

## Annexure A: Skills Development Element & BEE audit requirements/procedure

### The Skills Development Element

The Skills Development Scorecard comprises three indicators: the first two measure monetary spend on black employees, whilst the third measures the number of black employees who are enrolled in learnerships and/or structured work-based learning programmes as defined in the Learning Programme Matrix.

#### The Skills Development Scorecard:

| Indicator  | Weighting/<br>Points | Target                 |
|--|----------------------|------------------------|
| Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees as a percentage of Leviale amount using the adjusted recognition for gender                   | 6                    | 3% of leviale amount   |
| Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of Leviale amount using the adjusted recognition for gender | 3                    | 0.3% of leviale amount |
| Number of black employees participating in Learnerships or Category B,C and D Programmes as a percentage of total employees using the adjusted recognition for gender  | 6                    | 5% of entire workforce |

**Sub Element 1:** *“Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees as a percentage of Leviale amount using the adjusted recognition for gender”*

The BEE auditor will audit a claim by the measured entity in terms of Skills Development Expenditure for black employees. The final accepted result will be expressed as a percentage of the “leviable amount”. The “leviable amount” bears the meaning as defined in the Skills Development Levies Act of 1999 as determined using the Fourth Schedule to the Income Tax Act and is essentially the entire payroll of the measured entity in the financial year under review.

Only expenditure on learning programmes as per the skills matrix is accounted for and can be claimed. The claim for “Category G” training is limited to 15% of the total claim.

**The Skills Development Matrix:**

| <b>Cat</b> | <b>Narrative Description</b>  | <b>Delivery Mode</b>  | <b>Learning Site</b>  | <b>Learning Achievement</b>   |
|------------|---|---|---|---|
| <b>A</b>   | Institution-based theoretical instruction alone – formally assessed by the institution  | Institutional instruction   | Institutions such as universities and colleges, schools, ABET providers               | Recognised theoretical knowledge resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning  |
| <b>B</b>   | Institution-based theoretical instruction as well as some practical learning with an employer or in a simulated work environment – formally assessed through the institution                              | Mixed mode delivery with institutional instruction as well as supervised learning in an appropriate workplace or simulated work environment | Institutions such as universities and colleges, schools, ABET providers and workplace | Theoretical knowledge and workplace experience with set requirements resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning  |
| <b>C</b>   | Recognised or registered structured experiential learning in the workplace that is required after the achievement of a qualification – formally assessed by a statutory occupational or professional body | Structured learning in the workplace with mentoring or coaching   | Workplace   | Occupational or professional knowledge and experience formally recognised through registration or licensing   |
| <b>D</b>   | Occupationally-directed instructional and workbased learning programme that requires a formal contract – formally assessed by an accredited body  | Institutional instruction together with structured, supervised experiential learning in the workplace                                       | Institution and workplace   | Theoretical knowledge and workplace learning, resulting in the achievement of a South African Qualifications Authority registered qualification, a certificate or other similar occupational or professional qualification issued by an accredited or registered formal institution of learning |
| <b>E</b>   | Occupationally-directed instructional and workbased learning programme that does not require a formal contract – formally assessed by an accredited body  | Structured, supervised experiential learning in the workplace which may include some institutional instruction                              | Workplace and some institutional as well as ABET providers                            | Credits awarded for registered unit standards   |
| <b>F</b>   | Occupationally-directed informal instructional programmes   | Structured information sharing or direct instruction involving workshops, seminars and conferences and short courses                        | Institutions, conferences and meetings  | Continuing professional development, attendance certificates and credits against registered unit standards (in some instances)  |
| <b>G</b>   | Work-based informal programmes  | Informal training   | Workplace   | Increased understand of job or work context or improved performance or skills   |

### **Adjusted Recognition for Gender**

“Adjusted Recognition for Gender” means that the black representation (in %) is halved and the black female representation (in %) is added, where whatever is being added in terms of black female representation is limited to 50% of the prescribed target for that element. In terms of Skills Development Expenditure one has to half the expenditure on development of skills of black people in general (as a % of the leviable amount) and add the expenditure on development of skills of black women (as a % of the leviable amount).

### **Skills development spend**

Skills development spend can include spend on legitimate training related expenses at their full value, provided these are for the implementation of Certified Learning Programmes (if Learning Programmes are uncertified then expense recognition is capped at 15% of total skills spend). Legitimate training expenses are clearly listed in the statement, but the following must be noted:

- The opportunity cost of an employee’s time may not be included as a legitimate training expense except where the employee participates in Learning Programmes
- Scholarship/ bursary expenses where employees are required to reimburse the Measured
- Entity may not be included as legitimate training expenses except where the only obligation on the part of the employee relates to:
  - The completion of their studies within a specific timeframe
  - Reimbursement in the form of being employed by the company on completion of studies, provided the employment time does not exceed the number of years of study
- While the Learning Programme Matrix seeks to serve as a comprehensive guide on the types of Training Programmes that should be embarked upon, it does not seek to provide an exhaustive list of such Learning Programmes. Specific consideration should be given to internally developed training programmes accredited by a South African or an internationally recognized accreditation body. In this regard the merits of the training should be considered for their full inclusion in determining skills expenditure for the purposes of this code.
- Overhead costs should be allocated according to the amount of time administration staff spends on different areas of skills training.

