

**INVESTIGATING GOOD GOVERNANCE AND LEADERSHIP WITHIN THE SECTOR
EDUCATION AND TRAINING AUTHORITIES (SETAs)**

by

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DECLARATION

I, Nneo Tsamontle Motsie, declare that the contents of this mini-dissertation represent my own independent work and that this mini-dissertation, which I herewith submit for the Master of Arts in Governance and Political Transformation at the University of the Free State, has not previously been submitted for academic examination towards any qualification. I also declare that all reference materials used for this study have been properly acknowledged.



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Date: 31/07/2023

DEDICATION

A special dedication to my first miracle, wonderful, and deeply missed mom, Mamathula Jacobinah Motsie, who taught me the significance of education and resilience during hardships. Your influence is beyond calculation; many women have done excellently but you, Mother, you surpass them all. Your teachings sustained me throughout this journey, forever you remain in my soul and you reside in my heart.

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Not by might nor by power but by the spirit of God that resides within me. Adulation to my heavenly father, who has been there with me right from the beginning to this point. *Who is like you among the gods, O Lord? Who is like you, majestic in holiness, awesome in praises, working wonders. I give thanks to you my Lord, for you are good, for your loving kindness is everlasting, I give thanks to your holy name glory to your name Jehovah!!!* Thank you, God, for you have given me wisdom and strength; my soul knows it well.

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LIST OF ABBREVIATIONS

AGRiSETA	Agricultural Sector Education and Training Authority
AGSA	Auditor-General of South Africa
ATR	Annual training report
BANKSETA	Banking Sector Education and Training Authority
BCE	Before Common Era
CATHSSETA	Culture, Arts, Tourism, Hospitality, and Sport Sector Education and Training Authority
CEO	Chief executive officer
CETA	Construction Education and Training Authority
CFO	Chief financial officer
CHIETA	Chemical Industries Education & Training Authority
DSBD	Department of Small Business Development
DHET	Department of Higher Education and Training
DPME	Department of Performance Monitoring and Evaluation
ETDP SETA	Education, Training and Development Sector Education and Training Authority
ETQA	Education and Training Quality Assurance
EWSETA	Energy and Water Sector Education and Training Authority
EXCO	Executive Committee
FASSETA	Financial and Accounting Services Sector Education and Training Authority
FET	Further Education and Training
FOODBEV SETA	Food and Beverages Manufacturing Industry Sector Education and Training Authority
FP&M SETA	Fibre Processing and Manufacturing Industry Sector Education and Training Authority
HWSETA	Health and Welfare Sector Education and Training Authority
ICT	Information and Communications Technology
INSETA	Insurance Sector Education and Training Authority
LGSETA	Local Government Sector Education and Training Authority
MERSETA	Manufacturing Engineering and Related Services Sector Education and Training Authority
MICTSETA	Media, Information and Communication Technologies Sector Education and Training Authority
MQA	Mining Qualifications Authority
NDP	National Development Plan

NEHAWU	National Education, Health and Allied Workers' Union
NPC	National Planning Commission
NQF	National Qualifications Framework
NSA	National Skills Authority
NSDP	National Skills Development Plan
NSDS	National Skills Development Strategy
NSF	National Skills Fund
OECD	Organisation for Economic Co-operation and Development
OUTA	Organisation Undoing Tax Abuse
PFMA	Public Finance Management Act
PIVOTAL	Professional vocational technical and academic learning
PMG	Parliamentary Monitoring Group
PSETA	Public Service Sector Education and Training Authority
RSA	Republic of South Africa
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SASSETA	Safety and Security Sector Education and Training Authority
SCM	Supply chain management
SDL	Skills Development Levy
SERVICES SETA	Services Sector Education and Training Authority
SETA	Sector Education and Training Authority
SLA	Sector Level Agreement
SMME	Small, micro, and medium enterprise
SSP	Sector skills plan
TETA	Transport Education Training Authority
TVET	Technical Vocational Education and Training
UN	United Nations
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization
W&RSETA	Wholesale and Retail Sector Education and Training Authority
WSP	Workplace skills plan

CHAPTER 1:

INTRODUCTION AND OVERVIEW

1.1 INTRODUCTION

Sector Education and Training Authorities (SETAs) have been in operation for more than 20 years in South Africa. SETAs were first introduced by the Department of Labour in the year 2000 and they were established according to the Skills Development Act, No. 97 of 1998, of which subsection 9(1) in Chapter 3 states that the relevant minister may establish a SETA with a constitution for any national economic sector. SETAs were formed after the apartheid era because of the gaps and imbalances caused by apartheid. They were established to create jobs and to address the shortage of skilled professionals in South Africa, especially among black people, women, and disadvantaged citizens. The objective of the SETAs is to facilitate training in the different sectors and their mandate is to address skills development needs (Republic of South Africa [RSA] 1998b).

Since their establishment, SETAs have attracted negative media attention due to poor governance and leadership (see, for example, Bolin 2003; *Mail & Guardian* 2003; Robinson 2004). Barclay (2012: 3) states that regardless of their positive contribution to skills development, SETAs continue to be the most criticised entities in the democratic dispensation. The challenges faced by SETAs are ineffective management information systems, poor monitoring and evaluation systems, lack of quality assurance mechanisms, poor governance, high dropout rates of learners registered for learnerships, corruption, theft, dysfunction, poor leadership, and irregular expenditure.

Even though SETAs have existed for more than 20 years, little has been done with regard to leadership (the boards and senior management) within the SETAs. There have been continuous management challenges with regard to implementing policies and SETA operating principles. The management of SETAs is known to be ill-equipped to implement regulations and to enforce the law. Some SETAs have been placed under administration because of maladministration and the continuous unethical conduct of their senior management. Most SETAs are poorly managed, which results in fruitless expenditure such as spending billions of rands on

administrative functions, with little money going to the training needs of the stakeholders (Rhodes University, 2021).

According to Prinsloo (2004: 4), SETAs were created to serve as a solution for the shortage of skills in the country. The Auditor-General of South Africa (AGSA) has been reporting irregular expenditure within the SETAs since 2019, of which most of the irregular expenditure stems from poor governance and leadership.

A member of the Parliamentary Committee and representative of the Democratic Alliance stated that “SETAs are corrupt and ineffective organizations” and that “the cycle of dissolving boards and appointing administrators goes on and on within SETAs due to ineffective leadership within the SETAs” (Parliamentary Monitoring Group [PMG] 2020). A member of the Parliamentary Committee and representative of the African National Congress challenged SETA representatives to devise a plan to restore efficiency and effectiveness within the SETAs. He questioned the good governance and management of the SETAs in 2020 during a committee meeting set up by the Department of Higher Education, Science and Innovation (PMG 2020).

