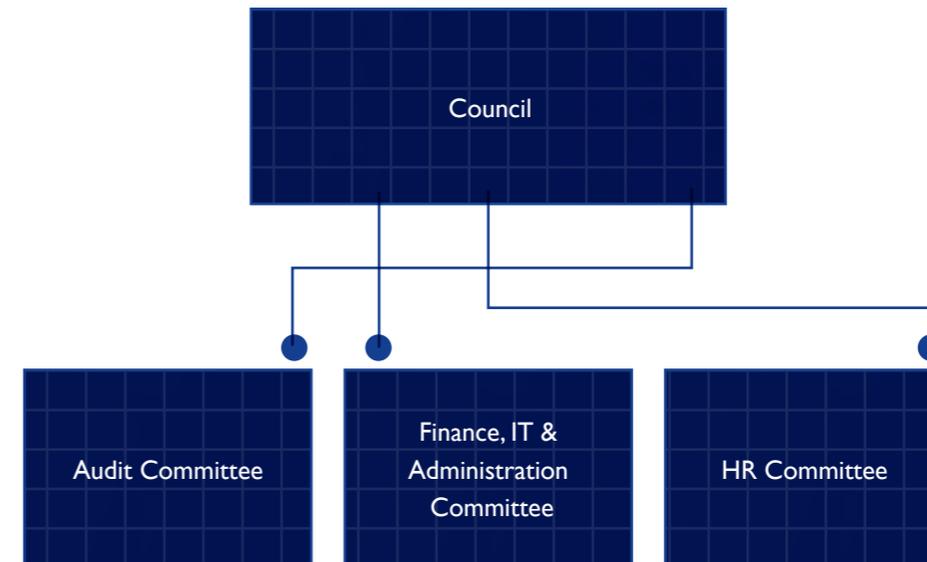
We are pleased to present our Annual Report for 2010/11 and to provide an overview of our activities during the year, our successes and our challenges. It has been a year where the SETA has focused significantly on collaboration, partnership and trust.

CORPORATE GOVERNANCE

Council and Council Sub-Committees

During the 2010/11 financial year, the INSETA Council comprised of six Council members who represent the interests of business, six members who represent the interests of labour and one members who represents the State's interests. At the 2010 Annual General Meeting five members were re-elected to a further term, namely Mr. Barry Scott (business representative), Ms. Keneiloe Selamolela (business representative), Mr. Eugene Zeeman (labour representative), Mr. Wayne Hattings (labour representative) and Mr. Isaac Ramputa (labour representative). Mr. Trevor Chandler (business representative) was elected in place of Mr. Terence Berry, who did not stand for re-election. Mr. Rama Govenden was elected as Chairperson and Ms. Margie Naidoo as Deputy Chairperson.

The Council sub-committees, comprising of the Audit Committee, Finance, IT & Administration Committee and HR Committee met on a regular basis and provided recommendations to Council throughout the course of the year.



Risk Management

Risk management remains a standard item on the agenda of both the Audit Committee and Management Committee and during the year under review, Council approved a Terms of Reference for a Risk Management Committee, a Risk Management Framework and Risk Management Policy.

Implementation of Ethics Hotline

During the year under review an Ethics Hotline was introduced. The hotline is administered by an independent, external service provider and any complaints received are directly referred to the Chairperson of INSETA and the Chairperson of the Audit Committee for consideration and action if deemed appropriate. Three complaints were received and considered by the appropriate committee. After diligent investigation, the complaints were found to be baseless and no further action was recommended.



When people honor each other, there is a trust established that leads to synergy, interdependence and deep respect.

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Policies and Procedures

Several policies and procedures were reviewed and approved by the INSETA Council during the year, including the:

- INSETA Discretionary Grant Funding Policy
- Council Development Plan
- Revised Terms of Reference for the Finance, IT & Administration Committee as well as the HR Committee
- Audit Committee Charter and Internal Audit Charter
- Financial Policy and Procedures Manual
- Supply Chain Management Policy

HUMAN RESOURCES

During the period under review, INSETA had a staff compliment of 35 of this 23 were in full-time employment, 8 on fixed-term contracts and 4 on an internship.

Race	Gender	
	Female	Male
Black	16	3
Coloured	5	1
Indian	4	0
White	3	3

A list of INSETA's staff appears on Appendix C on page 96 of this Report.

Salary Bands for INSETA Personnel:

Level	Salary Band
Executive Management	R1.2M and above
Management	R500k – R800k
Specialists/Consultants	R250k – R500K
Administration	R120k – R250K
Support	R60k – R120k

FINANCIAL MANAGEMENT

INSETA's 80% levy income increased by R16.5 million from R203,3 million for the 2009/10 financial year to R219,8 million for the 2010/11 financial year. Changes in levy income estimates relating to prior years are included in the current year balances. The SETAs experienced a delay in the receipt of levy information from the Department of Higher Education and Training since December 2010. This impacted upon the grant payments scheduled for February and March as well as on the overall grant payments for 2011/2012 financial year as INSETA did not have the individual levy contributions for employers and therefore could not calculate the amount due to each employer. This resulted in INSETA having a higher grant provision and cash balance at year end. The outstanding levy information was received in May and June 2011.

The administration surplus for 2010/11 was R3,2 million (2009/10 R3,4 million). The actual administration expenditure for the current financial year was R24,4 million (2009/10 R21,9 million). Total project and grant expenditure for the current financial year amounted to R187,8 million (2009/10 R165,5 million). At the end of each financial year the surplus from the administration and mandatory reserves are transferred to the discretionary reserve. The surplus funds are allocated and/or committed to projects aligned to the strategic objectives of INSETA. An application is made each year to National Treasury for the retention of the surplus funds.

Investments Policy

The investment of SETA funds is managed in terms of its investment policy. This allows for investment by way of short term fixed deposits with the big four South African banks and a proviso that not more than 40% be held within one institution at any point in time. This method ensures that there is minimum risk to the capital and allows INSETA to capitalise on the most favourable interest rate being offered.

Cost of Consultants and Technical Advisors

INSETA's main service providers, listed below, have not changed during the year and are:

Consultants and Technical Advisors	Service	Cost for 2010/11
Deloitte	Responsible for information technology, financial management and various other back office processes.	R6,335,000.00
OMA Chartered Accountants	Responsible for the outsourced internal audit function. They are contracted until 31 March 2012.	R536,000.00
Auditor General	Performs the external audit function, which is a legislative requirement for all SETA's.	R1,200,000.00

DELIVERY ON THE NATIONAL SKILLS DEVELOPMENT STRATEGY (NSDS)

SETAs are required to enter into a Service Level Agreement (SLA) with the Department of Higher Education and Training on an annual basis indicating their contribution towards the overall achievement of the NSDS. Details of INSETA's achievements against SLA targets appear in Appendix B on page 89.

SKILLS DEVELOPMENT

INSETA Stakeholder registration with the Skills Division

INSETA's targets for the financial year 1 April 2010 – 31 March 2011, were set in September 2009. The total levy payers registered with INSETA in September 2009 was 1290. The table below illustrates the company size and number of registered levy paying employers as well as the number of Workplace Skills Plans and Annual Training Reports received for 2010/2011.

Company Size	Registered Levy Paying Employers	Workplace Skills Plans/Annual Training Reports received for 2010/2011
Large Companies (150+ employees)	69	63
Medium Companies (50 – 149 employees)	90	82
Small Companies (1 – 49 employees)	1131	568
Total	1290	713

2. Chief Executive Officer's Report



The investment of SETA funds is managed in terms of its investment policy. This method ensures that there is minimum risk to the capital and allows INSETA to capitalise on the most favourable interest rate being offered.

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for a skilled tomorrow

2. Chief Executive Officer's Report



The year under review also saw the revival of the stakeholder forums, which were well attended and well received by industry stakeholders.

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Submission of Workplace Skills Plans (WSP) and Annual Training Reports (ATR)

Through the submission of either a Workplace Skills Plan (WSP) or an Annual Training Report (ATR) employers are able to claim back 50% of their mandatory grant payments from INSETA. We are pleased to report that INSETA achieved 94% payout grant ratio for the financial year, this being the highest payout in the last five years of INSETA.

712 Skills Development Facilitators (SDF's) are registered with INSETA and reside across the nine regions.

Skills Programmes and Projects

INSETA has for the past five years experienced challenges in achieving the Adult Basic Education and Training (ABET) targets. Through the various stakeholder interactions over the past year, INSETA identified computer literacy as a key skills need in the sector. This training was offered at basic, intermediate and advanced level to INSETA stakeholders. The response was high, allowing INSETA to exceed the targets set for ABET and at the same time providing 1,302 employees with a new skill, more than 65% of the beneficiaries were women and 96% were black.

Stakeholder Support and Provincial Presence

Through an increased presence in the sector INSETA has expanded its skills development network and has developed a SMME strategy which will support and grow SMMEs nationally. INSETA plans to launch the first National Broker Network which will provide a platform for brokers across the country to share their skills needs with INSETA at one forum.

INSETA has a well-established regional presence in four major areas of the country namely, Western Cape, Eastern Cape, Gauteng and

KwaZulu-Natal, through the appointment of its Regional Advisors. Plans are underway to widen the network of Regional Advisors from June 2011 by recruiting 13 regional advisors to support the insurance sector in other regions. Regional Advisors promote INSETA's activities at a variety of forums including the National Skills Summits, Ministers Imbizos, insurance sector events and educational career day exhibitions.

The year under review also saw the revival of the stakeholder forums, which were well attended and well received by industry stakeholders.

Sector Skills Plan (SSP)

In 2010, SETAs were issued with new criteria and guidelines on the development of Sector Skills Plans. The focus was towards a more quality driven Sector Skills Planning process and for the first time SETA Sector Skills Plans had to be presented before an expert review panel to oversee the quality of the Plans within the different sectors. INSETA's Sector Skills Plan has been provisionally approved and this process has shown that INSETA will need to be more rigorous in the development of the Plan in going forward.

QUALITY ASSURANCE

ETQA: A new dispensation

The NQF Act of 2008, assented to by the President in February of 2009, repeals the SAQA act of 1995 under which the ETQA function was established and introduces changes in terms of the SETA's role in quality assurance. The new framework aims to create qualifications and learning delivery mechanisms that will achieve a better alignment of skills supply versus demand by being more responsive to occupational learning needs of industry and the nation.

The Quality Council for Trade and Occupations (QCTO), established under this Act, is the body responsible for laying the policy and regulatory framework for the development, learning delivery and quality assurance of occupational qualifications. The future quality assurance functions of the SETA still need to be established and are currently under discussion. The QCTO has been delayed in its own establishment and this has created an uncertain climate for our ETQA activities and future planning.

The proposed QCTO "quality partner" approach allows "any suitable body" (typically learning providers, employers and professional bodies) to apply to the QCTO to take on the role of developing qualifications and assessment strategies. However, industry itself lacks experience in this area, and whilst INSETA's role will largely depend on QCTO delegations, industry expectations of INSETA vis a vis the ETQA function will need to be carefully managed. The opportunity for service-level agreements and joint partnerships with industry players will need to be considered and negotiated at senior levels.

INSETA's legacy qualifications are approaching expiry and this creates an urgency for development of new qualifications towards registration with the QCTO. Our ETQA division is engaging extensively with industry stakeholders to establish priorities that will best meet essential skills needs.

National Learner Record Database (NLRD) uploads

The South African Qualifications Authority (SAQA) statistics of our September 2010 bi-annual upload to the NLRD reflected a 94% increase in learner numbers from the previous financial year. This was achieved with an average rating of 84.1% compliance with SAQA upload criteria and we have thus managed to retain our "green" status (i.e. over 75%) on SAQA league ratings for NLRD uploads.

Our total submission to the NLRD for the 2010-11 financial years contained the following number of data records, which is a noteworthy achievement compared with other years:

	August 2010 and Feb 2011 total data records uploaded to NLRD
Learnership enrolment/achievement	8929
Qualification enrolment/achievement	30823
Unit Standard enrolment/achievement	3,425,549

2. Chief Executive Officer's Report



The Articulation Project is set to transform the financial planning sector and offer new opportunities for young people looking to carve out a career in the field.

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ETQA projects

The Quality Council for Trade and Occupations (QCTO) Project

This projects aims to lead our industry and INSETA into the new landscape as proposed by the QCTO establishment with the new Skills Development Act.

In partnership with industry stakeholders our ETQA has supported and funded the development of one new qualification for Underwriters. This is currently in comment phase and will thereafter be submitted for registration and become available for use.

In partnership with BankSeta and relevant employer organisations, professional bodies and providers we are currently engaged in development of a risk manager qualification, which was also identified as a priority.

We are in process of a review of INSETA's current qualifications that are in process of expiring for updates compatible with QCTO curriculum requirements.

Capacity Building Project

This project is running currently and aims to build stakeholder capacity for learning delivery and assessments in qualifications identified as a need in our sector. It will also promote capacity for delivery of our qualifications in institutions of Further Education and Training (FET) by providing targeted support to such institutions in a spirit of partnership and integration.

Impact of FAIS Fit & Proper

The initial panic has subsided since the passing of the December 2009 deadline. However, the focus for learners has now become the

achievement of full qualifications. Considering the increase in learner numbers over the last financial year the ETQA division will need to prioritise its resources to prepare for peaks as needed and to maintain an efficient workflow.

LEARNERSHIPS

Partnering with FET Colleges in Articulation Project

One of the highlights of the SETA year has been the initiation of a pilot Articulation Project, through a partnership between INSETA, the University of Western Cape and the Financial Planning Institute (FPI), this project is set to transform the financial planning sector and offer new opportunities for young people looking to carve out a career in the field.

