



**F A S S E T**

*Make the future count*

Finance and Accounting Services Sector Education and Training Authority  
Annual financial statements  
for the year ended 31 March 2016

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Index

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The reports and statements set out below comprise the annual financial statements:

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### Abbreviations

DHET	Department of Higher Education and Training
NSF	National Skills Fund
SARS	South African Revenue Service
SDL	Skills Development Levy

The annual financial statements set out on pages 2 to 34, which have been prepared on the going concern basis, were approved by the Accounting Authority on 26 May 2016 and were signed on its behalf by:

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**Shahied Daniels**  
**Acting Chairman**  
**26 May 2016**

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Statement of Financial Position as at 31 March 2016

	Note(s)	2016 R '000	2015 R '000
<b>Assets</b>			
Current Assets			
Inventories		49	35
Receivables from exchange transactions	3	541	816
Receivables from non-exchange transactions	4	1 721	2 864
Cash and cash equivalents	5	276 729	216 478
		<b>279 040</b>	<b>220 193</b>
Non-Current Assets			
Property, plant and equipment	6	572	651
Intangible assets	7	36	33
		<b>608</b>	<b>684</b>
<b>Total Assets</b>		<b>279 648</b>	<b>220 877</b>
<b>Liabilities</b>			
Current Liabilities			
Operating lease liability		-	262
Payables from exchange transactions	8	23 792	16 262
Payables from non-exchange transactions	9	11 968	11 563
Provisions	10	8 205	9 154
<b>Total Liabilities</b>		<b>43 965</b>	<b>37 241</b>
<b>Net Assets</b>		<b>235 683</b>	<b>183 636</b>
Reserves			
Administration reserve		608	684
Mandatory reserve		1 081	448
Discretionary reserve		233 994	182 504
<b>Net Assets</b>		<b>235 683</b>	<b>183 636</b>

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Statement of Financial Performance for the year ended 31 March 2016

	Note(s)	2016 R '000	2015 R '000
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Investment revenue	13	16 679	16 934
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Levies	14	449 324	412 434
Other income	15	34	64
<b>Total revenue from non-exchange transactions</b>		<b>449 358</b>	<b>412 498</b>
<b>Total revenue</b>		<b>466 037</b>	<b>429 432</b>
<b>Expenditure</b>			
Employee related costs	16	(17 282)	(14 048)
Depreciation and amortisation		(455)	(408)
Impairment of receivables		(293)	(87)
Repairs and maintenance		(158)	(204)
Employer grant and project expenses	17	(372 031)	(373 479)
General expenses	18	(23 769)	(22 513)
<b>Total expenditure</b>		<b>(413 988)</b>	<b>(410 739)</b>
Loss on disposal of assets		(2)	-
<b>Surplus for the year</b>		<b>52 047</b>	<b>18 693</b>

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Statement of Changes in Net Assets

	Administration reserve R '000	Mandatory reserve R '000	Discretionary reserve R '000	Total reserves R '000	Accumulated surplus R '000	Total net assets R '000
<b>Balance at 01 April 2014</b>	<b>937</b>	<b>4</b>	<b>164 002</b>	<b>164 943</b>	<b>-</b>	<b>164 943</b>
Changes in net assets						
Surplus for the year	-	-	-	-	18 693	18 693
Allocation of accumulated surplus	18 903	30 470	(30 680)	18 693	(18 693)	-
Excess reserves transferred to Discretionary reserve	(19 156)	(30 026)	49 182	-	-	-
Total changes	(253)	444	18 502	18 693	-	18 693
<b>Balance at 01 April 2015</b>	<b>684</b>	<b>448</b>	<b>182 504</b>	<b>183 636</b>		<b>183 636</b>
Changes in net assets						
Surplus for the year	-	-	-	-	52 047	52 047
Allocation of accumulated surplus	18 712	44 976	(11 641)	52 047	(52 047)	-
Excess reserves transferred to Discretionary reserve	(18 788)	(44 343)	63 131	-	-	-
Total changes	(76)	633	51 490	52 047	-	52 047
<b>Balance at 31 March 2016</b>	<b>608</b>	<b>1 081</b>	<b>233 994</b>	<b>235 683</b>	<b>-</b>	<b>235 683</b>

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Cash Flow Statement

	Note(s)	2016 R '000	2015 R '000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Levies, interest and penalties received		448 227	412 021
Other cash receipts from stakeholders		34	64
Interest income		16 722	16 882
		<u>464 983</u>	<u>428 967</u>
<b>Payments</b>			
Grants and project payments		(363 389)	(372 305)
Compensation of employees		(17 198)	(14 092)
Payments to suppliers		(23 764)	(10 182)
		<u>(404 351)</u>	<u>(396 579)</u>
<b>Net cash flows from operating activities</b>	19	<b><u>60 632</u></b>	<b><u>32 388</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(327)	(116)
Purchase of other intangible assets	7	(54)	(38)
		<u>(381)</u>	<u>(154)</u>
<b>Net increase in cash and cash equivalents</b>		<b>60 251</b>	<b>32 234</b>
Cash and cash equivalents at the beginning of the year		216 478	184 244
<b>Cash and cash equivalents at the end of the year</b>	5	<b><u>276 729</u></b>	<b><u>216 478</u></b>

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Interest received - investment	14 850	-	14 850	16 679	1 829	Note 27
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##### Revenue from non-exchange transactions