1.2 RESEARCH BACKGROUND

After 1994, there were 33 industrial training boards in South Africa that represented various sectors in the country. The main concern of the boards were apprenticeships. In 1998, the South African parliament signed and passed the Skills Development Act after realising that the need has increased to enhance skills development in the country. Parliament’s plan was outlined as to design dissimilar sector skills plans (SSPs) within the defined National Skills Development Strategy (NSDS). Parliament’s aim was to create a series of skills plans in order to develop trends, critical skills, and training priorities (Vocational SETA Education for Africa 2021).

According to the Skills Development Act, SETAs were first introduced by the Minister of Labour, Mr Mdladlana, in 2000. The minister formally introduced 25 SETAs, where each SETA was created to support its own defined sector and subsectors (RSA 1998b). SETAs were created to take care of the skills development needs of both private and public sectors. For example, one SETA was concerned with education skills development needs and the other with skills development related to healthcare. The main difference between SETAs and industry training boards is that the boards’

main function was to provide apprenticeships, while SETAs' main function concerns learnerships, internships, and short course programmes. Parliament has given more powers to SETAs and responsibilities than to the industrial boards (PMG 2010).

While each SETA has a mandate to serve its respective sector within the South African economy, all SETAs report to the Department of Higher Education and Training (DHET). SETAs are meant to close the gap between education and the workplace. The main role of the SETAs is to understand the education and training needs of their sectors, provide for skills needs, grow training opportunities in the workplace, and improve the quality of formal education and training (RSA 1998b:14).

According to the Skills Development Act, the functions of the SETAs are as follows:

- To provide the necessary skills to post-Grade 12s and graduates by means of learnerships;
- To assist the employed with the skills needed in their sectors;
- As quality assurers, to provide accreditation to service providers;
- To up draw SSPs for organisations;
- To approve workplace skills plans (WSPs);
- To collect skills levies from the South African Revenue Service (SARS) on behalf of employers and provide funding for learnerships, as stated in the Skills Development Levies Act (No. 9 of 1999); and
- To ensure the implementation of SSPs within the National Skills Development Strategy (NSDS) (RSA 1998b:14).

The SETAs are funded by levy contributions from different employers (RSA 1999b). As stated in the Skills Development Levies Act in subsection 7, Chapter 1 (RSA 1999b), SETAs are responsible for company levies and they are permitted to collect company levies on the companies' behalf.

The Skills Development Levy (SDL) is paid by different employers in many different sectors. The legislation stipulates that all employers with an annual payroll of R500 000.00 and more must pay 1% of their payroll to SARS for levies and mandatory grants. SARS is responsible for distributing the levy to different SETAs. Paying levies is mandatory. The Skills Development Levies Act indicates that employers should submit their WSPs and their annual training reports to the relevant SETA. Twenty

percent of the SDL is paid to the National Skills Fund (NSF), 10% goes to the relevant SETA for operational purposes, 50% is paid to employers as mandatory grants, and 20% is paid to employers as discretionary grants. SETAs often struggle with the administration of the levies received from employers (RSA 1999b).

According to the Skills Development Levies Act (RSA 1999b), SETAs grant companies the opportunity to choose any training intervention they wish to participate in and companies must outline their training needs while populating their WSPs.

The appointment of unqualified board members and senior managers has led to poor financial decision making within the SETAs. The SETAs are large entities that need to be led by highly knowledgeable and qualified individuals (Scott & Shuttleworth 2007:80).

Table 1.1: List of Sector Education and Training Authorities (SETAs)

Abbreviation/ Acronym	Name
AGRiSETA	Agricultural Sector Education and Training Authority
BANKSETA	Banking Sector Education and Training Authority
CETA	Construction Education and Training Authority
CHIETA	Chemical Industries Education & Training Authority
CATHSSETA	Culture, Arts, Tourism, Hospitality, and Sport Sector Education and Training Authority
EWSETA	Energy and Water Sector Education and Training Authority
ETDP SETA	Education, Training and Development Sector Education and Training Authority
FASSETA	Financial and Accounting Services Sector Education and Training Authority
FP&M SETA	Fibre Processing and Manufacturing Industry Sector Education and Training Authority
FOODBEV SETA	Food and Beverages Manufacturing Industry Sector Education and Training Authority
HWSETA	Health and Welfare Sector Education and Training Authority
INSETA	Insurance Sector Education and Training Authority
LGSETA	Local Government Sector Education and Training Authority
MICTSETA	Media, Information and Communication Technologies Sector Education and Training Authority
MERSETA	Manufacturing Engineering and Related Services Sector Education and Training Authority
MQA	Mining Qualifications Authority

Abbreviation/ Acronym	Name
PSETA	Public Service Sector Education and Training Authority
SASSETA	Safety and Security Sector Education and Training Authority
SERVICES SETA	Services Sector Education and Training Authority
TETA	Transport Education Training Authority
W&RSETA	Wholesale and Retail Sector Education and Training Authority

Source: PMG (n.d.b)

In 2005, after SETAs have operated for five years, Mr Mdladlana, former Minister of Labour, renewed, re-established, and extended the SETAs' licence with 12 months (RSA National Planning Commission [NPC] 2012:3). After the term of the SETAs ended in 2009, their licence was extended with another five years and the SETAs were moved from reporting to the Department of Labour to reporting to the DHET.

The Minister of Higher Education noted that the SETAs were struggling with performance, management, and governance. The minister stated his concerns about the governance within the SETAs, patterns of mismanagement, and non-performance (RSA NPC 2012). The issues of the SETAs were rooted in the fact that there was no existing industrial strategy when the SETAs were formed in South Africa. To date, the SETAs are still struggling to align their strategy to the national policy. The minister announced the new SETA landscape in 2010 when he presented the new draft framework of NSDS II. The new strategy was set to be implemented from 2011 to 2016.

The new framework entailed the following:

- The SETAs were reduced from 23 to 21.
- Six new SETAs were formed and others with the same functions were amalgamated.
- Fifteen existing SETAs were certified and minor changes were made to those SETAs.
- Several SETAs were merged in order to form new SETAs.
- The Secondary Agriculture SETA was merged with the Primary Agriculture SETA to form AGRiSETA.

- POLSEC SETA, Defence, Intelligence and Secret Services, and the legal, investigation, policing, correctional services, and justice subsectors were amalgamated to form SASSETA.

Some changes were therefore made, but they had little impact on the successful functioning of the SETA as most were placed under administration. The changes therefore did not address the main challenges in the SETAs.