**Sub Element 2:** *“Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of Leviable amount using the adjusted recognition for gender”*

The same principles apply as discussed under “Sub Element 1”. There are only two differences:

- Only expenditure on black disabled people can be claimed
- The target is only 0.3% of the leviable amount

“Disabled employees” are defined in the Code of Good Practice on Key Aspects of Disability in the Workplace issued under section 54 of the Employment Equity Act as follows as people with

- a physical or mental impairment and
- which is long-term or recurring and
- which substantially limits ability to work

**Sub Element 3:** *“Number of black employees participating in Learnerships or Category B,C and D Programmes as a percentage of total employees using the adjusted recognition for gender”*

The Measured Entity will obtain recognition for learnerships and other in-service training programmes provided that they meet the definition of an In-Service Training Programme. The number of black learners will be expressed as a percentage of the entire permanent workforce. The “Adjusted Recognition for Gender” as discussed under Sub Element 1 applies.

Learnerships and other in-service training programmes are defined as follows:

- Learnerships, as defined in the Skills Development Act; and
- Learning Programmes contained in category B, C or D of the Learning Programme Matrix

The Skills development Act defines learnerships in Chapter 4 Section 16 as follows:

- the learnership consists of a structured learning component;
- the learnership includes practical work experience of a specified nature and duration;
- the learnership would lead to a qualification registered by the South African Qualifications Authority and related to an occupation; and
- the intended learnership is registered with the Director-General in the prescribed manner.

## Audit procedure and requirements

In terms of audit procedure and audit requirements, different BEE rating agencies might have slightly different approaches, but since the gazetting of the “BEE verification manual” in July 2008 procedures have been aligned.

### General:

Precondition for any scoring under the Skills development Element is that the following documents can be produced upon request:

- Latest Workplace Skills Plan for the financial year under review
- Latest Annual Training Report for the financial year under review
- All 12 “emp201” Forms for the financial year under review

Without the above mentioned documents the BEE auditor will not look any further and declare “non compliance / 0 points” for the Skills Development Element.

### Sub Element 1 and 2:

The audit will usually work off a claim in submitted by the measured entity in term of skills development expenditure. This “claim” would ideally be presented to the auditor in the form of a schedule which ideally differentiates between “internal” or “in-house” training and “external” or “outsourced” training.

Example schedule:

| Types of Training Courses  | Learning Programme Matrix Category | ABET Programme? | Total Number of Attendees | Number of Black People Attended | Number of Black Women Attended | Number of Black Disabled people Attended | Costs        |
|----------------------------|------------------------------------|-----------------|---------------------------|---------------------------------|--------------------------------|--|--------------|
| Policies & Procedures      | G                                  | No              | 120                       | 53                              | 23                             | 5  | 2950         |
| Microsoft XL               | E                                  | No              | 33                        | 12                              | 19                             | 2  | 3300         |
| Super Selling              | F                                  | No              | 25                        | 14                              | 9                              | 0  | 15000        |
| MBA                        | A                                  | No              | 1                         | 1                               | 1                              | 0  | 9000         |
| <b>Total Training Cost</b> |                                    |                 |                           |                                 |                                |  | <b>30250</b> |

From such schedule the BEE auditor will select a sample and for the sample selected request:

In the case of Internal Training

- Attendance registers
- Certified copies of ID’s
- Proof of costing of internal training
  - Trainer payroll
  - Proof of overheads such as rental agreements and sqm calculations

- Stationary and refreshments
  - Possibly: bursary agreement
  - Possibly: interview with trainee

In the case of External Training

- Proof of payments
- Proof of attendance
- Certified copies of ID's
- Possibly: interview with trainee

It is important to note that in the case of "internal" or "in-house" training the measured entity has to provide proof regarding the cost. Claimable are overheads and trainer expenses, but not the opportunity cost of the staff not working while being trained.

In cases where Training is facilitated via a third party who uses funding from SETA to pay for training on behalf of measured entity a letter from the training facilitator such as i-fundi to the measured entity, ideally in affidavit form stating that facilitator spend money on behalf of measured entity who would otherwise have a claim against training facilitator would suffice in order to prove training spend.

### **Sub Element 3:**

Again the Auditor would work off a schedule provided. This schedule should ideally show all participants in learnerships and Category B, C and D Learner programmes. The list should show names gender and race as well as monthly allowance paid.

From such list, the auditor will again select a sample and request the following:

- Learnership agreement
- Certified copy of ID
- Proof of monthly allowance being paid
- Possibly: interview with learner
- Possibly: proof of correct categorization as learnership of Category B, C or D learner programme

### **Closing remarks:**

Money spent with i-fundi can be claimed as Skills Development Expenditure and SETA accredited learnerships facilitated by i-fundi can be claimed under the third subelement. i-fundi is a training facilitator and a facilitator of SETA accredited learnerships and project managed skills development programmes and learnerships on behalf of its clients.