##### Transfer revenue

Levies	473 319	-	473 319	449 324	(23 995)	Note 27
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Other income	-	-	-	34	34	
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<b>Total revenue from non-exchange transactions</b>	<b>473 319</b>	<b>-</b>	<b>473 319</b>	<b>449 358</b>	<b>(23 961)</b>	
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#### Expenditure

Employee related costs	(17 282)	-	(17 282)	(17 282)	-	
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Depreciation and amortisation	-	-	-	(455)	(455)	
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Impairment of receivables	-	-	-	(293)	(293)	
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Repairs and maintenance	(209)	-	(209)	(158)	51	
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Employer grant and project expenses	(443 282)	-	(443 282)	(372 031)	71 251	Note 27
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Loss on disposal of assets	-	-	-	(2)	(2)	
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General expenses	(27 396)	-	(27 396)	(23 769)	3 627	Note 27
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<b>Total expenditure</b>	<b>(488 169)</b>	<b>-</b>	<b>(488 169)</b>	<b>(413 990)</b>	<b>74 179</b>	
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<b>Surplus for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52 047</b>	<b>52 047</b>	
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# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables

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

##### Provisions

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

#### 1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

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



# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

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

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

### 1.5 Intangible assets

An intangible asset is recognised when:

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

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

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

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

Item	Average useful life
Computer software	2 years

The estimated useful lives of intangible assets are reviewed at the end of each annual reporting period.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

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

### 1.6 Financial instruments

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

#### Initial recognition

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

#### Financial assets

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

#### Cash and cash equivalents

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

#### Financial assets at amortised cost

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Accounting Policies

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### 1.6 Financial instruments (continued)

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

Interest income is recognised by applying the effective interest rate.

#### Effective interest method

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

#### Impairment of financial assets

Financial assets are assessed for impairment at each year-end.

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

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

#### Financial liabilities

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

### 1.7 Tax

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

### 1.8 Leases

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.9 Inventories

Inventories consist of consumables on hand at the reporting date and are measured at cost. An individual inventory item whose cost does not exceed R1 000 is recognised, on acquisition, in surplus or deficit.

### 1.10 Employee benefits

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

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

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

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Accounting Policies

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### 1.10 Employee benefits (continued)

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

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

### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

### 1.12 Revenue from exchange transactions

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

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

### 1.13 Revenue from non-exchange transactions

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

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

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

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

Non-exchange revenue transactions include the receipt of levy income from the Department of Higher Education and Training (DHET) and contributions received from government departments for which Fasset qualifies as the line function seta.

#### Levy income

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

In terms of section 3(1) and 3(4) of the SDLA, 1999 as amended, registered member companies of the entity pay a skills

# Finance and Accounting Services Sector Education and Training Authority

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## Accounting Policies

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### 1.13 Revenue from non-exchange transactions (continued)

development levy of 1% of the total payroll cost to the South African Revenue Services (SARS), who collect the levies on behalf of the DHET. Companies with an annual payroll cost less than R500 000 are exempted in accordance with section 4(b) of the SDLA (1999) as amended, effective 1 August 2005.

80% of Skills Development Levies (SDL) are paid over to Fasset (net of the 20% contribution to the NSF). Fasset 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 DHET. SDL transfers are recognised on an accrual basis when it is probable that future economic benefits or service potential will flow to the Seta and these benefits can be measured reliably. This occurs when the Department of Higher Education and Training makes an allocation to the entity, as required by Section 8 of the SDLA, 1999 as amended.

In terms of the DPSA circular, circular HRD 1 of 2013, all departments are required to set aside a minimum of 1% of the total department's annual personnel budget for training and development of its personnel and potential employees. 30% of this amount is appropriated to the Seta with which the department is affiliated. For departments belonging to more than one Seta the 30% levy is apportioned proportionally. Fasset receives contributions in this regard from SARS (as an employer) and national and provincial treasuries. Fasset was not in a position to verify that the amounts received from the relevant departments were accurate.

### Interest and penalties

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

### 1.14 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Refer to note 20.

### 1.15 Fruitless and wasteful expenditure

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

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

### 1.16 Irregular expenditure

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

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

### 1.17 Segment information

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

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

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Accounting Policies

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### 1.18 Events after reporting date

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

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

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

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

### 1.19 Reserves

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

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

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

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

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

- Administration costs of the Seta 10%
- Discretionary grants and projects 20%

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

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

### 1.20 Grants and Project Expenditure

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

#### Mandatory grants

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

### 1.21 Grants

#### Mandatory grant payments

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Accounting Policies

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

### Discretionary grant payments

A liability is recognised for discretionary grant payments once the specific criteria set out in the Seta Grant Regulation and any additional criteria as approved by the Accounting Authority have been complied with by member companies and it is probable that the entity will approve the grant application for payment. The liability is measured at the net present value of the expected future cash outflow as determined in accordance with the GRAP. This measurement involves an estimate, based on the amount of levies received.

### Discretionary projects

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

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

### 1.22 Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity or another entity are subject to common control.

Where such a situation exists the nature and type of transactions and relationships between parties are disclosed in the notes to the Annual Financial Statements.