1.3 PROBLEM STATEMENT

The findings of the audit report for 2020/2021 and portfolio meeting that was held by the National Assembly highlighted that the SETAs had serious issues with governance and leadership (PMG 2020). Examples of SETAs that are struggling with leadership and governance are the SERVICES SETA, W&RSETA, and CETA. The report outlined that most irregular expenditure was from ongoing senior management court cases in SETAs. One SETA reported R196 551 878.22 as irregular expenditure, and 78 employees were implicated in theft and corruption, of which 92% of those employees were senior managers (PMG 2020).

Governance and leadership have been the most crucial area of debate for decades, through dialogues and conferences between the private and public sectors. Discussions relating to leadership and governance have been a very important effort to shape the performance of the government. Good governance and leadership are essential elements of a framework within which economies can prosper. Good governance and effective leadership will have a positive impact on the outcomes of the public or private sector. (IoDSA 2016:20).

According to Johnston (2002:1-2), good governance can be explained as legitimate, accountable, and effective ways of obtaining and using public powers and resources in pursuit of widely accepted goals. Johnson's (2002) definition correlates with good governance principles of the rule of law, transparency, and accountability. Kaufman and Kraay (2002) explain good governance as the manner in which public officials and institutions acquire and exercise the authority to shape public policy and to provide goods and services.

Dawson (2015) emphasises that good leadership in governance means that structures and systems are in place and that the evaluation process is done correctly. In order for a leader to work well with people, he/she must first realise what it is like to be another person, what it is like to walk in the shoes of others, and to see the world through their eyes. A good leader understands people's anxieties, aspirations, and concerns about the journey ahead of them. Mteto (2022) states that leaders have the responsibility to build an environment that motivates employees to do their best every time. A great leader is able to interpret and understand the bigger picture and is able to make people understand the same reality. A leader should "walk the talk". The King IV Report (2016) states that good governance is beneficial not only to the stakeholders but also to the governed organisation as a whole because good governance inspires the confidence of stakeholders and lowers the cost of organisational capital (IoDSA 2016).

The role of the boards in the SETAs is to lead the organisations by providing direction and guidance with regard to strategic direction, policy approval, accountability, and good governance outcomes to promote good ethics, great performance control measures, and effective legitimacy with the stakeholders (IoDSA 2016). According to the King IV Report there are 17 principles a governing body (boards) must follow to ensure good governance and effective leadership within organisations:

- The board must lead ethically and effectively.
- The board must govern the ethics of the organisation in a manner that supports the ethical culture of the organisation.
- The board should ensure that the organisation becomes a responsible corporate citizen.
- The board should ensure that strategic and performance plans are achieved.
- The board should assure that the reports issued by the organisation are truthful and allow the stakeholders to understand the status of the organisation and the direction the organisation is heading in.
- The board must serve as the custodian of corporate governance in the organisation.
- The board should have knowledge, skills, and experience and should be able to discharge its governance role and responsibilities effectively and efficiently.

- Board delegations should promote independent judgement and the board members should have balance of power.
- There should be an evaluation of board and committee performance, and the board should demonstrate support to the organisation and improve its performance and effectiveness.
- The board should ensure that the appointment and delegation of senior management contribute to effective exercise of authority and responsibilities.
- The board should be able to manage risk in a way that supports the organisation.
- The board should govern information and technology to support organisational objectives.
- The board must practise compliance and governance with regard to laws, rules, and codes of conduct or standards to support organisational objectives.
- The board should ensure that staff members are remunerated fairly and transparently, and the board has the responsibility to promote fairness and stability within its organisation.
- The board should enforce assurance services and functions to enable an effectively controlled environment that supports the integrity of information for internal decision making in the organisation.
- The board should adopt an approach that balances the needs and interests of stakeholders while executing its governance roles.
- The board should ensure that responsible investment is demonstrated within the organisation.

Because the boards serve as the highest policy holders within the SETAs, namely the leadership, it is crucial for SETA boards to practise and follow the principles set out by the King IV Report. These principles will assist with and improve governance and leadership within the SETAs.

Based on the study's problem statement, two SETAs, the SERVICES SETA and CETA, were identified as case studies. The two SETAs were selected based on their performance of the past five years and their size. SERVICES SETA represents large SETAs, while Construction SETA represents small SETAs. Case studies are effective when there is a need to acquire an in-depth understanding of a subject (Neuman &

Dickinson 2003:205), these SETAs were used to understand the complexity and multiple challenges with regard to leadership and governance within SETAs in South Africa.

1.3.1 The Services Sector Education and Training Authority (SERVICES SETA)

The SERVICES SETA is one of the biggest SETAs in the country, with an operation that involves six sectors and 16 subsectors. Eighteen percent of the South African economy falls under the SERVICES SETA. The PMG (2020) reported that the SERVICES SETA met only 49% of its set targets in 2021, and that there was an 11% decline in skills planning targets, as well as a decline in learning programme targets. The SERVICES SETA has also incurred R1.8 billion in irregular expenditure, which was caused by non-compliance with legislation. It also incurred R12.2 million in wasteful expenditure, which was as a result of litigation in four ongoing cases. The SERVICES SETA also struggled to comply with the supply chain process, which led to it incurring R2.9 million as variation. The SERVICES SETA's challenges did not start recently.

The chairperson of the board of the SERVICES SETA, Mr Ntemba, admitted that it has ongoing challenges that include staff education (PMG 2020). He said to the Committee of SETAs that many SERVICES SETA employees have been recruited for internships while holding only Grade 12 as their highest level of education and that most of the employees have never undergone professional development. In 2017/2018, the SERVICES SETA incurred R934 million in irregular expenditure. The chief executive officer (CEO) reported that R838.6 million of the R934 million was incurred in 2017/2018 but was only discovered in 2018 by the auditors.

The CEO further stated that R17 million of the irregular expenditure was caused by expenditure that exceeded the budget that was approved by the DHET (PMG 2020). There was also fruitless expenditure that amounted to R56 million in the 2017/2018 financial year, which was spent on infrastructure support insurance. The high expenditure was also caused by investigations, lawyers, Commission for Conciliation, Mediation and Arbitration hearings and representations, opinions of counsellors, human resources, and the new implementation strategy. R20 million was reported as

high expenditure in the same year, which was spent on rebranding and advertisements (PMG 2020).

The Organisation Undoing Tax Abuse (OUTA 2018) exposed that the SERVICES SETA had a project that led the organisation to sign a R163 million contract with Grayson Reed. The company manipulated the SERVICES SETA, used a false name, and charged the SERVICES SETA excessively high amounts of money for suspicious services. Even though the SERVICES SETA ended the contract with Grayson Reed, it never recovered the money it lost. During 2020, there was an appointment of private security for the SERVICES SETA's CEO that was paid from the SETA budget. The Accounting Authority said it was necessary to hire security for the CEO at the time because her life was threatened. The audit report outlined the irregular appointments of senior managers in 2020 (PMG 2020). The report indicated that there were four senior positions that were occupied without the requisite qualifications, namely:

- the CEO position;
- the chief financial officer (CFO) position;
- the Executive Manager: Planning position; and
- the Executive Manager: Legal Services.

