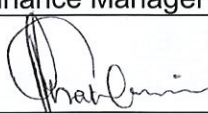
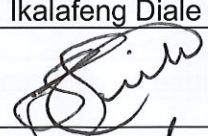



SAFETY AND SECURITY SECTOR EDUCATION AND TRAINING AUTHORITY

REVENUE MANAGEMENT FRAMEWORK	
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ACRONYMS	DEFINITION
NT	The National Treasury
SARS	South African Revenue Services
SDA	Skills Development Act no 97 of 1998
SDLA	Skills Development Levies Act no 9 of 1999
SASSETA	Safety and Security Sector Education and Training Authority
PFMA	Public Finance Management Act no 1 of 1999
Income Tax	Income Tax Act no 58 of 1962
AA	Accounting Authority as defined under section 49 of the PFMA
GRAP	Generally Recognized Accounting Practice
FINCO	Finance Committee: a sub-committee of the Accounting Authority
NSF	National Skills Fund
PSETA	Public Service Sector Education and Training Authority
CPD	Corporation for Public Deposits
ETDPSETA	Education, Training & Development Practices Sector Education and Training Authority
DHET	Department of Higher Education and Training

1. BACKGROUND

- The Revenue Management Framework (RMF) is an essential tool designed to help entities to best understand all its grant revenue sources as well as essential aspects of managing and accounting for such grant revenue.
- The RMF provides a strategy of managing an entity's revenue segment and the resources funding each grant revenue segment.
- SASSETA does not receive National Treasury (NT) allocation in the form of voted funds, but rather collect its grant revenue from Skills Development Levies administered through the South African Revenue Services (SARS), as well as contribution from the Government Departments affiliated in the Safety and Security Cluster.

2. LEGISLATION

- The Skills Development Act, later referred to as the SETA Grant Regulations provides legislative guidelines regarding monies received in terms of the Skills Development Levies Act anchored by the Income Tax Act. This aspect of the legislation addresses levies collected from the private sector and administered through SARS.
- Contributions from public service employers in the national and provincial spheres of government are accounted for in terms of Human Resource Directive 1 of 2013 and the Guidelines on Public Service as A Training Space.
- Section 53(1)(e) of the Public Finance Management Act (PFMA) requires the Accounting Authority (AA) or delegated official to submit a budget of estimated revenue and expenditure to the Executive Authority for approval.
- Section 57(c) of the PFMA imposes a responsibility on finance officials to prevent any under collection of revenue due to the entity.

3. ACCOUNTING BASIS

- The Standard of Generally Recognized Accounting Practice (GRAP) comprehensively address the accounting principles associated with the definitions, initial recognitions, subsequent measurement as well as the disclosure notes of grant revenue.
- Both GRAP 9 – Revenue from Exchange Transactions and GRAP 23 – Revenue from Non-exchange Transactions play a significant role in the accounting process, depending on the source of grant revenue. However, GRAP 23 addresses a material component of the SETA grant revenue due to the nature and type of grant revenue sources (i.e., taxes and contributions/transfers) received by SASSETA.

- In certain instances, the AA may through the Finance Committee (FINCO) request that SASSETA explore other means of generating revenue. Should such initiatives succeed, GRAP 109 – Accounting by Principals and Agents will apply.
- Such Revenue Enhancement Project will be co-ordinated using the procurement principles and processes.

4. ACCOUNTING FOR GRANT REVENUE

Revenue from Skills Development Levies

- Levy income received from qualifying employers will be calculated at 1% of the employment cost monthly.
- The amount will be split between SASSETA and the National Skills Fund (NSF) on a ratio of 80/20, respectively.
- The 80% allocation to SASSETA will be split between the 10.5% for administration grant revenue, 20% mandatory grant revenue and 49.5% for discretionary grant revenue.
- Included in the 80% allocation will be the interest and penalty on late administration and payment of the levy income to SARS.

Revenue in the form of contributions from Government Departments

- Based on the voted funds allocation by the NT, government department elects a basis of contribution. Government departments as public service employers are specifically exempted from the definition of qualifying employer as per SDLA.
- Contributions from the government departments are 3 or 4 phased. From the 1% calculated on the salary bill, government departments apply a basis percentage of either 10% or 30%. This will depend on their budget allocation. Where a government department enjoys skills development programmes from the main SETA and PSETA, only 95% of the grant revenue will be allocated to the main SETA and 5% allocation will be to PSETA.
- Contributions from the government departments are first agreed upon between the Finance Manager (FM) and the department concerned. Once basis have been agreed upon, an invoice will be issued.
- Government departments elect the frequency of payments based on their needs analysis.

Investment income

- On a periodic basis, SASSETA quantifies the cash flow limit required to extinguish the day-to-day obligations for a period (i.e., 4 months), any additional surpluses will

be invested mainly with the Corporation for Public Deposit or with any of the reputable banking institutions where permission has been granted by the NT.

- All investment income earned on the surplus funds will be utilize for discretionary grant purposes. This is in line with paragraph 3(3) of the SETA Grant Regulations.

Other income

- Though this is an immaterial type of revenue, other income is mainly generated from proceeds from the disposal of assets and/or mandatory grant income from the participating SETA, in our case ETDPSSETA (i.e., Education, Training & Development Practices Sector Education and Training Authority).
- SASSETA may come up with other non-regulated means of generating income, such income will be accounted under this category.

5. CHALLENGES ON ADMINISTRATION GRANT REVENUE

- The mechanism of our grant revenue is such that there's a limitation imposed on the portion that can be set aside for administration expenditure purposes. Paragraph 2(1) of the SETA Grant Regulations legislate that a SETA may not use more than 10.5% of the total levy income for administration purposes.
- Listed under of administration expenditure are traditional expense categories such as office accommodation, legal fees, board fees, acquisition of furniture and fittings as well as cost of research.
- The impact of the above initiatives is such that the administration grant revenue will no longer be adequate to address this need.
- Any attempts to avoid keeping up with the modernization trends will adversely impact on the business efficient continuity.
- SASSETA frequently assesses its administration grant revenue position weighed against the administration grant expenditure.
- Paragraph 2(3) of the SETA Grant Regulation permits the SETA to request from the Minister of the Department of Higher Education and Training (i.e., DHET) permission to exceed the allocated 10.5% administration grant revenue.
- This request will be accommodated by a business case approved by the Accounting Authority or delegated official and submitted within the specified timelines.

6. REPORTING

- On a monthly/quarterly basis, the Finance Manager will present to the management team, grant revenue performance against the approved annual budget, noting any relevant qualitative factors.



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- Where there's a material change in the circumstances affecting the SETA revenue, budget amendments will be initiated.