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

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

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

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>GRAP 18: Segment Reporting</li></ul>	01 April 2015	This standard describes the disclosure requirements to present more specific and detailed information about major activities undertaken by an entity during a particular period along with the resources allocated to those activities. The adoption of this standard has not had a material impact but resulted in more disclosures than presented in the prior period annual financial statements. The additional disclosure is set out in Annexure A.

#### 2.2 Standards issued and effective but not relevant

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

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>GRAP 105 Transfer of functions between entities under common control</li></ul>	01 April 2015	This standard has not had an impact on the financial statements as there has been no transfer of function relating to Fasset
<ul style="list-style-type: none"><li>GRAP 106 Transfer of functions between entities not under common control</li></ul>	01 April 2015	This standard has not had an impact on the financial statements as there has been no transfer of function relating to Fasset
<ul style="list-style-type: none"><li>GRAP 107 Mergers</li></ul>	01 April 2015	This standard has not had an impact on the financial statements as there have been no mergers relating to Fasset
<ul style="list-style-type: none"><li>DIRECTIVE 11 Changes in measurement bases following the initial adoption of standards of GRAP</li></ul>	01 April 2015	This Directive permits an entity to change its measurement bases following the initial adoption of Standards of GRAP. This standard has not had an impact on the financial statements.

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### 2.3 Standards issued and relevant but not yet effective

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

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>GRAP 20: Related parties</li></ul>	Not yet determined	This standard prescribes the disclosure of information relevant to draw attention to the possibility that the entity's financial statements may have been affected by the existence of related parties. The adoption of this standard is not expected to impact on the results of Fasset but may result in more disclosure than is currently provided in the annual financial statements.
<ul style="list-style-type: none"><li>GRAP 108: Statutory Receivables</li></ul>	Not yet determined	This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. It is not expected that this standard will significantly impact future disclosures.
<ul style="list-style-type: none"><li>GRAP 109: Accounting by Principals and Agents</li></ul>	Not yet determined	This standard outlines the principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. It is not expected that this standard will significantly impact future disclosures.



# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

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

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

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

# Finance and Accounting Services Sector Education and Training Authority

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## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>3. Receivables from exchange transactions</b>		
Prepayments	88	434
Deposits	93	89
Interest receivable	186	229
Other receivables	174	64
	<b>541</b>	<b>816</b>
<b>4. Receivables from non-exchange transactions</b>		
Levy debtor receivable	1 254	1 085
Employer receivables	653	1 756
Inter-seta receivables	2	23
Impairments	(188)	-
	<b>1 721</b>	<b>2 864</b>
<b>Employer receivables</b>		
Overpayment to employers	653	1 756
Impairments	(188)	-
<b>Effect of adjustments on affected employers</b>	<b>465</b>	<b>1 756</b>

R653 000 (2014/2015: R1 756 000) was recognised as a receivable relating to the overpayment to the employers in earlier periods, as a result of inaccurate information received, and is based on the amount of such grant over payments. An amount of R188 000 (2014/2015: R Nil) was provided for as doubtful debts.

Fasset refunds amounts to employers in the form of grants, based on information from DHET. Where information is retrospectively amended, it may result in grants that have been paid to certain employers that are in excess of the amount Fasset is permitted to have granted to employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant overpayment, net of bad debts and provision for irrecoverable amounts.

The carrying amount of accounts receivable is net of allowance for any doubtful debt, estimated by the Accounting Authority based on assessment of the risk of non-recoverability. The carrying amount of these assets approximates their fair value.

### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2	1
Bank balances	276 727	216 477
	<b>276 729</b>	<b>216 478</b>

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. Surplus funds were invested in line with an investment policy as required by Treasury Regulations 31.3.5. During 2015/2016 funds were invested with the Corporation for Public Deposits and in a call account with Rand Merchant Bank. The average interest rate on funds held at the Corporation for Public Deposits and Rand Merchant Bank was 7.1% and 6.79% respectively. (2014/2015: 5.8% and 5.5% ).

Cash and cash equivalents comprise cash held by Fasset, deposits with the Corporation for Public Deposits and short-term bank deposits on call. The carrying amount of these assets approximates their fair values.

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

### 6. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office furniture and fittings	597	(527)	70	592	(497)	95
Office equipment	917	(654)	263	780	(528)	252
Computer equipment	838	(622)	216	668	(487)	181
Leasehold improvements	500	(477)	23	500	(377)	123
<b>Total</b>	<b>2 852</b>	<b>(2 280)</b>	<b>572</b>	<b>2 540</b>	<b>(1 889)</b>	<b>651</b>

#### Reconciliation of property, plant and equipment - 2015/2016

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture and fittings	95	6	-	(31)	70
Office equipment	252	142	(1)	(130)	263
Computer equipment	181	179	(1)	(143)	216
Leasehold improvements	123	-	-	(100)	23
	<b>651</b>	<b>327</b>	<b>(2)</b>	<b>(404)</b>	<b>572</b>

#### Reconciliation of property, plant and equipment - 2014/2015

	Opening balance	Additions	Depreciation	Total
Office furniture and fittings	128	3	(36)	95
Office equipment	356	7	(111)	252
Computer equipment	223	70	(112)	181
Leasehold improvements	214	36	(127)	123
	<b>921</b>	<b>116</b>	<b>(386)</b>	<b>651</b>

#### Fully depreciated assets still in use

##### Gross Carrying Value

Office furniture and fittings	180	181
Office equipment	57	58
Computer equipment	95	74
	<b>332</b>	<b>313</b>