It is clear from these reports that the SERVICES SETA is experiencing governance and leadership challenges and that neither good governance nor good leadership principles are applied in this SETA. The SERVICES SETA is discussed further in Chapter 4 as a case study with the good governance and leadership theories as the framework.

1.3.2 The Construction Education and Training Authority (CETA)

The CETA was formed in terms of the Skills Development Act (RSA 1998b). The CETA is concerned with providing skills development services within the sector, and the objectives of the CETA are aligned with the objectives of NSDS III. The CETA's mandate is to ensure that the sector's needs are economically and sustainably met at all times. The CETA funds several learning programmes, including skills programmes, learnerships, apprenticeships, internships, and bursaries at various public education

and training institutions such as universities and Technical Vocational Education and Training (TVET) colleges (CETA 2020).

On 3 September 2020, the CETA was placed under administration, the board was dissolved, and the administrator had to serve as the CETA's caretaker because there was no CEO. In 2020, the CETA experienced numerous challenges. Many of the challenges stemmed from poor leadership and governance because of poor decision making by senior management (PMG 2020), as reported by the administrator to the Committee of Higher Education, Science and Innovation.

According to the 2019/2020 financial report, the CETA reported R12 million of irregular expenditure that was caused by high increases paid to the employees (CETA 2020). Cases of favouritism between the former CEO and board and committee members were reported (*City Press* 2020).

1.4 AIMS AND OBJECTIVES

The aim of this study was to investigate good governance and leadership within the SETAs. Good governance and leadership are critical for every professional organisation; there is thus a need for governmental institutions to be accountable and transparent. The purpose of this study was to scrutinise the current leadership and governance of the SETAs and how these have influenced their performance and decision making.

The poor financial results of most SETAs, as stated in recent auditor reports, and many SETA boards being dissolved due to poor governance and leadership influenced this study (PMG 2021). The study focuses on case studies of two SETAs, namely the SERVICES SETA and CETA, due to their size and similarities in their organisational structures. The SERVICES SETA represents large SETAs and the CETA represents small SETAs in the study because of their revenue and dimensions.

1.4.1 Main Research Objective

The main objective of this study was to explore the challenges within the SETAs with regard to governance and leadership, with two SETAs – the SERVICES SETA and CETA – serving as case studies.

1.4.2 Secondary Research Objectives

The secondary research objectives of the study were as follows:

- To indicate factors that contribute to the failure of good governance and leadership within the SETAs;
- To examine the professionalism and expertise of the board members and management of the SETAs;
- To explore how the leadership of the SETAs can be improved; and
- To share the outcomes of this study as good practice with other governmental institutions.

1.5 RESEARCH METHODOLOGY

Research methodology is explained by Dawson (2019) as the initial principle that guides a research project, which serves as the general approach to conducting the research. It is the driving force of any research study as it determines which research method(s) the researcher will use to collect data. The aim of this section is to provide a summary of the study's methodology and structure.

According to Du Plooy-Cilliers, Davis and Bezuidenhout (2014), we cannot study human beings in the same way that we study objects in the natural sciences because unlike objects, human beings change all the time and the environment they find themselves in constantly influences them. By following a particular paradigm or research tradition, researchers adopt a unique way of studying phenomena that are relevant to their study. This study followed the interpretivist paradigm as it undertook intense descriptive analyses and sought an interpretative understanding of social processes (Du Plooy-Cilliers *et al.* 2014:27). Interpretivism is relevant as the study sought to investigate governance and leadership within the SETAs of South Africa.

In this study, the researcher followed the qualitative research approach because qualitative research enables researchers to gain the perspective of other people. Qualitative research provides researchers with rich and in-depth data about complex and multi-faceted phenomena (Du Plooy-Cilliers *et al.* 2014:174).

In order to enable an understanding of the arguments in qualitative research, the researcher utilised the heuristic theory, because heuristic theory prompts making

further investigations and permits new ideas to be discovered (Du Plooy-Cilliers *et al.* 2014:46). Following the heuristic theory includes following the heuristic theory's rules. According to Kleining and Witt (2000), the rules of heuristic theory state that the researcher should be open to new concepts and change his/her beliefs if the data are not in agreement with his/her beliefs and understanding. In heuristic theory, the topic of the research can be introduced and can change during the research process. In analysing the data, it can be directed towards the discovery of similarities. In heuristic theory, the collected data should be under the paradigm of maximum structural variation of perspectives.

The heuristic theory is supported by critical theory as it aims to describe theories that are educational, transformative, and participatory. The study followed the critical theory as it questions the power of positions and domination within institutions and society at large. Critical theory will give more meaning to skills development and education as it will provide knowledge about the SETAs, as well as the governance and leadership of the SETAs. The study seeks to educate other institutions about the benefits of good governance and leadership (Du Plooy-Cilliers *et al.* 2014).

The data-collection method followed in this study was secondary research or a desktop study. According to Travis (2016), secondary research is a research study where the researcher reviews what other researchers have done. Secondary research is not only based on collecting data; the researcher also reviews previous research findings to gain a broad understanding of the topic under study. Because secondary research involves compiling data from different channels, the researcher examined internal sources such as SETA archives and in-house information, external sources such as the DHET and the Department of Labour, organisational bodies, websites, libraries, textbooks, review articles, and newspaper articles.

Secondary research has many benefits. It saves time, data are easily accessible, and it allows a wide range of data to be acquired. It also permits the researcher to obtain and determine gaps in existing research and knowledge around the topic under study. Conducting secondary research enables the researcher to build on existing information and also assists to establish the outcomes of a study (Taylor 2022).

Because the research study was intended to be detailed and focused, the researcher utilised the descriptive case study research design because it allowed the researcher to gain various perspectives of the subject of the research. Yin (1984:23) defines case study research as an empirical inquiry that investigates a contemporary phenomenon within a real-life context. The researcher focused on one small and one large SETA, namely the SERVICES SETA (large) and the CETA (small).

The study examined:

- audit reports for 2020/2021;
- recent annual reports;
- SETA performance management and standards;
- the Skills Development Amendment Act of 2003;
- the SETA Governance Charter of 2018;
- the Public Finance Management Act (PFMA) of 1999;
- the Skills Development Levies Act of 1999; and
- the Skills Development Act of 1997.