The initiative allows Further Education Colleges (FETs) to offer the equivalent of a first-year university course which recognizes the NQF Level 5 Certificate in Wealth Management as equivalent to the first year of a B.Com Degree. The NQF Level 5 qualification will therefore become a bridge to a higher qualification, which learners can obtain through the FET's.

The pilot programme is being funded by INSETA, and 95 learners at five Western Cape public FET Colleges are currently participating in this initiative.

The initiative, dubbed FETI/HETI, because it offers a "seamless articulation" between Further Education and Training and Higher Education and Training institutes, will increase the number of qualified professional financial planners working in South Africa by making it easier and more affordable for students to gain the right accreditation and qualifications.

Internship Programme for the intellectually impaired

Another highlight has been the launch of an internship programme for the intellectually impaired which is helping equip young adults who have completed their training to gain valuable experience in the workplace ensuring their competitiveness in the open labour market. The main objective of this initiative is to give those with intellectual impairments the opportunity to be a part of the workplace and to help facilitate their transition from school to work to independent living. The ultimate goal is for them to participate meaningfully in the workplace and the economy. INSETA funded 6 learners in an internship and three companies hosted the learners.

Partnering with an external service provider, the project commenced in April 2010 and has proven to be a success with three of the learners being offered full-time employment at the end of the internship.

Learnerships and Internships Highlights:

The year under review saw an increase in the number of learners hosted on internships and learnerships as well as the implementation of an on-line application system. The year also saw an increase in the number of learnerships completed on time and a decrease in the drop-out rate of learners.

Employment Statistics: Internships and Learnerships:

INTERNSHIPS	
284 learners were hosted by employers	268 of these learners were offered employment upon the completion of the internship
LEARNERSHIPS	
1389 learners were hosted by employers	1071 of these learners were offered employment upon the completion of the learnership

Advancing business and leadership skills in SMME's

INSETA together with WITS Business School partnered to design and launch a new programme aimed at advancing business and leadership skills in insurance sector small, medium and micro-sized enterprises (SMMEs).

2. Chief Executive Officer's Report



The year under review saw the continuation of the highly successful partnership between INSETA and the South African Actuaries Development Programme (SAADP).

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The Certified Programme in Leadership Development (CLPD) is a first of its kind programme for the sector and will give SMME leaders the important skills to deal with the many challenges they face. The overall objectives are to give managers a broad exposure to the fundamental nature and process of management and human behaviour within organisations, and to facilitate the transition from management to leadership.

The programme is designed for people in leadership positions in SMMEs in the sector and for high-potential employees who have been identified by the organisation as potential leaders. Previous tertiary level academic qualifications are preferable although not essential to apply; the programme thus opens doors to many people who may not yet have the qualifications, but do have experience and leadership potential. It is also run on a part-time basis.

There is a great need for training of this nature in the insurance sector; small businesses and entrepreneurial ability are key ingredients for growth and development in South Africa and with this programme INSETA aims to develop leaders who can put their organisations on the path of sustainable success, who can innovate and create new products and services, and who can create jobs.

Increasing the pool of Black Actuaries for the Insurance Sector

The year under review saw the continuation of the highly successful partnership between INSETA and the South African Actuaries Development Programme (SAADP) where high-potential university students, from disadvantaged communities, received financial and motivational support to gain their actuarial science qualification. This project has been inspired by a shortage of actuaries in the economy, which will impact the insurance sector. The project is testimony to INSETA's commitment and policy of transformation. In addition to providing financial support, INSETA organised experiential

training for the undergraduate students as well as workshops. The programme to date has produced 51 graduates and 3 qualified actuaries.

ESTABLISHMENT OF PROJECT MANAGEMENT DIVISION AND DISCRETIONARY GRANT PROJECTS

As reported in INSETA's Annual Report for 2009/2010 a decision was taken to bring the management of projects in-house. Shortly after bringing the projects in-house a project was commissioned to:

- Implement an in-sourced project management structure
- Implement an effective project management system, supporting policies and procedures that have enabled INSETA to make full use of the existing electronic project management system
- Complete the migration of existing and new projects to the electronic system
- Complete the handover of projects housed with the previous outsourced partner
- Facilitate the appointment and induction of a Project Manager for INSETA
- Provide expert project management advice and support to INSETA staff
- Chair all project management meetings
- Introduce a simpler and more accurate reporting process for both project management meetings and board reporting

The project management framework includes procedures, quality management processes and templates for project related documents. The upgrading of the INSETA Project Management System and the introduction of new processes has been completed successfully. The project was well supported by those managers who saw and experienced the merits and benefits of the changes. The future success of Discretionary Grants will be improved by the use of the system.

Project management training that will establish project management as a core competency of the organization is planned for the 2011/12 financial year.

All projects are clustered into the five strategic focus areas in INSETA as shown below:

INSETA STRATEGY	NUMBER OF PROJECTS for 2010/11
Youth Development Strategy	11
Small Micro Enterprise Development Strategy	4
Social Development Strategy	5
Research and Benchmarking Strategy	4
Scarce and Critical Skills	9
Total	33

After a strategic planning session to align discretionary projects to the National Skills Development Strategy III, 7 new projects were approved for the 2011/12 financial year; these being:

- SAAD Programme Year 12
- Bursary Project for employed learners Year 11
- Employment Creation and New Business Opportunities
- SME Learnerships
- Burial Societies Skills Support Project
- Project for People with Intellectual Disabilities
- Research Project and sub projects

A challenge for INSETA in the coming financial year in as far as discretionary grants are concerned is to align strategic focus areas and projects to the National Skills Development Strategy.

FAIS FIT AND PROPER PROJECT

The FAIS Act requires that all representatives and key individuals complete Regulatory Examinations at two levels. Level 1 relates to legislation and Code of Conduct and Level 2 to product-specific knowledge. The deadline for the Level 1 Regulatory Examination has been extended to 30 June 2012 and the re-write deadline extended to 30 September 2012. Level 2 examinations are set for December 2013.

The Financial Services Board has 137 000 representatives registered for licensing, so the task at hand is considerable. New entrants to the industry must now achieve a full recognised qualification within six years of appointment, as well as completing the Regulatory Examinations, so all occupational categories of Advisor in the financial industry will need professional qualifications to become licensed.

To support and assist stakeholders in achieving the examinations, INSETA appointed a joint venture between Milpark Business School and the IISA to develop learning material for all the Regulatory Examinations, and to review and update the learning material regularly. Eleven of the fourteen categories are on the website, free of charge to insurance industry stakeholders. In addition to this, INSETA printed the material for brokers who do not have access to the website, and distributes it nationwide on request. The examinations commenced in October 2010, and there have been numerous downloads of the material.

Further support from discretionary funding was provided through:

- Bursaries for levy paying companies for FAIS training
- Learnerships for full qualifications

A FAIS Advisory Committee comprising of industry representatives has been established to advise INSETA on the sector's needs in respect of the Fit and Proper requirements. The INSETA management team also conducted road shows in various provinces to establish what additional assistance could be given to ensure success in the examinations.

INSETA is working closely with the sector and the Financial Services Board to ensure that there is a smooth transition to the Fit and Proper requirements.

STAKEHOLDER RELATIONS

Strong and effective communications with our stakeholders remains a key and top priority for the SETA. The year under review saw the revival of the stakeholder forums on a national basis and this type of engagement has been well received by stakeholders and the dialogue exchanged is extremely beneficial to the management of INSETA. We have maintained a good presence in the media with the regular dissemination of press releases, articles, editorial and advertorial. Our website and outsourced call centre continue to play an essential role in our communications strategy.

CHALLENGES AND THE WAY FORWARD

As we enter into a new period, INSETA is governed by a new Constitution with a newly elected Board; there are several challenges and opportunities which the SETA faces, namely:

- the implementation of NSDS III;
- the non-provision of levy data from the Department of Higher Education and Training means that no mandatory grants can be approved and paid to employers;
- providing assistance to the sector in terms of the FAIS Fit & Proper Project;
- the amendment of SETA Grant Regulations regarding monies received by a SETA and related matters will have an implication upon system developments and require additional reporting by the SETA; and
- promoting transformation in the Insurance Sector.

INSETA needs to ensure that its programmes and projects meet the needs of the sector and the government's NSDS III imperatives and contribute to the realisation of INSETA's strategies. We will remain steadfast in our approach to meet our key deliverables. We will partner to enable others, lead with vision, deliver quality, touch lives and inspire trust.

APPRECIATION

Our heartfelt appreciation must be expressed to our Chairperson, Rama Govenden and Deputy Chairperson, Margie Naidoo and all the members of our Council and Council Committees, for their expertise, wisdom and sage advice that they provide to the SETA. To all the managers and staff, thank you for your support, dedication, commitment and hard work, it is truly appreciated. Our sincere gratitude goes to our stakeholders for their on-going and tremendous support.

In concluding, we are eagerly looking forward to working with our newly elected Chairperson, Mr. Mzimkulu Msiwa and all of our Board members and Committee members as we enter a new and exhilarating era for INSETA.



SANDRA DUNN
CHIEF EXECUTIVE OFFICER

2. Chief Executive Officer's Report



We will partner to enable others, lead with vision, deliver quality, touch lives and inspire trust.

Working together
for a skilled tomorrow



Financial Reports

- 3. Report of the Audit Committee**
- 4. Report of the Auditor-General**

3. Report of the Audit Committee

to the INSETA Council for the year ended 31 March 2011

INTRODUCTION

We are pleased to present our report for the financial year ended 31 March 2011.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed below and met four times during the period under review. At the date of this Report the Audit Committee consisted of the following members:

Member	Date appointed by Council	Number of meetings attended during period under review
Dr. Gerrit Sandrock (Chairperson)	3 December 2009	4 of 4
Ms. Jeanine Poggiolini	3 December 2009	4 of 4
Mr. Terence Berry	19 February 2009 Resigned September 2010	3 of 4
Mr. Godfrey Nti	3 December 2009	3 of 4

Audit Committee Responsibility

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee

and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements (AFS), and management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the systems of internal control for the year under review were effective and efficient.

Evaluation of Annual Financial Statements

The Audit Committee has

- Reviewed the results of the risk assessment.
- Reviewed and approved the internal audit coverage plan and budget.
- Reviewed the Risk Matrix.
- Obtained and considered periodic assurances regarding INSETA's continued compliance with the PFMA and other legislation.
- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with Reports from the Auditor-General and the Accounting Authority;
- Reviewed the Auditor-General management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed changes to the Investment policy; and
- Reviewed significant adjustments resulting from the audit.

INTRODUCTION OF ETHICS HOTLINE

An ethics hotline was introduced during the year and is administered by an independent, external service provider. Complaints are directly referred

to the Chairperson of INSETA and the Chairperson of the Audit Committee for consideration and action if deemed appropriate. Three complaints were received and considered by the appropriate committee. After diligent investigation, the complaints were found to be baseless and no further action was recommended.

CONCLUSION IN RESPECT OF THE YEAR UNDER REVIEW

The Audit Committee wishes to report to the Council that in its opinion:

- The respective charters of the audit committee and internal audit continue to be appropriately aligned to the Treasury Regulations and corporate governance practices.
- The Audit Committee has effectively carried out its responsibilities and functions in accordance with the statutory requirements and its charter.
- The internal auditors (OMA Chartered Accountants) have operated objectively and independently. Their mandate includes providing independent assurances on the effectiveness of controls in terms of an Internal Audit Coverage Plan approved by the Audit Committee. This Plan is reviewed annually by the Committee so as to ensure that all significant functions, business processes and systems will be afforded internal audit coverage within the 3 year internal audit cycle required by the PFMA.
- The external auditors (Office of the Auditor General) have identified no impediments to conducting their audit of the Annual Financial Statements of INSETA.
- The continued adequacies of the methodology to more comprehensively identify, assess and document the risks are being given appropriate attention from management, the Audit Committee and internal audit.
- The effectiveness of measures taken to mitigate identified risks is continuously being assessed by management and internal audit.
- Control weaknesses identified and recommendations for control enhancements identified by internal audit receive adequate management attention.
- The Committee is satisfied that the SETA's overall system of internal control operated satisfactorily during the year under review.

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



Dr. Gerrit Sandrock

Chairperson of the Audit Committee

July 2011

3. Report of the Audit Committee



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4. Report of the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY (INSETA)

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of INSETA, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performances, statement of changes in net assets, statement of comparison of budget and actual amounts and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting authority's report, as set out on pages ... to

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 14(6) (a) of the Skills Development Act, 1998 (Act No. 97 of 1998), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of INSETA as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to INSETA.

Report on predetermined objectives

9. There are no material findings on the annual performance report.

Compliance with laws and regulations

10. There were no material findings concerning material non-compliance with laws and regulations applicable to INSETA.

INTERNAL CONTROL

11. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. There are no significant deficiencies in internal control that resulted in a qualification of the auditor's opinion on the financial statements and findings on predetermined objectives and material non-compliance with laws and regulations.