### 7. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	232	(196)	36	178	(145)	33

#### Reconciliation of intangible assets - 2015/2016

	Opening balance	Additions	Amortisation	Total
Computer software	33	54	(51)	36

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

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### 7. Intangible assets (continued)

#### Reconciliation of intangible assets - 2014/2015

	Opening balance	Additions	Amortisation	Total
Computer software	16	38	(21)	33

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#### Fully depreciated assets still in use

#### Gross Carrying Value

Computer software			196	143
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### 8. Payables from exchange transactions

Trade payables	408	495
Project creditors	22 502	14 737
Accrued leave pay	615	531
Other accruals	267	499
	<b>23 792</b>	<b>16 262</b>

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Included in project creditors is an amount of R10 000 000 relating to the NSFAS Bursary project hence the significant increase in the balance of project creditors in comparison to the comparative year.

The carrying amount of trade and other payables approximate their fair value due to the relatively short-term maturity of these financial liabilities.

### 9. Payables from non-exchange transactions

Skills development grants payable - mandatory	7 177	6 064
Skills development grants payable - discretionary	2 271	567
Inter-seta payables	959	2 249
Levy creditors	1 561	2 683
	<b>11 968</b>	<b>11 563</b>

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# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

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### 10. Provisions

#### Reconciliation of provisions - 2015/2016

	Opening Balance	Additions	Change in estimate	Total
Exempt employers provision	9 154	1 473	(2 422)	8 205

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#### Reconciliation of provisions - 2014/2015

	Opening Balance	Additions	Change in estimate	Total
Exempt employers provision	8 482	328	344	9 154

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#### Exempt employers provision

An amount of R8 205 000 (2014/2015: R9 154 000) relates to levies incorrectly contributed by employers, and paid over by SARS and DHET, after being exempted from contributing SDL due to legislation changes which came into effect from 1 August 2005. As SARS collects the levies on behalf of DHET, the responsibility to refund the levies to the employers remains with SARS.

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

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

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

### 11. Accumulated surplus

#### Allocation of Surplus / (Deficit) to Reserves

##### Current year - 2015/2016

	Administration reserve R'000	Mandatory reserve R'000	Discretionary reserve R'000	Total per Statement of Financial Performance R'000
Levies	60 637	100 891	287 796	449 324
Interest received - investment	-	-	16 679	16 679
Other income	34	-	-	34
<b>Total Revenue</b>	<b>60 671</b>	<b>100 891</b>	<b>304 475</b>	<b>466 037</b>
Administration expenses	(41 959)	-	-	(41 959)
Employer grants and project expenses	-	(55 915)	(316 116)	(372 031)
<b>Surplus per Statement of Financial Performance allocated</b>	<b>18 712</b>	<b>44 976</b>	<b>(11 641)</b>	<b>52 047</b>

##### Prior year - 2014/2015

	Administration reserve R'000	Mandatory reserve R'000	Discretionary reserve R'000	Total per Statement of Financial Performance R'000
Levies	56 099	94 942	261 393	412 434
Interest received - investment	-	-	16 934	16 934
Other income	64	-	-	64
<b>Total Revenue</b>	<b>56 163</b>	<b>94 942</b>	<b>278 327</b>	<b>429 432</b>
Administration expenses	(37 260)	-	-	(37 260)
Employer grants and project expenses	-	(64 472)	(309 007)	(373 479)
<b>Surplus per Statement of Financial Performance allocated</b>	<b>18 903</b>	<b>30 470</b>	<b>(30 680)</b>	<b>18 693</b>

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>12. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>Financial assets at amortised cost</b>		
Receivables from exchange transactions	541	816
Receivables from non-exchange transactions	1 721	2 864
Cash and cash equivalents	276 729	216 478
	<b>278 991</b>	<b>220 158</b>
<b>Financial liabilities at amortised cost</b>		
Payables from exchange transactions	23 792	16 262
Payables from non-exchange transactions	11 968	11 563
	<b>35 760</b>	<b>27 825</b>
<b>13. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	16 679	16 934
<b>Interest income on bank deposits</b>		
Accrued	186	229
Received	16 493	16 705
	<b>16 679</b>	<b>16 934</b>
<b>14. Levies</b>		
Levy transfer: Employer grants	100 891	94 942
Levy transfer: Discretionary grants	269 354	244 967
Levy transfer: Administration	60 637	56 099
Levy penalties and interest	18 442	16 426
	<b>449 324</b>	<b>412 434</b>
<b>15. Other income</b>		
Skills development levy refund	29	64
Bad debt recovered	5	-
	<b>34</b>	<b>64</b>