1.6 STUDY DESIGN AND LAYOUT

Research design is an overall strategy that a researcher chooses to combine the different parts of a study in a theoretical and logical way to ensure that the problem will be addressed effectively. It constitutes the blueprint for the collection, measurement, and analysis of data (University of Southern California Libraries 2022). Leedy (1997:195) explains a research design as a plan of a study that provides a framework for collecting data. McMillan and Schumacher (2001:166) define a research plan as the plan for selecting the objects, sites, and data- collection procedures to answer a study's research question(s). According to Durrheim and Terre Blanche (2004:29), a research design is a strategic framework for action that often serves as a bridge between the research questions and the execution and implementation of a research study. Creswell and Plano-Clark (2007:58) define a research design as the procedure for collecting, analysing, interpreting, and reporting data in research studies.

The layout of the study is as follows:

Chapter 1: Introduction and Overview

The chapter starts with an introduction to and an overview of the research study. The main focus of this chapter is the topic of the study, the research problem and objectives, and the research design and methodology of the study, which include the approaches, methods, and theories followed in this study.

Chapter 2: Literature Overview and Theoretical Framework, and Conceptualisation of Governance and Leadership

This chapter defines and explains the importance of theoretical frameworks, provides background of good governance, and conceptualises governance and leadership. The chapter highlights theories of governance and leadership and discusses governance and leadership in detail.

Chapter 3: Good Governance, Leadership, and Legal Framework Within the SETAs

The chapter focuses on the legal framework of the SETAs. The chapter discusses the importance of following the law when managing and administering the SETAs and explains in detail the legislation and frameworks that govern the SETAs.

Chapter 4: Case Study: The CETA

The focus of this chapter is on the CETA as the selected case study. The chapter commences with a detailed overview of the CETA, the sectors that fall under it, its governance structure, and its organisational leadership.

Chapter 5: Case Study: The SERVICES SETA

The main focus of this chapter is on the SERVICES SETA as the second case study. The chapter outlines the core business of the SERVICES SETA, the subsectors that fall under it, the challenges it faces, and the SERVICES SETA's governance and leadership structure.

Chapter 6: Findings, Conclusion, Recommendations

The chapter provides a summary of the study's empirical findings, as well as possible limitations, major generic findings, recommendations, and the final conclusion of the

study. The recommendations address how governance and leadership can be improved within SETAs.

1.7 CONCLUSION

The vision and mission set out for SETAs in the Skills Development Act still remain a dream today after more than 20 years of the existence of the SETAs. SETA leadership, operating structures, and methods have proved to be inefficient as the SETAs continue to struggle with governance and leadership. It is evident that there is still much work to be done within the SETAs with regard to good governance and leadership. The challenges within the SETAs cannot be ignored much longer, and there is a need for education, accountability, and good leadership and governance. The lack of good governance and leadership within the SETAs hinders their progress. It is critical to investigate good governance and leadership within the SETAs as the success of these institutions relies on their governance and leadership structures.

CHAPTER 2:

LITERATURE OVERVIEW AND THEORETICAL FRAMEWORK, AND CONCEPTUALISATION OF GOVERNANCE AND LEADERSHIP

2.1 INTRODUCTION

A theoretical framework is the pillar that can hold up a theory in a research dissertation. Swanson (2013:122) defines a theoretical framework as a structure that outlines theories and concepts that can be expanded from previous published knowledge and can be used to assist in developing a theoretical background for a study. According to various authors (Bunge, 1976; Hunt, 1991; Wacker, 1998), a theoretical framework is not a summary of the researcher's thoughts but rather the summary of other researchers' work with regard to similar research. Kivunja (2018) emphasises that a theoretical framework is a combination of researchers' thoughts in the field of research as they relate to a proposed research study. A researcher focuses on those theories to assist him/her to understand the data.

A theoretical framework allows researchers to add depth to data analysis by supporting what they are saying with reference to the theories advanced by other researchers who are more experienced, knowledgeable, or specialised in the particular field of study (Kivunja 2018). A framework begins with the conceptualisation of the key concepts of a study. The concepts at the centre of this study are governance and leadership.

Governance has been defined as being relevant to structures and processes that are meant to ensure their principles. Governance constitutes the values, rules, and norms of organisations (United Nations Educational, Scientific and Cultural Organization [UNESCO] n.d.). Governance cannot exist in an organisation that lacks good leadership, and leadership cannot exist without effective and efficient governance. Lack of ethical leadership within the SETAs has led to managerial misconduct. According to Carmeli and Schaubroek (2007), leaders with destructive personality traits have a harmful influence on their subordinates' emotional stability and behaviour. A leader who possesses unethical traits is very harmful for any organisation. Not only is an unethical leader damaging to the organisation's strategies and objectives, they can also lead their subordinates to become unruly, disrespectful, vengeful, and

aggressive, which can sabotage the whole organisation. Unethical leaders drain employees' emotions and can negatively affect their self-esteem, which can lead to anxiety, frustration, loss of confidence in themselves, and lack of job satisfaction. Unethical leadership is the main problem within the SETAs and they therefore lack the principles of good governance.

The theory of good governance provides the theoretical framework for this study. Good governance means governing in just and correct ways. It relates to good administration in both the public and private sectors. The principles of the theory of good governance include transparency, accountability, participation, and the rule of law (Hyden, Olowu & Okoth-Ogendo 2000).

2.2 BACKGROUND OF GOOD GOVERNANCE

The government is one of the performers of governance, and the SETAs are influential performers within the government. Because the SETAs oversee all sectors' levies and skills development in the workplace, good governance is essential. For centuries, the concepts of governance and leadership have been subject to debate. Globalisation, uncertainty, alternative sources of revenues, digital transformation, and increased citizen engagement and participation have forced institutions to seek a new form of governance and leadership that can best adapt to the times. Governance explains the procedures of decision making and how decisions are implemented. Good governance is a basic requirement of every institution; not only a reassurance (Alam 2009). Good governance is pertinent in society, the legislature, the government, the private sector, religious communities, and non-governmental institutions (Alam 2009). Good governance requires competent leaders to manage a country's affairs and resources in a transparent, accountable, effective, and efficient manner that is responsive to public needs (Alam 2010). There is an increased need for good governance and leadership within every institution, private or public, to gain easy access to economic competitiveness. To rebuild the intellectual system within the SETAs, there is a need for the application of good governance principles and ethical leadership. Good governance and ethical leadership are the significant issues that are lacking within the SETAs.

According to Jørgensen and Sørensen (2014), good governance frameworks normally end with a commitment to public values such as lawfulness, integrity, democracy, efficiency, and effectiveness, which play key roles in governance and leadership. An organisation that lacks the principles of good governance can become corrupt and toxic.

The modern form of government not only focuses on efficiency in delivery models, but also on accountability between the board and management to internal and external stakeholders (Brojork & Johansson 2001). Good governance is about how individuals are treated, not only as stakeholders but as citizens as well. The theory of good governance also regulates basic principles according to how an organisation should be run. Principles of good governance include accountability, responsiveness, transparency, the rule of law, ethical conduct, competence, sound fiscal management, human rights, innovation and openness to change, efficiency and effectiveness, sustainability, and long-term orientation and participation (Prinsloo 2013).