Auditor - general

Pretoria

31 July 2011



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

4. Report of the Auditor-General



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for a skilled tomorrow



5. Annual Financial Statements

Table of Contents

The Annual Financial Statements for the year ended 31 March 2011, set out on pages 31 to 77, have been approved by the Accounting Authority in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 as amended, on 25 May 2011, and are signed on their behalf by:



Sandra Dunn
CEO



Mzimkulu Msiwa
Chairperson

contents

Report of the Accounting Authority	31
Statement of Financial Performance	35
Statement of Financial Position	36
Statement of Changes in Net Assets	37
Cash Flow Statement	38
Statement of Comparison of Budget and Actual Amounts	39
Accounting Policies to the Annual Financial Statements	40
Notes to the Annual Financial Statements	48

Report of the Accounting Authority

REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA

As the INSETA Accounting Authority, it is Council's responsibility to prepare Financial Statements that fairly represent INSETA's Financial Position as at 31 March 2011 and also the Financial Performance and Summary Cash Flow Activities for the year ending 31 March 2011. We are of the opinion that appropriate Accounting Policies, supported by reasonable and prudent judgements and estimates, have been applied on a consistent basis. The Financial Statements comply with Generally Recognised Account Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board.

CORPORATE GOVERNANCE

From the outset both INSETA and INSETA's Management identified good corporate governance, as one of its critical success factors, by setting the highest standards that comply with best practice and this stance remains unchanged as the SETA ends its eleventh year of operations. The Council is supported in its functions and duties by the Audit Committee, the Finance, IT & Administration Committee and the HR Committee all of which have been functional since the establishment of INSETA.

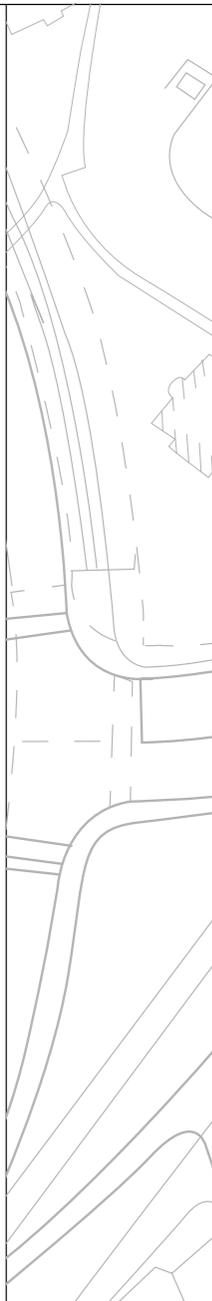
The Audit Committee is governed by a Charter, which outlines its roles and responsibilities. The Finance, IT & Administration Committee and HR Committee abide by a Terms of Reference.

INSETA has compiled a Fraud Prevention Strategy and a high-level risk profile has been developed to identify, manage and control the risks of the SETA. Numerous divisional policies have also been implemented to manage the day-to-day operations of the SETA. These policies are approved by Council and are reviewed from time to time.

GENERAL REVIEW OF THE STATE OF AFFAIRS

The Insurance Sector Education and Training Authority promotes and represents the training and development interests of the Insurance Sector of the economy in terms of the skills development legislation.

INSETA's purpose is "to grow the pool and quality of scarce and critical skills in the insurance sector, enhancing the sector and supporting the country's transformation".



Report of the Accounting Authority (continued)

INSETA's constituents cover the following sub-sectors of the Insurance Sector:

- Short-Term Insurance
- Life Insurance
- Insurance and Pension Funding
- Risk Management
- Health Care Benefits Administration
- Collective Investments
- Funeral Insurance
- Reinsurance
- Pension Funding and
- Activities auxiliary to Financial Intermediation

Research shows that South Africa has a well-developed and highly liberalised financial services sector. The insurance industry is the most developed in the entire African continent. The country's insurance industry accounts for 71% of Africa's total premiums and has the third-highest insurance penetration in the world. Approximately 8818 employers have registered with the South African Revenue Services within the Insurance Sector, with 1487 classified as levy contributors. INSETA represents a sector with a diverse range of employers, ranging from very small (10 employees) to very large (in excess of 12,000 employees). The majority of the workforce represents skilled and highly skilled employees. The sector employs over 100 000 people (excluding people employed in micro-enterprises and informal businesses).

The Council, which comprises of Business, Labour and State representatives, governs the affairs of INSETA. INSETA currently has a permanent staff compliment of 35 as at 31 March 2011. Regional Advisors have been appointed in Gauteng, Western Cape, Eastern Cape and Kwazulu Natal to assist, support and guide small employers in terms of the skills development legislation.

INSETA has adopted a learning strategy, which is aimed at all levels of employment in the sector and is aligned to the National Skills Development Strategy.

INSETA's 80% levy income increased by R16,5 million from R203,3 million for the 2009/10 financial year to R219,8 million for the 2010/11 financial year. Changes in levy income estimates relating to prior years are included in the current year balances. The SETA's experienced a delay in the receipt of levy information from the Department of Higher Education and Training since December 2010. This impacted the grant payments scheduled for February and March as well as on the overall grant payments for 2011/2012 financial year as INSETA did not have the individual levy contributions for employers and therefore could not calculate the amount due to each employer. This resulted in INSETA having a higher grant provision and cash balance at year end. The outstanding levy information was received in May and June 2011. The administration surplus for 2010/11 was R3,2 million (2009/10 R3,4 million). The actual administration expenditure for the current financial year was R24,4 million (2009/10 R21,9 million). Total project and grant expenditure for the current financial year amounted to R187,8 million (2009/10 R165,5 million). At the end of each financial year the surplus from the administration and mandatory reserves are transferred to the discretionary reserve. The surplus funds are allocated and/or committed to projects aligned to the strategic objectives of INSETA. An application is made each year to National Treasury for the retention of the surplus funds.

ALLOWANCES PAID TO COUNCIL MEMBERS AND COUNCIL SUB-COMMITTEE MEMBERS

Council and Council Sub-Committee members' employers are remunerated for their attendance at Council and Council Sub-Committee meetings. Disclosure of the allowances paid is in accordance with Treasury Regulation 28.1.2 and is as follows:

Chairperson	:	R1000 per meeting
Deputy Chairperson	:	R900 per meeting
Ordinary Committee Member	:	R800 per meeting

Note:

The payments indicated on page 33 are paid to the nominating organisation and not to the individual representative.

Report of the Accounting Authority (continued)

Dr Sandrock and Ms Poggiolini do not represent any industry body. They are independent members of the audit committee and are remunerated in accordance with SAICA guidelines and in line with other SETA Audit Committees.

Name of Council/Committee member	Name of Committee that member serves on	Total number of meetings attended during the period under review	Total Amount due to members during the period under review
Audrey Mothupi ¹	HR Committee	0 of 4	R0
Barry Scott	Council Finance, IT & Administration Committee	2 of 4 2 of 3	R1 600 R1 600
Eugene Zeeman	Council	3 of 4	R2 400
Giselle Conradie	Council	3 of 4	R2 400
Godfrey Nti	Audit Committee	3 of 4	R2 400
Isaac Ramputa	Council Finance, IT & Administration Committee	3 of 4 1 of 3	R2 400 R800
Ivan Mzimela ²	Council (in capacity as Chairperson) HR Committee	2 of 4 1 of 4	R2 000 R800
Jay Mngoma	Council	4 of 4	R3 200
Jay Ramsunder	Council	4 of 4	R3 200
Jeannine Poggiolini	Audit Committee	4 of 4	R20 000
Johan van Greuning ³	Finance, IT & Administration Committee (Chairperson) Council (in ex-officio capacity)	3 of 3 1 of 4	R3 000 R1 000
John October ⁴	HR Committee	1 of 4	R800
Jonathan Dixon	Council	0 of 4	R0
Keneiloe Selamolela	Council HR Committee	4 of 4 4 of 4	R3 200 R3 200
Margie Naidoo ⁵	Council (Deputy Chairperson) HR Committee (Chairperson)	4 of 4 3 of 4	R3 400 R3 000
Rama Govenden ⁶	Council (Chairperson) HR Committee	4 of 4 2 of 4	R3 800 R1 600
Gerrit Sandrock ⁷	Council (in ex-officio capacity) Audit Committee (Chairperson)	4 of 4 4 of 4	R52 845 R29 265
Terence Berry ⁸	Council Audit Committee	2 of 4 3 of 4	R1 600 R2 400
Trevor Chandler ⁹	Council	2 of 4	R1 600
Wayne Hattingh	Council HR Committee	2 of 4 2 of 4	R1 600 R1 600
TOTAL			156 710

Report of the Accounting Authority (continued)

REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

As required by Treasury Regulation 28.1.2 of the Public Finance Management Act, the remuneration of the Chief Executive Officer during the period of reporting consisted of the following components:

	2010/11	2009/10
Sandra Dunn		
Basic Salary	R928 500	R365 000
Bonuses	R320 000	Rnil
Travel Expenses and Allowances	R24 000	R10 000
Total	R1 272 500	R375 000

The Chief Executive Officer also acts as the Chief Financial Officer of INSETA.

OTHER MATTERS

During the year an investigation identified that certain procurements of temporary staff were irregular and a disciplinary process was

instituted. Prior to convening the disciplinary hearing, a separation agreement was entered into and the disciplinary process was terminated. No financial loss was incurred by INSETA.

BUSINESS ADDRESS

The Insurance Sector Education and Training Authority is situated on the Ground Floor, North Wing, Oakhurst, 11, St. Andrews Road, Parktown, Johannesburg. The postal address is P O Box 32035, Braamfontein, 2017.

Mr M Msiwa
Chairperson, INSETA



Sandra Dunn
Chief Executive Officer, INSETA

(Endnotes)

- 1 Mrs. Mothupi resigned from the HR Committee in November 2010.
- 2 Mr. Mzimela tenure as council member ended in September 2010 and he did not stand for re-election. He also resigned from the HR Committee.
- 3 Mr. Van Greuning was appointed to serve on Council, as ex-officio member, in his capacity as Chairperson of the Finance, IT & Administration Committee from December 2010.
- 4 Mr. October was appointed to serve on the HR Committee in March 2011.
- 5 Mrs. Naidoo was appointed as Deputy Chairperson, following the AGM in September 2010.
- 6 Mr. Govenden was appointed as Chairperson, following the AGM in September 2010.
- 7 Dr. Sandrock is remunerated according to SAICA rates.
- 8 Mr. Berry's tenure as a council member ended in September 2010 and he did not stand for re-election.
- 9 Mr. Chandler was appointed as Council member in September 2010 at the AGM.

Statement of Financial Performance for the year ended 31 March 2011

	Note	2010/11 R'000	2009/10 R'000
REVENUE			
Skills Development Levy: income from non-exchange transactions	2	219 830	203 310
Skills Development Levy: penalties and interest from non-exchange transactions		2 168	819
Investment income	3	12 922	13 303
Other income	4	44	-
Total revenue		234 964	217 432
EXPENSES			
Employer grant and project expenses	5	(187 809)	(165 450)
Administration expenses	6	(24 351)	(21 946)
Total expenses		(212 160)	(187 396)
SURPLUS FOR THE YEAR	1	22 804	30 036

Statement of Financial Position as at March 2011

	Note	2010/11 R'000	2009/10 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	856	1 088
Intangible assets	8	37	55
Total non-current assets		893	1 143
Current assets			
Accounts receivable from exchange transactions	9	1 008	389
Accounts receivable from non-exchange transactions	10	2 522	1 259
Consumables		67	105
Cash and cash equivalents	11	240 176	201 748
Total current assets		243 773	203 501
TOTAL ASSETS		244 666	204 644
Non-Current liabilities			
Current liabilities			
Trade and other payables from non exchange transactions	12	51 021	33 586
Trade and other payables from exchange transactions	13	8 703	8 794
Current portion of finance lease obligations	14	18	-
Government Grants and donor funding received in advance	15	9	9
Provisions	16	369	513
Total current liabilities		60 120	42 902
Total net assets		184 546	161 742
FUNDS AND RESERVES			
Funds and reserves			
Administration reserve		893	1 143
Employer grant reserve		129	118
Discretionary reserve		183 524	160 481
Total funds and reserves		184 546	161 742

Statement of changes in Net Assets for the year ended 31 March 2011

Notes	Administration reserve R'000	Employer grant reserve R'000	Discretionary reserve R'000	Unappropriated surplus R'000	Total R'000
Balance at 31 March 2009	1 401	44	130 261	-	131 706
Surplus per Statement of Financial Performance	-	-	-	30 036	30 036
Allocation of unappropriated surplus	3 431	12 882	13 723	(30 036)	-
Excess reserves transferred to Discretionary reserve	(3 689)	(12 808)	16 497	-	-
Balance at 31 March 2010	1 143	118	160 481	-	161 742
Surplus per Statement of Financial Performance	-	-	-	22 804	22 804
Allocation of unappropriated surplus	3 192	7 316	12 296	(22 804)	-
Excess reserves transferred to Discretionary reserve	(3 442)	(7 305)	10 747	-	-
Balance at 31 March 2011	893	129	183 524	-	184 546

An amount of R893 000 (2010: R1 143 000) is retained in the administration reserve equal to the carrying value of property, plant and equipment

An amount of R129 000 (2010: R118 000) is disclosed in the employer grant reserve relating to levies received from newly registered member companies, participating after the legislative cut-off date and for who grant applications may be received and approved.