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>16. Employee related costs</b>		
Basic salaries	14 136	12 264
Bonus	2 102	907
Medical aid - company contributions	378	345
UIF	48	47
Workmens compensation	19	13
SDL	174	149
Leave pay provision charge	85	(45)
Group life benefits	340	368
	<b>17 282</b>	<b>14 048</b>
<b>17. Employer grant and project expenses</b>		
Mandatory grants	55 915	64 472
Discretionary grants	38 361	46 261
Project expenditure	277 755	184 196
NSF transfer	-	78 550
	<b>372 031</b>	<b>373 479</b>
<b>18. General expenses</b>		
Advertising	838	1 181
Auditors remuneration	2 119	2 015
Bank charges	52	64
Committee costs	390	386
Consulting and professional fees	13 037	11 978
Education and Training Quality Assurance (ETQA)	410	481
Insurance	207	197
Lease rentals on operating lease	1 444	1 391
Other administration expenses	695	792
Postage and courier	21	13
Printing and stationery	361	330
Quality Council for Trades and Occupations (QCTO)	1 690	1 109
Remuneration to members of the Accounting Authority	726	1 324
Research expenditure	840	459
Telephone	121	109
Training	280	198
Travel and subsistence	73	96
Water and electricity	465	390
	<b>23 769</b>	<b>22 513</b>



# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>19. Cash (used in)/generated from operations</b>		
Surplus	52 047	18 693
<b>Adjustments for:</b>		
Depreciation and amortisation	455	408
Loss on disposal of assets	2	-
Impairment of receivables	293	87
Movements in operating lease assets and accruals	(262)	(139)
Movements in provisions	(949)	672
Investment income accrued	43	(229)
<b>Changes in working capital:</b>		
Inventories	(14)	3
Receivables from exchange transactions	232	88
Consumer debtors	-	(87)
Receivables from non-exchange transactions	850	(1 239)
Payables from exchange transactions	7 703	12 803
Payables from non-exchange transactions	232	1 328
	<b>60 632</b>	<b>32 388</b>

## 20. Comparative figures

An amount of R64 000 disclosed as revenue from exchange transactions in the prior period annual financial statements has been reclassified to revenue from non-exchange transactions. This amount constitutes bad debts recovered as well as skills development levy refunds. Refer to note 15.

The effects of the reclassification are as follows:

### Statement of Financial Performance

Revenue from exchange transactions	-	64
Revenue from non-exchange transactions	-	(64)

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>21. Commitments</b>		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	-	1 521
<p>The operating lease related to the rental of office space in which the entity operates. Fasset entered into a lease agreement on 1 June 2011 until 31 March 2016. A new lease was entered into and became effective on 01 April 2016 (subsequent to the financial year end). A deposit of R75 000 was paid on inception of the lease. The deposit amount, which is refundable upon termination of the lease, will be reduced by any outstanding costs and will accrue interest based on prime less five percentage points per annum. The rent escalates annually on 1 April by 9%.</p>		
<b>Discretionary projects</b>		
<b>2011/2012 projects</b>		
Thuthuka Repeat QE Part 1	-	256
<b>2013/2014 projects</b>		
TVET Professional Qualification and Capacity Building Programme	-	824
TVET Research	-	288
TVET Learner Workplace-Based Experience Project	2 191	2 675
Thuthuka ITC	-	945
	<b>2 191</b>	<b>4 732</b>
<b>2014/2015 projects</b>		
Lifelong Learning	-	170
Career Awareness	-	222
Stakeholder Engagement	-	293
Learnership Cash Grant Entry	-	380
Learnership Cash Grant Exit	-	40
TVET Learner Workplace-based Experience Project	8 149	16 493
TVET Projects Research	914	960
TVET Learner Workplace-based Experience Project (MBAT)	-	218
Bonani 10	-	39 749
Ithemba Bridging Programme	-	5 637
Tshepong Bridging Programme (FS)	194	2 500
ICB - Khanyisa Training Programme	190	1 317
EOH Abantu Bridging Programme	282	7 430
Hedge Fund Training Academy CC	-	1 163
MBAT Hluma Bridging Programme	-	8 630
University of the Free State	497	2 734
Thuthuka Undergraduate Support Programme	2 536	6 742
Pivotal Grants	-	3 120
Thuthuka CTA Distance Learning Support	2 707	16 324
	<b>15 469</b>	<b>114 122</b>
<b>2015/2016 projects</b>		
Lifelong Learning	-	3 899
The Rhodes Certificate in Sustainable Business Analysis Programme	-	5 558
ICB - Khanyisa Training Programme Gauteng	64	2 165
SciMathUs 2015	-	144

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>21. Commitments (continued)</b>		
ACCA Impumelelo Eyethu	1 525	4 408
Career Awareness	-	285
Stakeholders Engagement	-	786
University of Cape Town Bukela Ufunde Extended Academic Programme	-	14 816
University of the Western Cape Phucula Academic Programme	1 439	10 735
Cape Peninsula University of Technology Vuna Academic Programme	2 583	12 185
Thuthuka Undergraduate Support Programme	434	2 296
TVET Learner Workplace-Based Experience Project	18 550	-
Bonani 11	38 098	-
Ithemba Bridging Programme IV	4 509	-
Tshepong Bridging Programme II (FS)	1 967	-
University of Free State INTRABAS (BAcc)	2 580	-
University of Free State PGDip (GA)	2 284	-
University of Free State INTRABAS (BComAcc)	11 144	-
University of Free State (EMS)	3 152	-
University of Free State PGDip (CA)	571	-
SAIPA Achiever Project	2 882	-
NMMU Higher Certificate in Accountancy	527	-
Intela Academic Programme	5 758	-
Hedge Fund Training Academy CC	9 574	-
Thuthuka Undergraduate Support Programme	8 792	-
Phadisa Bridging Programme	1 086	-
University of the Western Cape & MBAT Ukwazi Bridging Programme	8 243	-
University of the Western Cape Phucula 2016 Academic Programme	14 254	-
TUT & MBAT Borogo Bridging Programme	6 977	-
NMMU & MBAT Umchankatho Bridging Programme	7 731	-
University of Pretoria FASSP Academic Programme	7 745	-
Thuthuka Undergraduate APC Repeat Development Academic Programme	2 489	-
College of Accounting Sciences: UNISA-CAS Programme	17 704	-
NMMU Simanye Academic Programme	804	-
TUT & MBAT Tokofatsha Academic Programme	5 998	-
Pivotal Grants	1 504	-
	<b>190 968</b>	<b>57 277</b>
<b>2016/17 projects</b>		
TVET Work Experience Placement	13 968	-
		-
<b>Total commitments</b>	<b>222 596</b>	<b>176 387</b>