2.3 CONCEPTUALISING GOVERNANCE

Contemporary theories have become distended during the years, and they are now focusing more on a variety of aspects that affect the behaviour of people and collective participants (Pierre & Peters 2000). According to the United Nations Development Programme (UNDP 1997), governance is the exercise of the political, economic, and social administration of a country's business at all government levels. The term "governance" has become critical as it serves as a demonstration of the rise of revived organisations in the field of social science (March & Olsen 1984).

The conceptualisation of governance is a process that aims to comprehend more activities than only that of governance as a structure. Governance is an ongoing process of directing and enhancing organisational capacity (Levi-Faur 2012). The United Nations (UN 2021) explains governance as the process of governing and the organisations, processes, and practices that regulate laws. The concept of governance is constructed from respecting citizens' rights, the country's laws, citizen participation, transparency of the government and political institutions, and accountable government and political leaders. Governance further means processes,

rules, and behaviour that affect the way that power is executed with regard to openness, participation, accountability, effectiveness, and coherence (Ferris 2001).

The focus of this study is on the concept of “good governance”. Governance refers to attributes that mostly relate to systems of national administration (Weiss 2000). According to Hyden *et al.* (2000), governance is the way that power is exercised in the management of a country’s economic and social resources, and that good governance is based on the political regime, which is the process by which authority is exercised in the management of a country. The UNDP (1999) views good governance as the exercise of economic, political, and administrative authority in the management of a country’s affairs. The Organisation for Economic Co-operation and Development (OECD 2015) explains good governance as the designated use of political authority and the exercise of control in society in relation to the management of its resources for social and economic development.

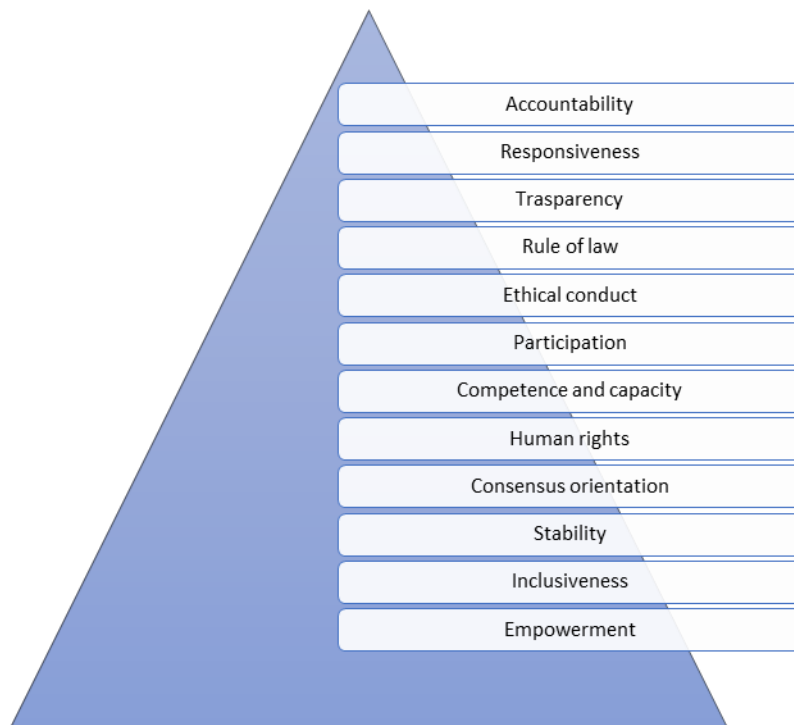
The International Monetary Fund (2012) states that good governance is particularly important in all countries in all stages of development as good governance challenges the dominion of the government to ensure that the government is the only power centre of a country. Governance identifies the blurring of boundaries and responsibilities for tackling social and economic issues, and recognises the capacity to get things done without relying on the power of the government to use its authority. While governance defines the power dependence involved in relationships between institutions involved in collective action, good governance is the proactive and productive cooperation between the government and citizens.

Governance incorporates the state but also surpasses the state by including both public and private sector institutions (UNDP 1997). Democracy is the logical foundation of good governance. To ensure that good governance and good leadership are normative within the SETAs, it is important for the SETAs to follow both good governance and good leadership theories (OECD 2014). In this study, two theories, the theory of good governance and the ethical leadership theory, are discussed in detail.

2.4 THE THEORY OF GOOD GOVERNANCE

The theory of good governance intends to achieve efficiency in the public sector, decentralisation, and the outsourcing of services to different suppliers (Ekundayo 2017). It is modelled towards strengthening the means and ways of how government bureaucracies manage government activities and utilise government resources to protect the public at large (Trimi & Sheng 2008).

Figure 2.1: Principles of Good Governance



Source: Compiled by Researcher

2.4.1 Accountability

Accountability is the foundation of good governance. This principle accentuates that all participants, particularly in public sector, are to be answerable to the citizens (Rotberg 2004). All decision makers should be able to take responsibility for their actions either collectively or individually. Accountability within governmental institutions can be strengthened through sound regulations, systems, laws, and policies. Accountability means enchanting stakeholders and making accountability a reality. It means understanding the relationships of accountability, engaging in a planned approach to have a dialogue of accountability with stakeholders, taking an

advanced and active approach to and responsibility for staff, and engaging effectively and efficiently with institutions and stakeholders (RSA 2006).

According to Grant and Keohane (2005), accountability is only possible when the governors are separated from the governed. Accountability is a personal responsibility; not only a collective responsibility. Power is trust that people are accountable for. Finn (1994) explains accountability in the public sector as an obligation of all those who hold power in government systems, as well as a burden that is placed on the public sector after accepting responsibility for exercising powers on behalf of the public.

Chapters 195 and 196 of the Constitution of the Republic of South Africa emphasise that governmental institutions should promote the principles of public administration; one of which is accountability. Accountability in the public sector means setting overambitious targets and that the work of public sector institutions should be defined and should contribute to the economy of the country (RSA 1996). Accountability means that decision makers in governmental institutions are answerable to the citizens.

Accountability can only take place where responsibility has been assigned. For public institutions to be accountable, responsibility should be allocated to them. Lessambo (2014) states that public institutions' responsibilities should not be limited to only producing good financial records – governmental institutions should respond to the expectations of democratic societies. An institution should be part of the communities it serves and it should serve in manner that recognises the values and principles of that community. When the parties have accepted the responsibility allocated to them, accountability follows. Accountability means that some participants have the responsibility and right to hold other participants to a set of standards, to judge whether their responsibilities have been fulfilled, and to enforce discipline if evidence shows that the responsibilities allocated are not met and that there are no tangible reasons as to why they are not fulfilled (Lessambo 2014).