Cash Flow Statement for the year ended 31 March 2011

	Note	2010/11 R'000	2009/10 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating activities			
Cash receipts from stakeholders		220 423	203 181
Levies, interest and penalties received		221 996	204 128
Other cash receipts from stakeholders		(1 573)	(947)
Cash paid to stakeholders, suppliers and employees		(194 587)	(181 619)
Grant and project payments		(170 374)	(158 335)
Compensation of employees		(10 315)	(7 914)
Payments to suppliers and other		(13 898)	(15 370)
Cash generated from operations	17	25 836	21 562
Investment income	3	12 875	14 168
Special projects receipts		-	7
Refunded to NSF (Project Completed)		-	(1 717)
Finance Costs		(3)	-
Net cash inflow from operating activities		38 708	34 020
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(250)	(342)
Purchase of Intangible assets	8	(30)	(37)
Net cash outflow from investing activities		(280)	(379)
Net increase in cash and cash equivalents		38 428	33 641
Cash and cash equivalents at beginning of year	11	201 748	168 107
Cash and cash equivalents at end of year	11	240 176	201 748

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2011

	Approved Budget 2010/11 R'000	Final Budget 2010/11 R'000	Actual 2010/11 R'000	Favourable / (Unfavourable) variance 2010/11 R'000
REVENUE				
Skills Development Levy: income from non-exchange transactions	198 946	198 946	219 830	20 884
Skills Development Levy: penalties and interest from non-exchange transactions	-	-	2 168	2 168
Investment income	15 384	15 384	12 922	(2 462)
Other income	-	-	44	44
Total revenue	214 330	214 330	234 964	20 634
EXPENSES				
Employer grant expenses	(118 125)	(118 125)	(130 227)	(12 102)
Project Expenses	(71 337)	(71 337)	(57 582)	13 755
Administration expenses	(24 492)	(24 492)	(24 351)	141
Capital Expenditure	(376)	(376)	(280)	96
Total expenses	(214 330)	(214 330)	(212 440)	1 890
SURPLUS FOR THE YEAR	-	-	22 524	22 524

For details regarding the difference between budget and actual amounts refer to Note 27

Accounting Policies to the Annual Financial Statements

The principal accounting policies adopted in the preparation of these financial statements are set out below and are, in all material respects, consistent with those of the previous year, except as otherwise indicated.

1. Basis of preparation

The annual financial statements have been prepared on the historical cost basis, except where adjusted for present/fair values as required by the respective accounting standards. The annual financial statements have been prepared in accordance with Statements of Generally Recognised Accounting Practice (GRAP) and the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) as amended, including any interpretations of such Statements issued by the Accounting Standards Board.

2. Currency

These financial statements are presented in South African Rands since that is the currency in which the majority of the entities transactions are denominated.

3. Revenue recognition

Non-exchange revenue transactions result in resources being received by the INSETA, usually in accordance with a binding arrangement. When the INSETA 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 INSETA will receive economic benefits or service potential and it can make a reliable measure of the resources transferred.

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

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

Non-exchange revenue transactions include the receipt of levy income from the Department of Higher Education, levies from the National Skills Fund, grants from the national government and donor funding.

3.1.1 Levy income

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

In terms of section 3(1) and 3(4) of the Skills Development Levies Act (the Levies Act), 1999 (Act No. 9 of 1999) as amended, registered member companies of the INSETA pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS), who

Accounting Policies to the Annual Financial Statements (Continued)

collects the levies on behalf of the Department. Companies with an annual payroll cost less than R500 000 are exempted in accordance with section 4(b) of the Levies Act as amended, effective 1 August 2005.

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

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

When a new employer is transferred to the SETA, the levies transferred by the former Seta are recognised as revenue and allocated to the respective category to maintain its original identity.

3.1.2 Interest and penalties

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

3.1.3 Funds allocated by the National Skills Fund for Special Projects

Funds transferred by the National Skills Fund (NSF) are accounted for in the financial statements of the INSETA as a liability until the related eligible special project expenses are incurred. The liability is reduced by any project expenditure incurred and recognised as revenue.

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

3.1.4 Government grants and other donor income

Conditional government grants and other conditional donor funding are recognised as a liability until the related conditions are met. Once the conditions are met, revenue is recognised.

Unconditional grants are recognised as revenue when the receipt of the grant becomes binding.

Accounting Policies to the Annual Financial Statements**3.2 Revenue from exchange transactions**

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

3.2.1 Interest income

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

4. Grants and project expenditure

A registered employer may recover a maximum of 50% of its total levy payment as mandatory employer grant (excluding interest and penalties) by complying with the criteria in accordance with the Skills Development Act, 1998, as amended Seta Grant Regulations regarding monies received and related matters (the Seta Grant Regulations).

Mandatory grants

Grants are equivalent to 50% of the total levies contributed by employers during the corresponding financial period.

Discretionary grant and project expenditure

A Seta may out of any surplus monies and in accordance with criteria as defined in the Seta Grant Regulations allocate funds to employers, and other associations or organisations when the conditions have been met. The criteria for allocating funds are approved by the Seta Council. Where necessary interested employers, associations or organisations may be required to complete and submit a funding application for consideration and approval by the Seta.

Project expenditure comprises:

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

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

Discretionary grant and project costs are recognised as expenses in the period in which they are incurred.

Effect on revenue adjustments by SARS

The Seta refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected, it may result in grants that have been paid to certain employers that are in excess of the amount the Seta is

Accounting Policies to the Annual Financial Statements (Continued)

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 over payment, net of bad debts and provision for irrecoverable amounts.

5. Irregular and fruitless and wasteful expenditure

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

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

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

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

6. Property, plant and equipment

Property, plant and equipment is stated at cost less any subsequent accumulated depreciation and adjusted for any impairments. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, using the straight line method.

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

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

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

7. Intangible assets

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

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

Accounting Policies to the Annual Financial Statements

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

The gain or loss on disposal of intangible assets is determined as the difference between the sale proceeds and the carrying amount and are taken into account in determining operating surplus or deficit for the year.

8. Consumables

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

9. Leasing

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

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

10. Provisions

Provisions are recognised when the Seta has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits or service potential that can be estimated reliably.

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. Provisions included in the Statement of Financial Position are provisions for bonuses.

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

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

Accounting Policies to the Annual Financial Statements (Continued)**11. Grants and projects***Mandatory and discretionary grant payments*

A liability is recognised for grant payments once the specific criteria set out in the Seta Grant Regulations has been complied with by member companies and it is probable that the Seta will approve the grant application for payment. The liability is measured at the net present value of the expected future cash outflow as determined in accordance with the Act. The measurement of the liability is estimated using the value of the 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 commitments in the notes to the financial statements.

12. Financial instruments*Recognition*

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

Financial assets

Financial assets are recognised and derecognised on trade date and are initially measured at fair value, net of transaction costs.

All financial assets of the Seta are categorised as loans and receivables.

Loans and receivables

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

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.

Accounting Policies to the Annual Financial Statements*Impairment of financial assets*

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

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

Financial liabilities

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

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

Other financial liabilities

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

Effective interest method

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

13. Reserves

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

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Unappropriated surplus

Accounting Policies to the Annual Financial Statements (Continued)

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

	2010/11 %	2009/10 %
Administration costs of the Seta	10	10
Employer Grant Fund Levy	50	50
Discretionary grants and projects Received by the Seta	20	20
Contribution to the National Skills Fund	80	80
	20	20
	100	100

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

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

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

14. Comparative figures

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

15. Taxation

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

Notes to the Annual Financial Statements**1. ALLOCATION OF SURPLUS FOR THE YEAR TO RESERVES**

	Total per Statement of Financial Performance 2009/10 R'000	Total per Statement of Financial Performance 2010/11 R'000	Discretionary reserve				Total discretionary R'000
			Administration reserve R'000	Employer grants reserve R'000	Discretionary grants R'000	Projects R'000	
Total revenue	217 432	234 964	27 543	137 543	54 788	15 090	69 878
Skills Development Levy: income from non-exchange transactions							
Admin levy income (10%)	25 377	27 499	27 499	-	-	-	-
Grant levy income (70%)	177 933	192 331	-	137 543	54 788	-	54 788
Skills Development Levy: penalties and interest from non-exchange transactions	819	2 168	-	-	-	2 168	2 168
Investment income	13 303	12 922	-	-	-	12 922	12 922
Other income	-	44	44	-	-	-	-
Total expenses	187 396	212 160	24 351	130 227	12	57 570	57 582
Administration expenses	21 946	24 351	24 351	-	-	-	-
Employer grants and project expenses	165 450	187 809	-	130 227	12	57 570	57 582
Surplus per Statement of Financial Performance allocated	30 036	22 804	3 192	7 316	54 776	(42 480)	12 296

Notes to the Annual Financial Statements (Continued)**2. SKILLS DEVELOPMENT LEVY INCOME FROM NON-EXCHANGE TRANSACTIONS**

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

	2010/11 R'000	2009/10 R'000
Levy income: Administration	27 499	25 377
Levies received	27 563	25 419
Levies received	27 557	25 389
Intersecta transfers in	6	39
Intersecta transfers out	-	(9)
Levies accrued	(64)	(42)
Levy income: Employer Grants	137 543	127 011
Levies received	137 859	127 224
Levies received	137 838	127 076
Intersecta transfers in	22	194
Intersecta transfers out	(1)	(46)
Levies accrued	(316)	(213)
Levy income: Discretionary Grants	54 788	50 922
Levies received	54 914	51 007
Levies received	54 903	50 948
Intersecta transfers in	11	77
Intersecta transfers out	-	(18)
Levies accrued	(126)	(85)
	219 830	203 310

Notes to the Annual Financial Statements (Continued)**3. INVESTMENT INCOME**

	2010/11 R'000	2009/10 R'000
Interest income - bank deposits	12 922	13 303
Received	12 780	13 208
Accrued	142	95
	<u>12 922</u>	<u>13 303</u>

*Interest received in cash for the year is R 12,875 (2010: R 14,168) which includes the prior year accrual.

4. OTHER INCOME

	2010/11 R'000	2009/10 R'000
Other income comprises:		
Mandatory grant received	44	-
	<u>44</u>	<u>-</u>

5. EMPLOYER GRANT AND PROJECT EXPENSES

	2010/11 R'000	2009/10 R'000
Mandatory grants	130 227	114 129
Disbursed	110 098	112 308
Movement in provisions and accruals	20 129	1 821
Discretionary grants	12	(41)
Disbursed	(15)	(32)
Movement in provisions and accruals	27	(9)
Project expenditure	57 570	51 362
Disbursed	57 871	54 342
Movement in provisions and accruals	(301)	(2 980)
	<u>187 809</u>	<u>165 450</u>

Notes to the Annual Financial Statements (Continued)**6. ADMINISTRATION EXPENSES**

	2010/11 R'000	2009/10 R'000
Depreciation / amortisation	526	637
Loss on disposal of property plant and equipment	4	-
Operating lease rentals (minimum lease payments)	1 245	1 133
Buildings	1 236	1 050
Property, Plant and equipment	9	83
Maintenance, repairs and running costs - Property and Buildings	159	124
Interest paid	3	-
Advertising, marketing and promotions, communication	559	844
Entertainment expenses	95	159
Gifts, donations and sponsorships paid	5	4
Consultancy and service provider fees	7 628	7 511
Legal fees	49	177
Cost of employment	10 171	8 267
Travel and subsistence	672	560
Staff training and development	388	335
Remuneration to members of the accounting authority	239	157
Remuneration to members of the audit committee	54	-
External auditor's remuneration*	1 200	1 155
Allowance for doubtful debts	(216)	(2)
Other	1 570	885
Stationery	140	178
Internal audit fees	536	-
Professional Indemnity Insurance	249	200
Telephone costs	308	294
Postage & courier services	36	30
Sundry expenses	301	183
	<u>24 351</u>	<u>21 946</u>

* Included in the external auditors remuneration is R17.04 fruitless and wasteful expenditure relating to interest charged on overdue accounts.

Notes to the Annual Financial Statements (Continued)

6.1 Cost of employment

	2010/11 R'000	2008/09 R'000
Salaries and wages	9 982	8 120
Basic salaries	8 362	7 495
Performance awards	1 394	316
Temporary staff	94	337
Leave payments	132	(28)
Social contributions	189	147
Unemployment Insurance Fund	45	38
Skills Development Levies	134	100
Workmans Compensation	10	9
	10 171	8 267
Average number of employees	33	28

Notes to the Annual Financial Statements (Continued)**7. PROPERTY, PLANT AND EQUIPMENT**

Year ended 31 March 2011

Computer equipment	1 395	(1 100)	295
Office furniture and fittings	1 306	(816)	490
Office equipment	398	(327)	71
Office Fixtures	1 119	(1 119)	-
Balance at end of the year	4 218	(3 362)	856

Year ended 31 March 2010

Computer equipment	1 239	(956)	283
Office furniture and fittings	1 277	(710)	567
Office equipment	423	(300)	123
Office Fixtures	1 119	(1 004)	115
Balance at end of the year	4 058	(2 970)	1 088

Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
1 395	(1 100)	295
1 306	(816)	490
398	(327)	71
1 119	(1 119)	-
4 218	(3 362)	856

Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
1 239	(956)	283
1 277	(710)	567
423	(300)	123
1 119	(1 004)	115
4 058	(2 970)	1 088

Notes to the Annual Financial Statements (Continued)

Movement summary 2011

	Carrying amount 2010 R'000	Additions R'000	Disposals R'000	Depreciation charge R'000	Carrying amount 2011 R'000
Computer equipment	283	221	-	(209)	295
Office furniture and fittings	567	29	-	(106)	490
Office equipment	123	-	(4)	(48)	71
Office Fixtures	115	-	-	(115)	-
Balance at end of the year	1 088	250	(4)	(478)	856

Movement summary 2010

	Carrying amount 2010 R'000	Additions R'000	Disposals R'000	Depreciation charge R'000	Carrying amount 2011 R'000
Computer equipment	263	178	-	(158)	283
Office furniture and fittings	640	51	-	(124)	567
Office equipment	146	41	-	(64)	123
Office Fixtures	235	72	-	(192)	115
Balance at end of the year	1 284	342	-	(538)	1 088

Notes to the Annual Financial Statements (Continued)

Year ended 31 March 2011

Owned Assets
Leased assets

Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
4 183	(3 351)	832
35	(11)	24
4 218	(3 362)	856

Year ended 31 March 2010

Owned Assets

Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
4 058	(2 970)	1 088
4 058	(2 970)	1 088

7.1 Property, Plant and equipment which have been fully depreciated but are still in use

Gross carrying value

Computer equipment
Office furniture and fittings
Office equipment
Office Fixtures
Balance at end of the year

	2010/11 R'000	2009/10 R'000
Computer equipment	599	518
Office furniture and fittings	331	-
Office equipment	172	66
Office Fixtures	1 119	487
Balance at end of the year	2 221	1 071

Included in the fully depreciated assets are the office fixtures which is linked to the lease agreement. The useful life was not adjusted as the lease expires 31 July 2011.