The full balance of R233 994 000 (2015: R182 504 000) available in the discretionary reserve has been approved and allocated for future projects and skills priorities. Of the allocated balance of R233 994 000, R222 596 000 (2015: R176 387 000) has been contracted. A request for accumulation of the discretionary surplus has been submitted to National Treasury through DHET.

### Year 2015/2016 split between pivotal and non-pivotal

The grant regulations require at least an 80/20 split for discretionary projects between pivotal and non-pivotal programmes. We have performed the calculation based on current year project allocations. During the current year Fasset has allocated 93% of its 2015/2016 projects to pivotal programmes and 7% to non-pivotal programmes.

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
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### 22. Related parties

#### Relationships

Controlling entity

Department of Higher Education and Training

Entities under common control

By virtue of the fact that Fasset is a National Public Entity controlled by the DHET it is considered related to other Setas, the QCTO and the NSF. The transactions are consistent with normal operating relationships between the entities and are undertaken on terms and conditions that are normal for such transactions. Where there were transactions and balances arising due to the movement of funds between entities under common control of the DHET, these amounts are disclosed below.

Entities with a representative serving on Fasset's Accounting Authority

Industrial Development Corporation (H. Fischer)  
PricewaterhouseCoopers (S. Machaba)  
SARS (C. Karsten, K. Hlongwane & P. Badal)  
KPMG (M. Mapaya effective until June 2015)  
CIMA (S. Louis)  
SAIPA (S. Daniels until October 2015)  
National Treasury (S. Mngomezulu)

Members of the Accounting Authority

P. Badal  
S. Daniels  
A. Dempsey  
H. Fischer\*  
S. Gounden  
K. Hlongwane  
C. Karsten  
M. Kotane  
S. Louis  
S. Machaba  
M. Mapaya (until June 2015)\*  
B. Mathibela\*  
S. Mngomezulu\*  
M. Mushwana  
S. Sono (Chairman)

Members of key management

C. James (CEO)  
L. Lebuso (COO)

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>22. Related parties (continued)</b>		
<b>Related party balances</b>		
<b>Inter-Seta receivables</b>		
Inseta	2	23
<b>Inter-Seta payables</b>		
Bankseta	(108)	-
Chieta	(435)	-
Uncategorised	(959)	(2 249)
<b>Related party transactions</b>		
<b>Transactions with Setas and other entities under common control</b>		
Agriseta	-	(1)
Cathseta	-	(3)
CHIETA	-	(18)
ETDP Seta	-	(50)
Inseta	-	(84)
MICT Seta	-	(98)
Sasseta	(1 370)	(1 387)
Services Seta	-	(222)
W & R Seta	-	2
QCTO	(1 689)	(1 109)
<b>Remuneration - Members of key management</b>		
The senior management group consists of Fasset's CEO and COO. The aggregate remuneration of members of the senior management group and the number of managers receiving remuneration within this category are disclosed above.		
<b>Remuneration of Chief Executive Officer (CEO)</b>		
Basic	2 180	2 280
Allowances	42	42
Bonuses	382	-
	<b>2 604</b>	<b>2 322</b>
<b>Remuneration of Chief Operating Officer (COO)</b>		
Basic	1 479	1 422
Bonuses	239	-
	<b>1 718</b>	<b>1 422</b>
Total	4 322	3 744
<b>Discretionary grants and projects - Entities with a representative serving on Fasset's Accounting Authority</b>		
KPMG	5 309	8 261
Industrial Development Corporation	612	3 911
PricewaterhouseCoopers	7 337	10 574
SARS (as employer)	1 549	7 868
CIMA	18	36
SAIPA	2 886	4

Fasset has, in the normal course of its operations, entered into certain transactions with entities which had an appointed representative serving on the Fasset Accounting Authority.

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

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	2016	2015
	R '000	R '000

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### 22. Related parties (continued)

The transactions above occurred under terms that were no more favourable than those available in similar arm's length dealings. The transactions disclosed exclude the transactions that relate to statutory requirements. Discretionary grants and projects comprise of the Pivotal Grant and project funding disbursed in accordance with the priorities as defined in the Sector Skills Plan. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debt in respect of the amounts owed by related parties.

#### Remuneration - Members of the Accounting Authority

P. Badal	38	99
S. Daniels	69	101
A. Dempsey	49	93
H. Fischer*	65	94
S. Gounden	41	91
K. Hlongwane	50	102
C. Karsten	44	99
M. Kotane	47	97
S. Louis	44	93
S. Machaba	52	105
M. Mapaya (until June 2015)*	14	-
B. Mathibela*	40	99
S. Mngomezulu*	43	18
M. Mushwana	45	104
S. Sono (Chairman)	19	129

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

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

Fasset is controlled by the DHET. The Department is controlled by the Minister of Higher Education and Training. Levies were received from DHET and are disclosed in note 14.