A good governance model for the SETAs relies on the relationship between the DHET, the board (governing body), the management, and the internal and external stakeholders.

2.4.2 Responsiveness

According to Gisselquist (2012), responsiveness is a key principle of the theory of good governance, which states that a good governmental institution seeks the ability to accommodate changes in society. Change is especially important because change is inevitable; good governance must therefore embrace change. Good governance requires that all organs of state serve stakeholders within reasonable timeframes.

Responsive governance is governance that responds to public needs, ensures peace, and fosters citizen engagement. Responsive governance enhances good governance, good financial management, and effective and efficient service delivery to all citizens. Responsive governance strengthens the government service delivery model. Responsiveness empowers the public to participate in government decision making and promotes accountability. Responsive governance strengthens decentralisation, improves public performance and civic engagement, and enhances oversight institutions. Responsiveness relates to making timely decisions that lead to timely action that can move the institution forward (Cambridge Dictionary n.d.).

A government that is responsive is responsible, and democracy promotes responsiveness. It is important for governmental institutions to balance responsiveness and responsible governance. When a government is responsive, it builds a reserve of goodwill (Linde & Peters 2020).

2.4.3 Transparency

Transparency is one of the critical elements of the theory of good governance. Transparency and openness are principles of Batho Pele that state that the citizens of South Africa should be informed of how governmental departments are run, the costs, and who is in charge. According to the Batho Pele principles, transparency means that management must be transparent to all staff members regarding appointments, resignations, finances, strategic plans, and departmental performance by often organising staff meetings and communicating with staff from time to time (RSA 1997a).

The principle of transparency is characterised by a flow of free information and the distribution of information. Information should be easily accessible to all those who need it. To enforce good governance, government information such as policies and

Acts should be disseminated to all citizens. The process of decision making in government departments and the actions taken by government departments should be made in the open and subjected to be checked by other organs of state (Gisselquist 2012).

The theory of good governance means making informed and transparent decisions and managing risk. It is important for the government to be meticulous and transparent about how decisions are made. The government should ensure that quality information and advice are used by ensuring that effective risk management systems are in place. Transparency means that an institution or organisation should be clear about their objectives and purposes and ensure that stakeholders receive quality services (RSA 2009). Transparency assists the board and stakeholders to evaluate the performance of the organisation. When transparency is held at a higher level, it provides an indicator to both the board and stakeholders concerning emerging issues. A transparent institution reports upcoming risks in time to stakeholders to avoid risks (RSA 2009).

2.4.4 The Rule of Law

The rule of law accentuates that the law rules, not the people. The laws must be fair, and no individual should be above the law irrespective of their political powers or their social status. The rule of law is fundamental to the peace, stability, and security of the institution or the country. The rule of law assists to curb corruption, to eliminate abuse of power, and to strengthen the social contract between citizens and the government. For institutions to strengthen the rule of law, the laws and norms must be respected. The principles of the rule of laws are procedural, which means that the laws should be applied fairly and equally (Stein 2019).

The rule of government is essential in any governmental institution and breaching its principles may lead to a breach of fundamental rights. The rule of government plays a pivotal role in good governance as it provides authority and legitimacy to the government (Mahmod 2013). The rule of law is the supremacy of the law, and no one is above the law, including the government. The rule of law is applicable to everybody, supports equality, and prevents the abuse of powers. The elements of the rule of law include supremacy, equality, and the predominance of the law. It ensures that fundamental laws and rights are always protected. The rule of law emphasises that

laws should be clear, universal, and made known to every citizen. The rule of law is also an essential element of human rights agendas, as it determines the quality of good governance (Shrestha 2022).

The rule of law is not only centred around the citizens and the government that know and obey the laws, but it also involves that citizens participate in the creation and implementation of laws. The principle of the rule of law is that citizens should be able to obey the laws and the laws must be able to guide the citizens and the government (Walker 1988). Equity and fairness are characteristics of the rule of law. All citizens must be presented with equal opportunities to improve their livelihood, and all laws should be fair and enforced completely.

The rule of law within the SETAs means obeying the rules, laws, and regulations set out by the government in the Constitution. Obeying the rules and laws creates a safe and comfortable environment where employees can perform their responsibilities efficiently (Leonard 2018). Laws protect the dignity of organisations. Rules and laws assist in fulfilling the mandate of an organisation, creates uniformity, provides accountability, and reinforces credibility (Smith 2016).

2.4.5 Ethical Conduct

Ethical conduct in good governance means that the good of the public is placed before the personal interest of government leaders and officials. There should be effective measures to prevent all forms of corruption within the SETAs. Organisations such as the SETAs can achieve ethical conduct by obligating employees to declare conflicts of interest timeously (Council of Europe n.d.).

Factors that influence ethics include values, culture, and transformation (IvyPanda 2019). Good governance means promoting values for the institution and demonstrating values of good governance through ethics. The institutional values need to be placed in practice and individual governors should uphold effective governance (RSA 2011).

Ethics protect basic human needs, build credibility within citizens, and align the leaders with the people (IvyPanda 2019).

2.4.6 Efficiency and Effectiveness

According to Cole and Kelly (2011), efficiency is the process of doing things right while effectiveness is the process of doing the right things. Good governance means executing efficiency through clearly defined functions and roles, being transparent about the functions of the governing body, being coherent about the tasks of executive and non-executive members and ensuring that everyone carries out their responsibilities accordingly, and being transparent about the relationship between governors and citizens (RSA 2011).

Efficient and effective governance is constitutive to any institution's wellbeing and the country at large. The main approach of efficient and effective governance is to enhance the performance of the public sector to ensure that policies and legislation are in place and implemented accordingly. Good governance means competent management of resources in an open and transparent manner and displaying accountability, equity, and responsiveness to citizens' needs (Kefela 2011).

As mentioned in Chapter 1, the SETAs struggle with continuous corruption. Corruption is evidence of poor governance in any sector. An efficient and effective institution consists of functions that ensure that public funds are used in an effective and efficient manner; therefore the absence of corruption (RSA DHET 2021).

According to the PFMA, all revenue, expenditure, assets, and liabilities of the government should be managed efficiently and effectively to provide for the responsibilities of persons entrusted with the financial management of governmental institutions (RSA 1999a).

2.4.7 Participation

Participation is the degree of citizen involvement in the running of institutions. Participation is an important characteristic of good governance that stipulates that every adult should have a say in the process of decision making in terms of governmental laws, regulations, and Acts (Ekundayo 2017). There are many advantages of public participation in governance, of which the most important aspect is to encourage the public to have sound and meaningful input in decision making. Public participation influences honest communication between the government and

the public. Effective communication between the government and citizens can eliminate risks in time (International Association for Public Participation 2006).