The following useful lives are used in the calculation of depreciation.

- Computer equipment 3 years
- Office furniture and fittings 10 years
- Office equipment 5 years
- Office fixtures over the lease term

Notes to the Annual Financial Statements (Continued)**8. INTANGIBLE ASSETS**

	Cost R'000	Accumulated Amortisation R'000	Closing carrying amount R'000
Application Software			
Balance at 1 April 2009	272	(155)	117
Additions	37	-	37
Amortisation expense	-	(99)	(99)
Balance at 31 March 2010	309	(254)	55
Additions	30	-	30
Amortisation expense	-	(48)	(48)
Balance at 31 March 2011	339	(302)	37

Temporarily idle assets and assets not in use

Computer Software with a gross carrying value of R 163 000 (2010: R23 000) has been fully depreciated, but was still in use.

The following useful lives are used in the calculation of amortisation.

- Application software 2 years

9. ACCOUNTS RECEIVABLE FROM EXCHANGE TRANSACTIONS

	2010/11 R'000	2009/10 R'000
PAYE receivable	323	-
Deposits	190	182
Prepayments	353	112
Interest receivable	142	95
	1 008	389

The effect of discounting was considered and found to be immaterial.

Notes to the Annual Financial Statements (Continued)**10. ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS**

		2010/11 R'000	2008/09 R'000
Intersecta debtors	26.2	161	175
Employer receivable	10.1	2 361	1 084
		2 522	1 259

10.1 Employer receivable

		2010/11 R'000	2008/09 R'000
Overpayment to employers		2 522	1 460
Allowance for doubtful debt		(161)	(376)
Net effect of SARS retrospective adjustments on affected employers		2 361	1 084

R2 522 000 (2010: R1 460 000) was recognised as a receivable relating to the overpayment to the employer in earlier periods, and is based on the amount of such grant over payments. An amount of R161 000 (2010: R376 000) was provided for as doubtful debt. Also refer to Note 12 for grant amounts owed to employers as a result of subsequent changes in levy information.

11. CASH AND CASH EQUIVALENTS

	2010/11 R'000	2009/10 R'000
Cash at bank and on hand	12 361	21 246
Cash at bank	12 358	21 246
Cash on hand	3	-
Short term investments/instruments	227 815	180 502
Cash and cash equivalents at end of year	240 176	201 748

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 5.85% (2010: 6.82%).

INSETA as a Public Entity was exempted by the National Treasury from the requirement of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits, surplus funds were invested in line with an investment policy as required by Treasury Regulation 31.3.5.

Inseta uses its cash and equivalents to settle its current liabilities and has approved and allocated R180 235 000 for future projects and skills priorities as set out in Note 20.1.

Notes to the Annual Financial Statements (Continued)**12. ACCOUNTS PAYABLE FROM NON EXCHANGE TRANSACTIONS**

		2010/11 R'000	2009/10 R'000
Skills development grants payable - mandatory		46 735	31 337
Intersecta payables	26.2	1	2
Provision for incorrect receipts	12.1	2 690	2 182
Employer Payables		1 595	65
		<u>51 021</u>	<u>33 586</u>

12.1 Provision for incorrect receipts

	2010/11			
	Opening Balance R'000	Change in Estimate R'000	Addition R'000	Closing balance R'000
Provision for levies from exempt employers	2 182	95	413	2 690
	<u>2 182</u>	<u>95</u>	<u>413</u>	<u>2 690</u>

	2009/10			
	Opening Balance R'000	Change in Estimate R'000	Addition R'000	Closing balance R'000
Provision for levies from exempt employers	1 841	67	274	2 182
	<u>1 841</u>	<u>67</u>	<u>274</u>	<u>2 182</u>

An amount of R2 690 000 (2010: R2 182 000) relates to levies incorrectly contributed by employers, and paid over by SARS and the Department, after being exempted from contributing skills development levies due to new legislation which came into effect 1 August 2005.

13. ACCOUNTS PAYABLE FROM EXCHANGE TRANSACTIONS

	2010/11 R'000	2009/10 R'000
Project creditors	6 089	6 390
Service provider fees outstanding	518	1 063
Leave Accrual	408	372
Sundry payables	1 688	969
Trade creditors	690	591
Other accrued expenses	998	378
	<u>8 703</u>	<u>8 794</u>

The effect of discounting was considered and found to be immaterial.

Notes to the Annual Financial Statements (Continued)**14. FINANCE LEASE LIABILITY**

	2010/11 R'000	2009/10 R'000
Finance Lease Liability	18	-
Less: Short term portion disclosed under current liabilities	(18)	-
Non-current lease liability	<u>-</u>	<u>-</u>

15. GOVERNMENT GRANTS AND DONOR FUNDING RECEIVED IN ADVANCE

	2010/11 R'000	2009/10 R'000
Opening balance	9	9
Closing balance	<u>9</u>	<u>9</u>

16. PROVISIONS

	2010/11 R'000	2009/10 R'000
Employee bonus provision	369	513
	<u>369</u>	<u>513</u>

16.1 Employee bonus provision

	2010/11 R'000	2009/10 R'000
Open carrying amount	513	257
Amounts utilised	(1 913)	(420)
Additional provision	1 769	513
Change in estimate	-	163
Closing carrying amount	<u>369</u>	<u>513</u>

Bonus provision is calculated using the total cost of employment and is based on performance evaluation conducted by the CEO of the Seta and the remunerations committee as appropriate.

Notes to the Annual Financial Statements (Continued)**17. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET SURPLUS**

	2010/11 R'000	2009/10 R'000
Net surplus as per Statement of Financial Performance	22 804	30 036
Adjusted for non-cash items:		
Depreciation / amortisation	526	637
Loss on disposal of property, plant and equipment	4	-
Allowance for doubtful debts	(216)	(2)
Finance costs	3	-
(Decrease) / Increase in provisions	(144)	256
Adjusted for items separately disclosed		
Investment income	(12 875)	(14 168)
Adjusted for working capital changes:		
Increase in receivables from non-exchange transactions	(1 047)	(933)
(Increase) / Decrease in receivables	(619)	850
Decrease in consumables	38	60
Increase in payables	17 362	4 826
<i>Cash utilised in operations</i>	<u>25 836</u>	<u>21 562</u>

18. CONTINGENCIES**18.1 Surplus Funds**

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury should an application for retention of surplus funds be denied. We have submitted an application to National Treasury via the Department for the retention of surplus funds. As in the previous year Inseta expects that National Treasury will approve the retention of surplus funds.

18.2 First time employer registrations

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

At the reporting date it is estimated that, as a result, additional mandatory grant expenditure of R129 000 (2010 R118 000) will be payable. The amount is contingent on the number of submission received and approved.

Notes to the Annual Financial Statements (Continued)**19. NEW SCHEME YEAR LEVIES RECEIVED**

At the reporting date levies were received in respect of the new scheme year, for which, the Skills Development legislation allows an employer until 30 June 2011 to submit an application for a mandatory grant.

At the reporting date it is estimated, as a result, that additional mandatory grant expenditure of Rnil (2010 R8 000) will be payable. The amount is contingent on the number of submissions received and approved.

20. COMMITMENTS**20.1 Discretionary reserve**

Of the balance of R183 524 000 available in the Discretionary reserve at the end of March 2011, R180 235 000 has been approved and allocated for future projects and skills priorities as set out below. Amounts for expenses that have already been contracted or incurred, and therefore included in the employer grant and project expenses in the Statement of Financial Performance, are also indicated. A request for the accumulation of these funds have been submitted to National Treasury via the Department. At the time of compiling the financial statements, no reply had been received.

Amounts disclosed in the approved by accounting authority column should be read as follows:

The positive amounts represents new or additional approvals made by the accounting authority. The negative amounts represents transfers back to the surplus funds due to savings on the project.

Amounts disclosed in the utilised column should be read as follows:

The positive amounts represents credit notes or reallocations of invoice. The negative amounts represents expenses that have incurred against the project.

Notes to the Annual Financial Statements (Continued)

NSDS	Project Name	Opening balance 2009/10 R'000	Allocation Approved by Accounting Authority not fully contracted R'000
2,7	ABET level 4 support	1 826	215
2,5	Black Business training support	2 290	-
	Black Brokers - Running a brokerage	287	(299)
2,8	Bursaries and voucher project	2 323	22 799
5,3	Capacity building seminar	567	(146)
1,2	Career Guide	534	1 115
	Coaching and Mentoring	53	(53)
	Corporate Social Investment	87	(87)
	Continuous Professional Development	476	-
	Curriculum Development	(174)	(10)
2,8	Disability Project	-	248
	Employment Equity	958	(46)
	Executive leadership development/Leadership advancement programme	921	(739)
2.1 / 2.8	Financial Advisory and Intermediary Services Act Support	12 388	15 766
	Funeral assistance training & services sub-committees	(40)	-
1	Impact study	871	(234)
5.1 / 5.2	Institute of Sectoral Excellence	1 112	937
5,3	IISA	-	620
	Insurance Standards Generating Body	1	(1)
	Insurance leadership programme	912	-
4.1 / 4.2	Internships	22 142	10 780
2.8 / 4.1	Learnerships	52 084	17 322
	Materials Development (INSMAT) / Learning Implementation Guides	506	(509)
	New Venture Creation Black Brokers	145	-
4,3	New venture Dol SLA	2 631	-
	New Venture Institutional Support	711	(130)
	NSA Stakeholder Satisfaction	204	-
	NSF Critical Skills Project	5 418	(5 202)
2,8	Partnering with SAADP	-	5 229
	Provider Capacity Building	454	(241)
	PWC Management fees (Project office service provider)	312	4 064
5,3	QCTO	-	4 976
	QMS Manual	580	-
1	Research	888	1 559

Notes to the Annual Financial Statements (Continued)

Utilised	Opening balance 2010/11 R'000	Allocation Approved by Accounting Authority not fully contracted R'000	Utilised	Total	Future commitments / contracts R'000
R'000	R'000	R'000	R'000	R'000	R'000
92	1 949	70	1 006	1 013	2 131
641	1 649	-	174	1 475	980
(12)	-	-	-	-	-
4 852	20 270	(6)	14 454	5 810	-
321	100	(147)	(47)	-	-
649	1 000	(492)	508	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	476	-	-	476	-
-	(184)	-	-	(184)	-
112	136	-	86	50	34
413	499	(658)	105	(264)	-
-	182	-	-	182	-
5 389	22 765	(3 372)	3 404	15 989	4 430
34	(74)	-	-	(74)	-
15	622	-	826	(204)	-
1 049	1 000	(963)	55	(18)	-
493	127	(127)	-	-	-
-	-	-	-	-	-
802	110	(24)	86	-	-
6 390	26 532	(6 300)	11 889	8 343	7 750
18 838	50 568	(18 152)	12 315	20 101	26 443
-	(3)	3	-	-	-
-	145	(145)	-	-	-
1 170	1 461	(978)	383	100	50
95	486	(588)	-	(102)	-
-	204	(204)	-	-	-
-	216	(216)	-	-	-
-	5 229	-	4 555	674	549
213	-	-	-	-	-
4 064	312	(4 064)	(4 064)	312	-
251	4 725	511	1 430	3 806	731
8	572	(572)	-	-	-
723	1 724	(788)	884	52	-

Notes to the Annual Financial Statements (Continued)

		Opening balance 2009/10	Allocation Approved by Accounting Authority not fully contracted
		R'000	R'000
NSDS	Project Name		
	Research studies	233	(6)
	SAQA / Inseta Joint implementation	614	(628)
	SMME Better business toolkit	2 302	-
1,2	SMME Support (Regional Advisors)	6 500	(1 643)
	Standards Writing Consultancy	22	(22)
3,2	Social Development project	953	1 272
	Training of black actuaries	738	-
	Train the Trainer: Outcomes Based Education Materials Development	(84)	(139)
	Trustee Training Skilling Program	9	-
4,1	Work Based Experience	3 137	-
1,2	Workshops for Skills Development Facilitators	307	380
	WIN - Woman in Insurance	13	(13)
2010/2011 Projects			
4,1	Business Analyst and systems analyst training	-	-
2,8	FETI-HETI Articulation Pilot	-	-
2,8	GIALSA Settlement and completion of training	-	-
5,3	INSETA Capacity Building & Quality Promotion	-	-
4,1	Learnership Funding Window Year 11	-	-
	Leon Liedeman & Associates Settlement	-	-
2,8	Management and Leadership Project	-	-
2,2	National support for SMMEs 2010 -2011	-	-
	Project Admin 2010/11	-	-
	Project for people with Intellectual Disabilities	-	-
1,2	Promotion of Insurance Sector Year 11	-	-
	PWC Project Management fees 2010	-	-
	SAAD Project 2011	-	-
4,1	Sector-Demand Internships	-	-
4,1	Work Readiness Project	-	-
Total project expenditure		126 211	77 134

Note that the definition commitments by the accounting authority includes signed contracts up to the approval date of the financial statements, approval letters sent to employers for learnerships, internships and bursaries and open purchase orders for travel and other related services.