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

### 23. Risk management

#### Liquidity risk

Fasset manages liquidity risk through proper management of working capital, capital expenditure and actual vs. forecasted cash flows and its cash management policy. Adequate reserves and liquid resources are maintained.

2015/2016	Carrying amount	6 months or less	6-12 months	1-2 years
Payables from exchange transactions	(23 792)	(23 792)	-	-

  

2014/2015	Carrying amount	6 months or less	6-12 months	1-2 years
Payables from exchange transactions	(16 262)	(16 262)	-	-

#### Credit risk

Financial assets which potentially subject Fasset 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 and receivables from exchange transactions.

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

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

2016	Gross	Impairment	Carrying amount
Receivables from exchange transactions	541	-	541

  

	Gross	Impairment	Carrying amount
Cash and cash equivalents	276 729	-	276 729

  

2015	Gross	Impairment	Carrying amount
Receivables from exchange transactions	816	-	816

  

	Gross	Impairment	Carrying amount
Cash and cash equivalents	216 478	-	216 478

#### Market risk

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

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

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### 23. Risk management (continued)

#### Interest rate risk

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

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

	Floating rate (R'000)	Non-interest bearing (R'000)	Total (R'000)
<b>2016</b>			
Cash	276 727	2	276 729
Receivables from exchange transactions	186	355	541
Payables from exchange transactions	-	(23 792)	(23 792)
	<b>276 913</b>	<b>(23 435)</b>	<b>253 478</b>
<b>2015</b>			
Cash	216 477	1	216 478
Receivables from exchange transactions	-	816	816
Payables from exchange transactions	-	(11 968)	(11 968)
	<b>216 477</b>	<b>(11 151)</b>	<b>205 326</b>

### 24. Events after the reporting date

#### Operating lease

An operating lease agreement for the rental of premises was concluded during April 2016. The contract is for a period of 2 years and rental costs will escalate at 9% at the end of 1 year.

#### Pivotal grants

Pivotal grants totalling R1 504 000 in relation to applications received during the year were approved after year end and are disclosed as commitments in note 21.

### 25. Going Concern

The entity is currently established until 31 March 2018. The ability of the entity to continue as a going concern beyond 31 March 2018 is dependent on the Minister of Higher Education and Training's decision to re-license the SETA at that time. There are no known instances which cast doubt on the SETA's ability to continue as a going concern for the next 12 months.

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



# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

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### 26. Contingencies

#### 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 R1 081 000 (2014/2015 R448 000) will be payable. The amount is contingent on the number of submissions received and approved.

#### Surplus Funds

##### Discretionary fund surplus

In terms of the PFMA, all surplus funds at year-end may be forfeited to National Treasury should an application for retention of surplus be denied. Fasset has submitted an application to National Treasury via the Department of Higher Education and Training for the retention of surplus funds amounting to R233 994 000.

##### Cash surplus

In terms of section 53 (3) of the PFMA, public entities listed in Schedule 3A and 3C to the PFMA may not retain cash surpluses that were realized in the previous financial year without obtaining the prior written approval of National Treasury. During September 2015, National Treasury Issued Instruction No.3 of 2015/16 which gave more detail to the surplus definition. According to this instruction, a surplus is based on the cash flow from operating activities and net investing activities in financial assets.

As at the 31<sup>st</sup> March 2016 the cash flow from operating activities and net investing activities from financial assets was R60 632 000 and RNil respectively. The net cash surplus is R60 632 000. Fasset has submitted an application to National Treasury for the retention of this cash surplus.

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

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### 27. Budget differences

#### Notes to Statement of Comparison of Budget and Actual amounts

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

Variances of 10% and above are considered material and are explained below:

#### Investment revenue

Investment income was 12% higher than budget due to higher average cash balances being held during the year as a result of lower than budgeted employer grant and project expenditure. The average interest rate also increased from 5.3% in the previous year to 6.79% on short term deposits. The Corporate for Public Deposits average interest rate increased from 5.8% to 7.1%.

#### Transfer revenue - levies

Levy receipts were less than budgeted for by 5% and this variance is considered to be immaterial.

#### Employer grant and project expenses

Employer grants and project expenditure is 16% lower than budget. The most significant factors contributing to the budget saving were as follows:

##### Project expenses

The effects of the nationwide fees must fall campaign contributed significantly to slower progress than expected on some projects.

##### Mandatory grants

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

The budgeted employer grant payout ratio was 78% while the actual payout ratio in the current year was only 61% and this resulted in lower than budgeted mandatory grant payments.

#### General expenses and repairs and maintenance

General expenditure is 13% lower than budget. The most significant factors contributing to the budget saving were as follows:

##### Consulting and professional fees

Service Provider fees are based on a % of levy receipts. Due to levies being lower than budget, the service provider fees are also below budget.

##### Remuneration of members of the Accounting Authority

Cost savings were realised due to changes in remuneration policy that were implemented during the current financial year. Members were remunerated at an hourly rate and not at a fee per meeting attended.