Contracted Amounts
Approval letters

91 059

26 443

117 502

Notes to the Annual Financial Statements (Continued)

Utilised	Opening balance 2010/11	Allocation Approved by Accounting Authority not fully contracted	Utilised	Total	Future commitments / contracts
R'000	R'000	R'000	R'000	R'000	R'000
(215)	442	(381)	20	41	-
11	(25)	25	-	-	-
511	1 791	(1 960)	11	(180)	-
1 429	3 428	(2 249)	1 295	(116)	-
-	-	-	-	-	-
24	2 201	(1 051)	1 100	50	-
608	130	(130)	-	-	-
-	(223)	65	-	(158)	-
-	9	3	-	12	-
1 925	1 212	(335)	1 124	(247)	-
467	220	(146)	73	1	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1 787	-	1 787	1 680
-	-	3 177	1 211	1 966	2 141
-	-	585	-	585	585
-	-	2 516	190	2 326	-
-	-	57 903	1 433	56 470	52 829
-	-	503	503	-	-
-	-	7 910	-	7 910	-
-	-	11 835	689	11 146	90
-	-	4 445	402	4 043	469
-	-	1 283	-	1 283	-
-	-	2 607	178	2 429	-
-	-	743	743	-	-
-	-	8 098	-	8 098	-
-	-	18 720	550	18 170	16 610
-	-	7 082	-	7 082	-
51 362	151 983	85 823	57 571	180 235	117 502

Notes to the Annual Financial Statements (Continued)

20.2 Operating Leases

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

	2010/11 R'000	2009/10 R'000
Not later than one year	349	220
	<u>349</u>	<u>220</u>

The operating leases relate to building premises used for office accommodation. The lease agreement for the building was entered into effective 1 August 2010 and will be operational for a period of one year, expiring on 31 July 2011.

20.3 Finance Lease commitments

Reconciliation of total future minimum lease payments and their present value:

	Note	Present Value R'000	Interest R'000	Payment R'000
Due not later than one year (current liabilities)		18	1	19
	14	<u>18</u>	<u>1</u>	<u>19</u>

The organisation has entered into finance lease agreements for rental of eight computers with the latest agreement due to expire before 31 March 2012. These have been accounted for in terms of GRAP 13. No provision was made for an option to renew the leases on expiry.

Notes to the Annual Financial Statements (Continued)

21. IRREGULAR EXPENDITURE

21.1 Irregular Expenditure

	2010/11 R'000	2009/10 R'000
Opening balance	2 161	-
Add: Irregular Expenditure – current year	-	2 161
Less: Amounts condoned	(2 161)	-
Irregular Expenditure awaiting condonation	<u>-</u>	<u>2 161</u>
Analysis of expenditure no condonation per age classification		
Current year	-	1 944
Prior years	-	217
Total	<u>-</u>	<u>2 161</u>

During the previous period the Auditor General identified expenditure deemed irregular of R2 161 000 of which R217 000 was incurred in previous reporting periods. In May 2008 the Inseta Council approved the recruitment of Regional Advisors which recruitment was done in terms of its Human Resource Policy, however proper tender process has not been followed, and reasons therefore, was considered not adequately recorded and approved by the accounting authority. The expenditure was condoned during the council meeting held on 25 May 2011.

22. INTERNAL INVESTIGATION

During the year an investigation identified that certain procurements of temporary staff were irregular and a disciplinary process was instituted. Prior to convening the disciplinary hearing, a separation agreement was entered into and the disciplinary process was terminated. No financial loss was incurred by INSETA.

23. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Notes to the Annual Financial Statements (Continued)

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

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment and intangible assets

The Seta reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period, refer note 7 and note 8 for the respective carrying values.

Management determined, consistent with the prior year, that the useful life of assets should not be limited by the Seta's establishment. Managements determination of useful life also impacts the determination of the residual value of assets.

24. FINANCIAL INSTRUMENTS

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

Categories of Financial Instruments**Financial assets**

	2010/11 R'000	2009/10 R'000
Cash and bank balances	240 176	201 748
Loans and receivables	142	95
	<u>240 318</u>	<u>201 843</u>

Financial liabilities

Other financial liabilities	8 295	8 422
	<u>8 295</u>	<u>8 422</u>

Interest rate risk

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

Notes to the Annual Financial Statements (Continued)

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

	Floating rate		Non-interest bearing		Total R'000
	Amount R'000	Effective interest rate	Amount R'000	Weighted average period until maturity in years	
Year ended 31 March 2011					
Assets					
Cash	240 069	5,85%	107		240 176
Accounts receivable	-		142	1 year	142
Total financial assets	<u>240 069</u>	<u>5,85%</u>	<u>249</u>		<u>240 318</u>
Liabilities					
Accounts payable	-		8 295	0,08 years	8 295
Total financial liabilities	<u>-</u>		<u>8 295</u>		<u>8 295</u>
	<u>240 069</u>		<u>(8 046)</u>		<u>232 023</u>
Year ended 31 March 2010					
Assets					
Cash	201 698	6,82%	50		201 748
Loans	-		-		-
Accounts receivable	-		95	1 year	95
Total financial assets	<u>201 698</u>	<u>6,82%</u>	<u>145</u>		<u>201 843</u>
Liabilities					
Accounts payable	-		8 422	0,08 years	8 422
Total financial liabilities	<u>-</u>		<u>8 422</u>		<u>8 422</u>
	<u>201 698</u>		<u>(8 277)</u>		<u>193 421</u>

Credit risk

Financial assets, which potentially subject the Seta to the risk of non performance by counter parties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents deposited with financial institutions and accounts receivable.

The Seta limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of an investment policy in terms of Treasury Regulation TR 28. The Seta's exposure is continuously monitored by the executive committee.

Notes to the Annual Financial Statements (Continued)

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

The ageing of other receivables from exchange transactions:

	2010/11		2009/10	
	Gross	Impairment	Gross	Impairment
	R'000	R'000	R'000	R'000
Not past due	1 008	-	389	-

Liquidity risk

The Seta manages liquidity risk through proper management of working capital and capital expenditure. Adequate reserves and liquidity is maintained.

2010/11

Trade and other Payables from exchange transactions

Carrying Amount R'000	Contractual Cash Flows R'000	6 months or less R'000	6 - 12 months R'000	1 - 2 years R'000	More than 2 years R'000
8 295	8 295	8 249	22	4	20

2009/10

Trade and other Payables from exchange transactions

Carrying Amount R'000	Contractual Cash Flows R'000	6 months or less R'000	6 - 12 months R'000	1 - 2 years R'000	More than 2 years R'000
8 422	8 422	8 319	78	21	4

In case of short term liquidity problems, funding resources might be available in terms of the Department and National Treasury approval for borrowing requirements in the open market.

Notes to the Annual Financial Statements (Continued)**Market risk**

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

Fair values

The Seta's financial instruments consist mainly of cash and cash equivalents, account and other receivables, and account and other payables. No financial instruments were carried at an amount in excess of its fair value.

Fair values could be reliably measured for all financial instruments.

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

Cash and cash equivalents

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

Accounts receivable

The carrying amount of accounts receivable approximates fair value due to the relatively short-term maturity of these financial assets.

Accounts payable

The carrying amount of accounts payable approximates fair value due to the relatively short-term maturity of these financial liabilities.

Notes to the Annual Financial Statements (Continued)**25. NEW ACCOUNTING PRONOUNCEMENTS**

At the date of the authorisation of these financial statements there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that are applicable to the Seta and may have an impact on future financial statements.

	Effective date, commencing on or after
GRAP 21 Impairment of Non-cash-generating Assets	1 April 2012
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)	1 April 2012
GRAP 24 Presentation of Budget Information in Financial Statements	1 April 2012
GRAP 26 Impairment of Cash-generating Assets	1 April 2012
GRAP 18 Segment Reporting	not yet effective
GRAP 25 Employee Benefits	not yet effective
GRAP 104 Financial Instruments	not yet effective
GRAP 105 Transfer of Function between Entities Under Common Control	not yet effective
GRAP 106 Transfer of Function between Entities Not Under Common Control	not yet effective
GRAP 107 Mergers	not yet effective

An entity shall apply Standards of GRAP for Annual Financial Statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the PFMA.

GRAP 23 have been used to formulate our accounting policy.

GRAP 24 - the principles outlined in GRAP 24 have been used to inform compliance with the requirements of GRAP 1.

GRAP 21 : Impairment of Non-cash Generating Assets

This standard prescribes the accounting treatment for the impairment of non-cash generating assets and does not significantly differ from GAAP except for some terminology differences. It is not expected that this standard will significantly impact future disclosures .

Notes to the Annual Financial Statements (Continued)**GRAP 23 : Revenue from Non-exchange Transactions (Taxes and Transfers)**

The standard prescribes requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. The standard deals with issues that need to be considered in recognising and measuring revenue from non-exchange transactions, including the identification of contributions from owners. This standard did not significantly impact INSETA's disclosures as prior practice was within the requirements of the new standard.

GRAP 24 : Presentation of Budget Information in financial Statements

The standard prescribes the presentation of a comparison of budget and actual amounts in the financial statements of entities that are publicly accountable for the use of their funds. The presentation may be in the form of additional financial statement or additional budget columns in their financial statements. This standard did not significantly impact INSETA's disclosures as prior practice was within the requirements of the new standard.

GRAP 26 : Impairment of cash Generating Assets

This standard prescribes the accounting treatment for the impairment of cash generating assets and does not significantly differ from GAAP. It is not expected that this standard will significantly impact future disclosures due to the seta having no cash generating assets.

GRAP 104: Financial Instruments

GRAP 104 prescribes recognition, measurement, presentation and disclosure requirements for financial instruments and makes significant modifications to the principles in the previous standards applied in order to:

- simplify the recognition, measurement and disclosure of financial instruments; and
- accommodate the types of financial instruments entered into in the public sector.

The definitions of the various categories of financial instruments in IAS 39 have been streamlined and replaced which will require us to change our accounting policy accordingly.

The following disclosures required under IAS are encouraged but not required:

- The disclosure of fair values for financial instruments.
- Certain disclosures about the use of the fair value using the three tiered hierarchy.
- A market sensitivity analysis.

Notes to the Annual Financial Statements (Continued)**26. RELATED PARTY TRANSACTIONS****26.1 Transactions with the controlling entity**

The executive authority of INSETA is the Department of Higher Education and Training. The department is part of the portfolio of the minister of Higher Education and Training.

There were transactions relating to revenue with the Department. (Note 2)

26.2 Transactions with entities under common control

By virtue of the fact that INSETA is a National Public Entity related to other entities and departments in the National sphere of government it is considered related to Telkom, Eskom, South African Airways, other Setas and the National Skills Fund. The transactions are consistent with normal operating relationships between the entities, and are undertaken on terms and conditions that are normal for such transactions. Where there were transactions and balances arising due to the movement of funds between entities under the common control of the Department, these amounts were disclosed below.

The balances at year-end included in receivables and payables are:

Notes to the Annual Financial Statements (Continued)

	2010/11 R'000		2009/10 R'000	
	Amount of the transaction*	Amount receivable / payable	Amount of the transaction	Amount receivable/ payable
Receivables	39	161	315	175
Fasset	14	6	127	-
SETT	-	5	5	5
Bankseta	-	3	18	3
Merseta	1	1	-	-
CETA	2	-	-	-
Services Seta	19	143	165	167
W&R Seta	3	3	-	-
Payables	1	10	73	11
Fasset	-	-	4	-
Health & Welfare Seta	-	-	6	-
Merseta	-	-	38	-
Services Seta	1	1	25	2
Department of Labour	-	9	-	9
Total	38	151	242	164

*Note that the amount of transaction includes interest and penalties transferred to or from the SETA.

26.3 Remuneration of Key Management

The key management personnel of the Seta are: the members of the accounting authority and the members of the senior management group.

The accounting authority consists of members appointed in terms of its constitution; the chief executive officer attends meetings of the accounting authority but is not a member of the accounting authority.

The aggregate remuneration of members of the accounting authority and the number of members receiving remuneration within this category, are:

Notes to the Annual Financial Statements (Continued)

	2010/11 R'000	2009/10 R'000
Aggregate remuneration	51	70
Number of persons	15	21

Refer to the report by the Accounting Authority for detail disclosure concerning the emoluments of members of the accounting authority.

The INSETA council must have the appropriate balance of skills and experience within its ranks to fulfil its mandate. Regular performance evaluations need to be conducted and areas of improvement identified. In addition, individual councillors may identify training relevant to the role that they fulfil and make application to the INSETA chairman to attend such training at INSETA's cost. The total budget allocated per person will not exceed R20,000.00 per annum. The following members attended training that was paid for by INSETA:

	2010/11 R'000	2009/10 R'000
Margie Naidoo	10	-
Keneiloe Selamolela	20	-
	<u>30</u>	<u>-</u>

The senior management group consists of the Seta's Chief Executive Officer. The aggregate remuneration of members of the senior management group and the number of managers receiving remuneration within this category are:

	2010/11 R'000	2009/10 R'000
Aggregate remuneration	1 273	1 033
Number of persons	1	3

Refer to the report by the Accounting Authority for detail disclosure concerning the emoluments of the Chief Executive Officer.

Notes to the Annual Financial Statements (Continued)**27. NOTES TO COMPARISON OF BUDGET AND ACTUAL**

Legislation requires that the Seta annually, in September submit a budget to the Minister for approval. Any subsequent changes required to the initial budget are approved by the Accounting Authority.

27.1 Skills Development Levy: income from non-exchange transactions:

Levy receipts were slightly higher than anticipated. The increase in the levies resulted mainly from unanticipated growth in the sector despite the economic downturn. Inseta has also seen an increase in the number of new employers that joined the during the period.

27.2 Skills Development Levy: penalties and interest from non - exchange transactions

Income from penalties and interest arise when employers fail to submit their returns as required by legislation. These amounts typically vary significantly year on year. The full balance is made available for projects. Inseta does not budget for this line item.

27.3 Investment Income

Investment income was lower than the budget as a result of the decrease in the prime interest rate.

27.4 Employer grant expenses

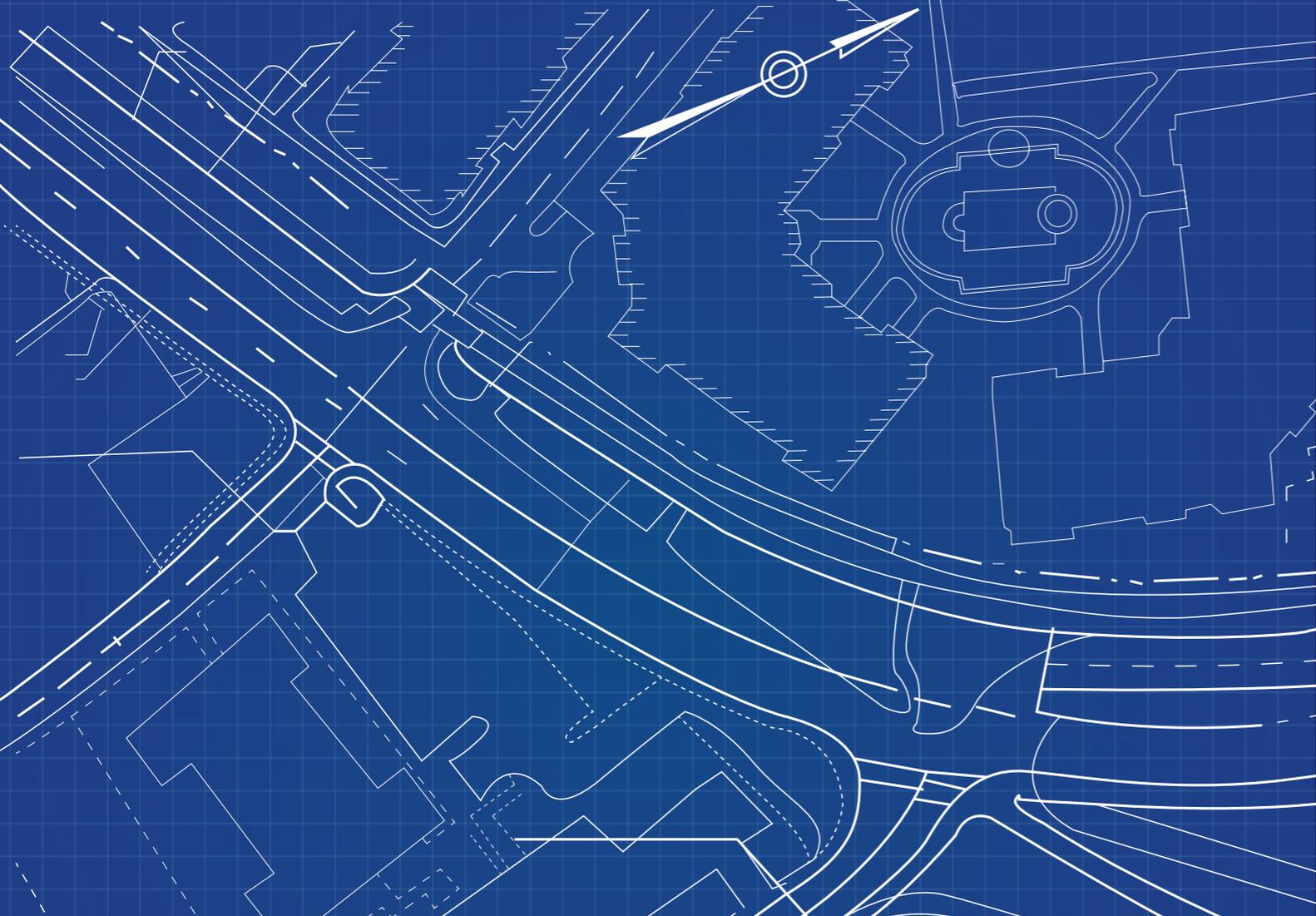
This increased expenditure was as a result of higher than anticipated levy income.

27.5 Project expenses

The project expenditure is less than budgeted due to projects starting later than anticipated.

27.6 Administration expenses

Administration expenditure is limited to 10% of levies received. Inseta continues to operate well within this legislation limit and savings is made available for spending on projects. The variance is mainly due to reversal of bad debts due to recoveries.



INSETA Board, Committees and Staff

- 6. INSETA Council and Council Sub-Committees**
- 7. INSETA Team**

6. INSETA Council and Council Sub-Committees

Composition of INSETA's Council for 2010/2011:

Council member	Constituency	Designation	Gender	Race
Mr. Rama Govenden	Business: Association for Savings & Investments (ASISA)	Chairperson	Male	Indian
Ms. Margie Naidoo	Labour: IBSA	Deputy Chairperson	Female	Indian
Mr. Barry Scott	Business: The South African Insurance Association (SAIA)	Ordinary member	Male	White
Mr. Eugene Zeeman	Labour: IBSA	Ordinary member	Male	White
Ms. Gizelle Conradie	Labour: SASBO	Ordinary member	Female	White
Mr. Jay Mngoma	Business: Black Brokers Forum	Ordinary member	Male	Black
Mr. Jay Ramsunder	Business: Financial Intermediaries Association (FIA)	Ordinary member	Male	Indian
Mr. Jonathan Dixon	State: Financial Services Board	Ordinary member	Male	White
Ms. Keneiloe Selamolela	Business: The South African Insurance Association	Ordinary member	Female	Black
Mr. Trevor Chandler	Business: Association for Savings & Investments	Ordinary member	Male	White
Mr. Wayne Hattingh	Labour: SASBO	Ordinary member	Male	White
Dr. Gerrit Sandrock	Chairperson of INSETA Audit Committee	Ex-officio	Male	White
Mr. Johan van Greuning	Chairperson of INSETA Finance, IT & Administration Committee	Ex-officio	Male	White

Resignations from INSETA Council during 2010/2011

Mr. Ivan Mzimela (labour representative) and Mr. Terence Berry (business representative) tenures as Council members ended in September 2010 and both did not stand for re-election.

Council meetings held during 2010/2011

Four Council meetings were held during the period of reporting and details of Council members and Committee members attendance at the meetings are included in the Report of the Accounting Authority on page 33.

Audit Committee

The Audit Committee comprises of four members and is chaired by an independent Chairperson, Dr. Gerrit Sandrock. Members serving on the Committee are Ms. Jeanine Poggiolini (external appointment, Accounting Standards Board), Mr. Godfrey Nti (industry appointment, Financial Planning Institute) and Mr. Jay Ramsunder (INSETA Council member). Four meetings were held during the period of reporting, one of which was a joint meeting of the Audit Committee and Finance, IT & Administration Committee. One resignation was received from Mr. Terence Berry (INSETA Council member) in September 2010.

Finance, IT & Administration Committee

The Finance, IT & Administration Committee comprises of four members and is chaired by a specialist and industry appointment, Mr. Johan van Greuning. Other members serving on the Committee are Mr. Barry Scott, Mr. Isaac Ramputa and Mr. Trevor Chandler, all of who are Council members. Three meetings were held during the period of reporting, one of which was a joint meeting of the Audit Committee and Finance, IT & Administration Committee.

HR Committee

The HR Committee comprises of five members and is chaired by the Deputy Chairperson of INSETA, Ms. Margie Naidoo. The Chairperson of INSETA, Mr. Rama Govenden serves on the Committee in an ex-officio capacity. Members serving on the Committee are Ms. Keneiloe Selamolela (INSETA Council member), Mr. Wayne Hattingh (INSETA Council member) and Mr. John October (industry appointment, Telesure Group). Four meetings were held during the period under review and two resignations were received, namely from Mr. Ivan Mzimela (previous Chairperson of INSETA) who resigned in September 2010 and Ms. Audrey Mothupi (industry appointment) who resigned in November 2010.

INSETA Board



From left to right: Mr. Barry Scott, Mr. Jay Ramsunder, Ms. Margie Naidoo, Mr. Thabit Gool, Prof. Andre Keet, Mr. Moses Machai and Mr. Mzimkulu Msiwa (Chairperson of the Board).

From left to right: Mr. Rama Govenden, Mr. William Seya, Dr. Gerrit Sandrock, Ms. Shantha Padayachee, Ms. Anne-Marie D'Alton, Ms. Vanita Harrypersadh, Mr. Comfort Duma and Mr. Bryan McKay.
Absent: Ms. Gizelle Conradie

Composition of INSETA Board:

Mr. Mzimkulu Msiwa – Chairperson, Ministerial appointment
 Professor Andre Keet – Ministerial appointment
 Ms. Anne-Marie D'Alton – Business representative, Principal Officers' Association
 Mr. Barry Scott – Business representative, The South African Insurance Association
 Mr. Bryan McKay – Labour representative, IBSA
 Mr. Comfort Duma – Labour representative, SASBO
 Ms. Gizelle Conradie – Labour representative, SASBO

Mr. Jay Ramsunder, Business representative, Financial Intermediaries Association of SA
 Ms. Margie Naidoo – Labour representative, IBSA
 Mr. Moses Machai – Business representative, Black Brokers Forum
 Mr. Rama Govenden – Business representative, Association for Savings & Investments
 Ms. Shantha Padayachee – Business representative, Institute of Retirement Funds
 Mr. Thabit Gool – Ministerial appointment
 Ms. Vanita Harrypersadh – Labour representative, IBSA
 Mr. William Seya – Labour representative, UASA

7. The INSETA Team



INSETA Management Team

From left to right:
Tumi Peele, Adeline Singh,
Sharon Snell, Glen Edwards,
Sandra Dunn, Neesha Naidoo



CEO's Office

From left to right:
Tshepo Mabika, Ella Matshikiza,
Sandra Dunn, Sharon Snell,
Sebolelo Malebye,
Errol Hanreck



Corporate Services Division

From left to right:
Tebogo Maphala, Brenda Matlala,
Sharon Elliot, Jabu Mabaso,
Zodwa Motloung



Project Office

From left to right:
Lerato Mpatane, Bonginkosi
Mthombeni, Glen Edwards,
Olebogeng Tsitsi



Learnership Division

From left to right: Vuyo Diniso,
Rosa Sephuma, Tsabuki Makou,
Tumi Peele, Lavern Ogle



Skills Development Division

From left to right:
Ernest Kaplan,
Itumeleng Motaung,
Adeline Singh



ETQA Division

From left to right: William Fisher, Nadia Traut,
Unathi Jakalase, Ouma Mmethi,
Michelle Van Der Merwe,
Thilivhali Netshiongolwe,
Neesha Naidoo, Andani Sengani

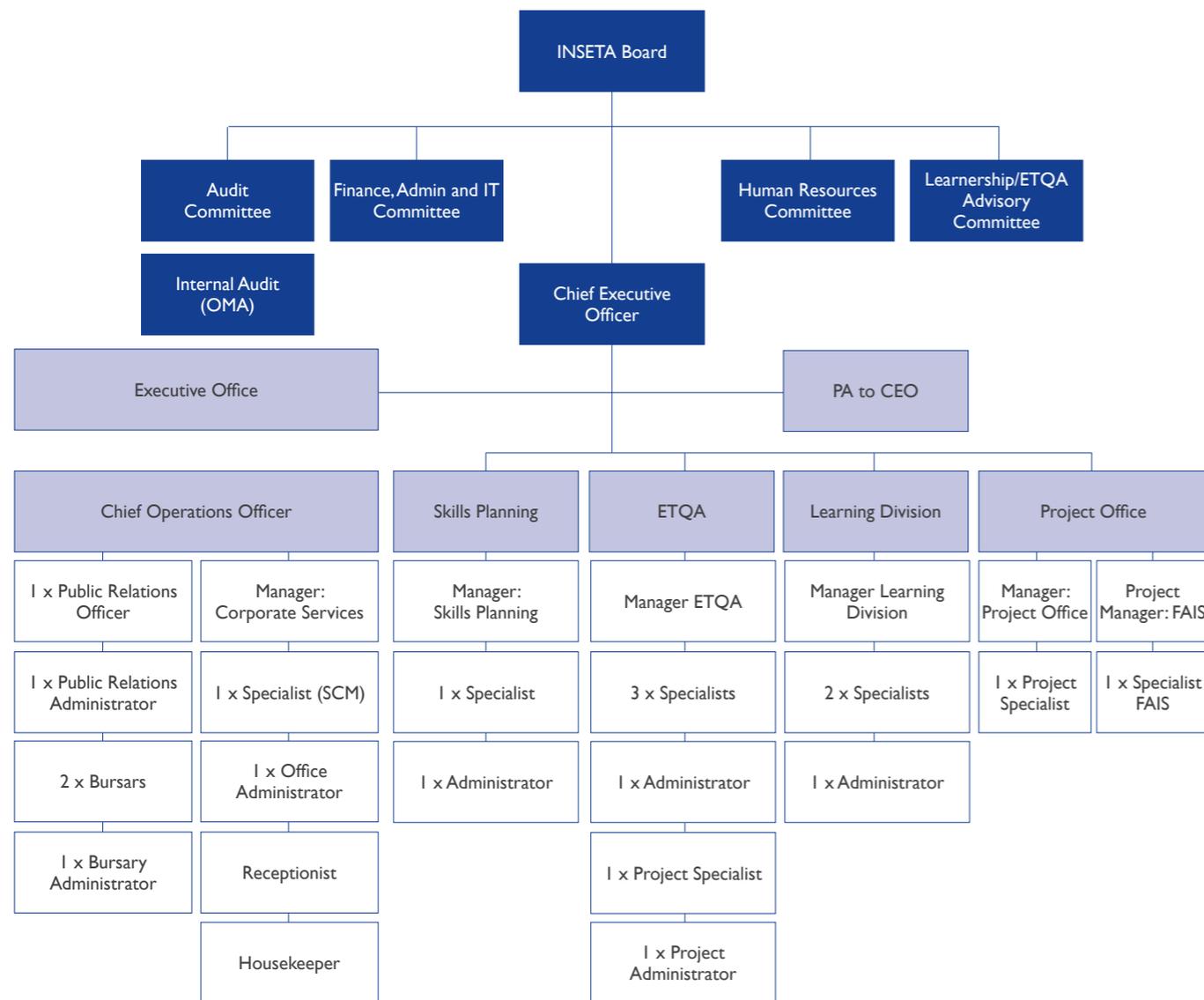


Appendices

- a. **Appendix A** **INSETA Organogram**
- b. **Appendix B** **National Skills Development Strategy (NSDS) II**
- c. **Appendix C** **INSETA's staff as at 31 March 2011**
- d. **Appendix D** **INSETA's Standards Industrial Classification (SIC) Codes**
- e. **Appendix E** **Glossary of Terms**