Administration expenditure is limited to 10.5% of levies received. The legislative limit has not been exceeded and savings were be utilised to fund sector skills priorities through various projects.

### 28. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure have been incurred during the current year.

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

	2016 R '000	2015 R '000
<b>29. Irregular expenditure</b>		
Opening balance	1 426	-
Irregular Expenditure - current year	6 044	1 426
	<b>7 470</b>	<b>1 426</b>

### Details of irregular expenditure

During the 2014/2015 financial year, Fasset awarded a contract amounting to R7 470 000 (of which R1 426 000 was incurred in 2014/2015 and RR6 044 000 was incurred in 2015/2016) in relation to the furtherance of its mandate of skills development. An identified discretionary project was under subscribed and this resulted in the availability of additional funds. These additional funds were then allocated to an existing service provider. The award of the contract has subsequently been determined to be non-competitive and therefore non-compliant with supply chain management policy and processes.

### Action taken/ to be taken

This matter is still under forensic investigation and has not been concluded.

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Annexure A

### Segment information

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

2016	Administration R'000	Mandatory R'000	Discretionary R'000	General R'000	Total R'000
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Other income	34	-	-	-	34
Investment income	-	-	16 679	-	16 679
<b>Revenue from non-exchange transactions</b>					
Skills development levy: Income	60 637	100 891	269 354	-	430 882
Penalties and interest	-	-	18 442	-	18 442
<b>Total segment revenue</b>	<b>60 671</b>	<b>100 891</b>	<b>304 475</b>	<b>-</b>	<b>466 037</b>
<b>Expenditure</b>					
Employee related costs	(17 282)	-	-	-	(17 282)
Depreciation and amortisation	(455)	-	-	-	(455)
Employer grant and project expenses	-	(55 915)	(316 116)	-	(372 031)
Other administration expenses	(24 222)	-	-	-	(24 222)
<b>Total segment expenditure</b>	<b>(41 957)</b>	<b>(55 915)</b>	<b>(316 520)</b>	<b>-</b>	<b>(413 990)</b>
<b>Total surplus/(deficit)</b>	<b>18 712</b>	<b>44 976</b>	<b>(11 641)</b>	<b>-</b>	<b>52 047</b>

	Administration R'000	Mandatory R'000	Discretionary R'000	General R'000	Total R'000
<b>Assets</b>					
Consumables	49	-	-	-	49
Receivables from exchange transactions	93	-	448	-	541
Receivables from non-exchange transactions	-	1 721	-	-	1 721
Cash and cash equivalents	-	-	-	276 729	276 729
Non-current assets	608	-	-	-	608
<b>Total Assets</b>	<b>750</b>	<b>1 721</b>	<b>448</b>	<b>276 729</b>	<b>279 648</b>
<b>Liabilities</b>					
Payables from exchange transactions	1 288	-	22 504	-	23 792
Payables from non-exchange transactions	-	9 757	2 211	-	11 968
Provisions	1 007	3 147	4 051	-	8 205
<b>Total Liabilities</b>	<b>2 295</b>	<b>12 904</b>	<b>28 766</b>	<b>-</b>	<b>43 965</b>

# Finance and Accounting Services Sector Education and Training Authority

Annual Financial Statements for the year ended 31 March 2016

## Annexure A

### Segment information (continued)

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

2015	Administration R'000	Mandatory R'000	Discretionary R'000	General R'000	Total R'000
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Other income	64	-	-	-	64
Investment income	-	-	16 934	-	16 934
<b>Revenue from non-exchange transactions</b>					
Skills development levy: Income	56 099	94 942	244 967	-	396 008
Penalties and interest	-	-	16 426	-	16 426
<b>Total segment revenue</b>	<b>56 163</b>	<b>94 942</b>	<b>278 327</b>	<b>-</b>	<b>429 432</b>
<b>Expenditure</b>					
Employee related costs	(14 048)	-	-	-	(14 048)
Depreciation and amortisation	(408)	-	-	-	(408)
Employer grant and project expenses	-	(64 472)	(309 007)	-	(373 479)
Other administration expense	(22 804)	-	-	-	(22 804)
<b>Total segment expenditure</b>	<b>(37 260)</b>	<b>(64 472)</b>	<b>(309 007)</b>	<b>-</b>	<b>(410 739)</b>
<b>Total surplus/(deficit)</b>	<b>18 903</b>	<b>30 470</b>	<b>(30 172)</b>	<b>-</b>	<b>18 693</b>

	Administration R'000	Mandatory R'000	Discretionary R'000	General R'000	Total R'000
<b>Assets</b>					
Consumables	35	-	-	-	35
Receivables from exchange transactions	89	-	727	-	816
Receivables from non-exchange transactions	-	2 864	-	-	2 864
Cash and cash equivalents	-	-	-	216 478	216 478
Non-current assets	684	-	-	-	684
<b>Total Assets</b>	<b>808</b>	<b>2 864</b>	<b>727</b>	<b>216 478</b>	<b>220 877</b>
<b>Liabilities</b>					
Payables from exchange transactions	1 525	-	14 737	-	16 262
Payables from non-exchange transactions	-	10 996	567	-	11 563
Provisions	1 154	5 151	2 849	-	9 154
<b>Total Liabilities</b>	<b>2 679</b>	<b>16 147</b>	<b>18 153</b>	<b>-</b>	<b>36 979</b>