Appendix A

INSETA Organogram



Appendix B

National Skills Development Strategy (NSDS) II

PERFORMANCE INFORMATION FOR INSETA | APRIL 2010 – 31 MARCH 2011

NSDS II TARGETS AND ACHIEVEMENTS

Goal	NSDS Key Performance Indicator	INSETA 2010- 2011 Target	Performance Results	Reason for Variance/ Comments
NSDS OBJECTIVE 1: Prioritising and communicating Critical Skills for Growth, development and Equity	1.1 Skills development supports national and sectoral growth, development and equity priorities.	Timeous research, updating and submission of SSP.	SSP research conducted, reports signed off and submitted timeously.	No deviation.
	1.2 Information on critical skills widely available to learners. Impact of information dissemination researched, measured and communicated in terms of rising entry, completion and placement of learners.	Development of an Annual Sector Guide and ensure that this is widely disseminated to learners.	Career Guides and brochures were developed in 2010 and distributed widely in the year. The SETA identified additional opportunities to expose additional stakeholders to education and training on scarce skills through the participation at Exhibitions	No deviation
		100 SDFs trained on use of career guide.	197 SDFs trained and capacitated through the career guide.	The SETA conducted Skills Development Facilitator training for SDFs which was well received by the SDFs.

Goal	NSDS Key Performance Indicator	INSETA 2010- 2011 Target	Performance Results	Reason for Variance/ Comments
NSDS OBJECTIVE 2: Promoting and accelerating quality training for all in the workplace	2.1 80% of large firms' and 60% of medium firms' EE targets, supported by skills development. Impact on overall equity profile assessed.	55 large firms and 54 medium firms supported through the payments of mandatory grants.	63 large firms submitted WSPs and ATRs and received grants. 82 medium firms submitted WSPs and ATRs and received grants.	No deviation
	2.2 Skills development in at least 40% of small levy-paying firms supported and the impact of the support measured.	452 small levy paying firms receive WSP/ATR grants, free courses and support.	568 SMMEs received support, some through mandatory grants and others through skills programmes vouchers, Learnerships and bursaries funding.	The Inseta initiated a project whereby WSP/ ATR's were completed at no cost to the SMMEs.
	2.5 Number of small BEE firms and BEE co-operatives supported by skills development. Impact of support measured.	100 BEE firms and/or BEE co-operatives supported by skills development.	142 BEE firms received skills development support during the year through projects and bursaries. Support was provided to BEE firms in respect of Burial Society support, FAIS and bursaries	No deviation
	2.7 Number of workers have achieved ABET level 4.	Target for INSETA for the period 2010/11 for ABET/ AET programmes for registered Learners is 450: Level 4: 225 Level 3: 225 Target for INSETA for the period 2010/11 for ABET/ AET programmes achieved Learners is: 250 Level 4: 125 Level 3: 125	Total achieved for INSETA on ABET/ AET programmes registered Learners is 664: Level 4: 334 Level 3: 330 Total achieved for INSETA on Learners who achieved is 638: Level 4: 316 Level 3: 322	No deviation

Goal	NSDS Key Performance Indicator	INSETA 2010- 2011 Target	Performance Results	Reason for Variance/ Comments
NSDS OBJECTIVE 2: Promoting and accelerating quality training for all in the workplace	2.8 Number of workers assisted to enter and at least 50% successfully complete learning programmes. Impact of assistance measured.	Target for INSETA for the period 2010/11 for workers that have entered learning programmes is 1050. 300 For learnerships 500 Received bursaries 50 internships 200 Entered unit standard based skills programmes	3588 workers entered learning programmes. 357 entered learnerships 1132 received bursaries. 3 entered internships 2096 entered unit standard based skills programmes	INSETA has included in this reporting period 129 workers who entered learning programmes in the previous financial year, but who were not recorded previously. The high numbers achieved in this target is related to the increased activity sector training activity around FAIS and also increased uptake from the sector for learnerships and internships
		Target for INSETA for the period 2010/11 for workers to have completed learning programmes is 525 150 Learnerships 250 Studies in Bursaries 25 Completed Internships 100 Completed unit standard based skills programmes		

Goal	NSDS Key Performance Indicator	INSETA 2010- 2011 Target	Performance Results	Reason for Variance/ Comments
NSDS Objective 3: Promoting employability and sustainable livelihoods through skills development	3.2 Number of Non-levy paying enterprises, NGOs, CBOs and community-based co-operatives supported by skills development. Impact of support on sustainability measured with a targeted 75% success rate.	Target for INSETA for the period 2010/11 is 100 NLPs, NGOs, CBOs and community based co- operatives supported through skills development funding.	INSETA supported 441 NLPs, NGOs and CBOs financially to develop the skills of their employees.	INSETA supported NLPs through the provision of FAIS free learning material and training. Burial Societies were supported through registration of co operatives and training on the operation of co-operatives
	4.1 Number of unemployed people assisted to enter learning programmes and at least 50% successfully completed. Impact of assistance measured.	Target for total number of unemployed learners that have entered learning programmes is 700 500 Unemployed learners entered learnerships 100 Unemployed learners to enter through bursaries 50 Unemployed learners to enter internships 50 Unemployed learners entered unit standard based skills programmes	727 unemployed learners entered learning programmes. 398 unemployed learners entered learnerships 171 unemployed learners received bursaries 84 unemployed learners entered unit standard based skills programmes 74 unemployed learners entered internships	No deviation

Goal	NSDS Key Performance Indicator	INSETA 2010- 2011 Target	Performance Results	Reason for Variance/ Comments
NSDS Objective 3: Promoting employability and sustainable livelihoods through skills development		Target for total number of unemployed learners that have completed learning programmes is 350 250 Unemployed people successfully completed learnerships 50 Unemployed learners to complete internships 50 unemployed learners to complete bursaries 25 Unemployed learners successfully completed unit standard based skills programmes.	586 unemployed people completed learning programmes 257 unemployed people successfully completed learnerships. 83 unemployed people successfully completed unit standard based skills programmes. 108 unemployed learners successfully completed bursaries 138 successfully completed internships	

Goal	NSDS Key Performance Indicator	INSETA 2010- 2011 Target	Performance Results	Reason for Variance/ Comments
NSDS Objective 4: Assisting new entrants into the labour market and self-employment	4.2 Number of learners in critical skills programmes covered by sector agreements from FET and HET institutions assisted to gain work experience, of whom at least 70% successfully find placement in employment or self employment.	Target for INSETA for the period 2010/11 is 50 Learners to gain work experience. Target for INSETA for the period 2010/11 is 35 Learners to be placed.	179 learners gained work experience. 0 Learners were placed in employment	Whilst employing the Learners is a matter, which is not within our control, INSETA holds constant meetings with employers to solicit opportunities of employing the interns.
	4.3 Number of young people trained and mentored to form new ventures and at least 70% of new ventures in operation 12 months after completion of programme.	Target for INSETA New Venture Creation entered for the period 2010/11 is 70. Target for INSETA New Venture Creation to be sustained for the period 2010/11 is 49.	63 Learners received New Venture Creation support. 0 new ventures in operation.	Traditionally INSETA has had a very low throughput of new venture learners that open a venture and are able to sustain the venture. This is despite successful new venture training programmes.
NSDS Objective 5: Improving the quality and relevance of provision	5.1 The SETA recognizes and supports Institutes of Sectoral or Occupational Excellence (ISOEs) within public and private institutions, spread as widely as possible geographically, whose excellence is measured in the number of learners successfully placed in the sector and employer satisfaction ratings of their training.	Target for INSETA is 5 Institute.	7 ISOEs are recognized and supported.	No deviation

Goal	NSDS Key Performance Indicator	INSETA 2010- 2011 Target	Performance Results	Reason for Variance/ Comments
NSDS Objective 5: Improving the quality and relevance of provision	5.2 Each province has at least two provider institutions accredited to manage the delivery of the New Venture Creation qualifications and 70% of new ventures still operating after 12 months.	Target for INSETA is 1 Institutions.	2 institutions have been accredited.	No deviation
	5.3 There are measurable improvements in the quality of services delivered by skills development institutions and those institutions responsible for the implementation of the NQF in support of the NSDS.	The SETA is to meet SAQA Audit and NLRD upload requirements.	The SAQA Audit and NLRD upload requirements were met.	No deviation.

NOTES:

1. Targets are based on the definitions provided by the Department of Higher Education and training during the period.
2. Only the indicators that are applicable to INSETA (as per the Department of Labour Service Level Agreement) have been included.

Appendix C

INSETA Permanent Staff as at 31 March 2011

Name	Designation	Gender	Race	Disability
Adeline Singh	Skills Development Manager	Female	Indian	No
Anna Zinhle	Office Administrator	Female	African	Yes
Ella Matshikiza	Personal Assistant to the Chief Executive Officer	Female	African	No
Glen Edwards	FAIS Manager	Male	White	No
Itumeleng Motaung	Skills Development Junior Specialist	Female	African	No
Jabu Mabaso	Housekeeper	Female	African	No
Kim Pretorius	Human Resources Administrator	Female	White	No
Lavern Ogle	Junior Administrator – Internships	Female	Coloured	No
Lerato Mpatane	FAIS Administrator	Female	African	No
Michelle van der Merwe	ETQA Specialist Consultant	Female	White	No
Neesha Naidoo	ETQA Manager	Female	Indian	No
Nomonde Mandla	Bursar	Female	African	No
Olebogang Tsisi	Project Administrator	Female	African	No
Ouma Mmmethi	ETQA Secretary	Female	African	No
Sandra Dunn	Chief Executive Officer	Female	Coloured	No
Sharon Snell	Chief Operating Officer	Female	Coloured	No
Tebogo Maphala	Bursar	Female	African	No
Tsabuki Makou	Learnership Consultant	Male	African	No
Tumi Peele	Learnership Manager	Female	African	No
Unathi Jakalase	ETQA Specialist Consultant	Female	African	No
Vuyokazi Diniso	Learnership Specialist	Female	African	No
William Fisher	ETQA Junior Specialist	Male	Coloured	No
Zodwa Motloun	Receptionist	Female	African	No

Appendix D

INSETA's Standards Industrial Classification (SIC) Codes

INSETA STANDARDS INDUSTRIAL CLASSIFICATION (SIC)	
SIC Code	Scope of Coverage / Description
81901	Unit Trusts (or collective investments)
81902	Risk Management
82100	Insurance and Pension Funding, except compulsory social security
82110	Life Insurance
82120	Pension Funding
82131	Healthcare Benefits Administration
82191	Short Term Insurance
82192	Funeral Insurance
82193	Re-insurance
83300	Activities Auxiliary to Insurance and Pension Funding (including Brokers/Intermediaries)

Appendix E

Glossary of Terms

ABET	Adult Based Education and Training
ATR	Annual Training Report
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
DHET	Department of Higher Education and Training
ETQA	Education and Training Quality Assurance
FAIS	Financial Advisory and Intermediary Services
FET	Further Education and Training
FSB	Financial Services Board
GAAP	Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HET	Higher Education and Training
IISA	Insurance Institute of South Africa
INSETA	Insurance Sector Education and Training Authority
ISOE	Institute of Sectoral Excellence
IT	Information Technology

NLRD	National Learner Record Database
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
NSF	National Skills Fund
PFMA	Public Finance Management Act
QCTO	Quality Council for Trade and Occupations
RE	Regulatory Examinations
SAADP	South African Actuaries Development Programme
SAQA	South African Qualifications Authority
SARS	South African Revenue Services
SCOPA	Standing Committee on Public Accounts
SDF	Skills Development Facilitators
SETA	Sector Education and Training Authority
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprises
SSP	Sector Skills Plan
WBE	Work-based Experience
WSP	Workplace Skills Plan



inseta

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