The power and principles of participation in governance mean that the public has a say in and influence on decision making. Governance participation should promote sustainable decision making by recognising and communicating the needs and interests of the public. Participation should at times facilitate the involvement of those affected by decision-making processes. It should also provide information to the public to enable them to make sound decisions (International Association for Public Participation 2006).

Public participation has progressed and changed radically since the dawn of democracy and the drafting of the new Constitution in 1996. Public participation and involvement are meant to influence decision-making processes. Section 1 of the Constitution states that South Africa is an independent democratic state founded on democratic values (RSA 1996). The values stated in the Constitution include human dignity, non-racialism and non-sexism, and the rule of law. Public participation is mandatory in the new democratic South Africa. According to the Constitution, South Africa is a democratic state that is founded on human dignity, which is influenced by the acquisition of equality and the evolution of freedom and human rights (RSA 1996). Participation means the right for citizens to be involved in decision making irrespective of race or sexuality.

Public participation is significant to any organisation that strives for good governance, as it promotes active and symbolic participation by enabling stakeholders to influence decisions made by the government. It influences stakeholders to understand their needs and the policies of governmental institutions. Public participation also attends to the needs of individuals, cultures, and development processes (RSA 1996).

2.4.8 Competence and Capacity

The government needs to employ individuals with professional skills, who are able to continuously improve their skills to strengthen the output. Competency is one of the foundations of good governance. It is important for officials to improve their performance continuously, and new skills, methods, and procedures must be implemented from time to time to achieve improved results.

Over the years, many organisations have realised the importance of high-quality employees to achieve high performance. Competence and capacity are crucial in good governance. There is a need for governmental institutions to invest in leaders because leaders are the most important role players in any institution as they inspire, motivate, and influence talent management (Sultan 2017).

2.4.9 Human Rights

Good governance in the perspective of human rights means the processes whereby institutions conduct public affairs and manage public resources in an efficient and effective manner and guarantee human rights. Human rights and good governance are mutually dependent. Human rights cannot be respected without good governance. Human rights are the rights inherent to every person regardless of their social or economic standing, culture, nationality, religious beliefs, and ethnicity. Human rights include the right to life and education, as well as freedom of opinion and expression. Human rights are not granted by any government; they are universal rights inherent to every individual. Human rights are interdependent, which means there is no right that can be fully embraced without another one. Human rights should not be taken away, unless the person is arrested and found guilty by the state (RSA 1996).

Human rights relate to governance. They both require people to be aware of their duties, rights, and appropriate institutional arrangements. Human rights constitute the foundation of equitable and participatory society. Human rights mean rejecting violence and intimidation (Segasti 2014).

2.4.10 Consensus Orientation

Good governance means that decisions about policies, finances, regulations, legislation, and processes reflect a deep understanding of culture, history, and community needs. A consensus orientation in good governance brings people together and makes it easier for people to make decisions together. Consensus governance means that decisions are not dependent on one individual; it means everyone needs to be involved and they should participate, and agreement must be reached. Decision makers should therefore create group relationships and encourage cooperation (Hyden *et al.* 2000).

According to Hartnett (2011), consensus-orientated decision making consists of seven steps, namely determining subject matter, opening a discussion, identifying underlying concerns, developing proposals, determining a course of action, proposing decisions, and closing the decision-making process. Good governance reconciles the different interests of the people, seeks consensus, and investigates the interests of the majority. Consensus builds trust and commitment. A consensus orientation is a cooperative process in which all group members support one another in the best interest of the group. In consensus, every input is considered, and effort is made to address all concerns (Dressler 2008).

Good governance requires the arbitration of the various interests of citizens to reach broad consensus in society. Good governance promotes that the consensus reached should be in the best interest of all citizens. Consensus governance requires a broad, long-term outlook on what is required for defensible human development and how to achieve the objectives of such development. This can be obtained by interpreting the social circumstances, history, and culture of a given community (UNDP 1997). Arietta and Wallace (2000) explain consensus as both a journey and a destination. Consensus means assisting groups to resolve their issues productively, making informed choices, and developing new strategies. Consensus is a resolution and a decision that satisfies all members of a group.

2.4.11 Stability

Stable governance means that the government provides essential services and serves as a responsible custodian of public resources. In a stable government, public servants are held accountable through legal and political processes. A stable government permits access for citizens to participate in governance through civil organisations, political parties, and the media. Stable governance is dependent on domestic capacity in order to carry out fundamental administrative, economic, and political functions. Stable governance contributes to assisting leaders, civil society, and government officials to obtain the skills required to govern in an accountable manner and to provide fundamental services to the citizens (United States Institute of Peace n.d.). Stability means peace and security in the context of good governance, which are necessary to achieve sustainable economic development. The SETAs have weak and fragile governance systems.

2.4.12 Inclusiveness

Inclusiveness means the involvement of all parties in decision making. Governance is inclusive when it engages and serves all citizens irrespective of gender, economic status, religious belief, sexuality, or other facets of personal identity. Inclusive governance is essential for advancing institutional values, respect, a peaceful work environment, diversity, human rights, and equality. Inclusive governance assists to ensure that the government and its institutions are ready to respond to challenges (OECD 2014).

According to the OECD (2014), inclusion means how decisions are made and who is included in decision making and why. Inclusion involves the outcomes of the decisions made, wealth and prosperity shared among citizens, and the priorities of the state. Open and inclusive institutions and countries are more prosperous, effective, and resilient. Inclusiveness builds trust between the government and the citizens, and it offers the opportunity to invite different views from women, youths, and ethnic minorities (Pattenden 2021).

2.4.13 Empowerment

Accountability and empowerment are interrelated and take an integrated view of how people can gain the necessary resources, assets, and capabilities to demand accountability from those who hold power. Empowerment in governance means to support the poor and give them control over their own development. Good governance and empowerment focus on the interests of the poor and ensure that the poor are represented meaningfully (Foreign, Commonwealth & Development Office 2022).

2.4.14 Conclusion on the Principles of Good Governance

Good governance principles play a critical role in the public sector. However, in order to measure the level of good governance within the SETAs, not all the stated principles were utilised. This study focused only on the principle of accountability because accountability is critical for the SETAs. Accountability in the SETAs means that every employee is responsible for his/her actions. Being accountable assists employees to execute their tasks effectively and efficiently. Accountability is followed by high work morale, better and clear communication, set priorities, higher engagement, higher

levels of trust among employees, employee satisfaction, and lower rates of employee turnover.

The next focus of this chapter is leadership.

2.5 CONCEPTUALISING GOOD LEADERSHIP

Unlike good governance, the concept of good leadership has not evolved throughout the years, but our understanding of it has evolved. As long as there have been leaders, there have been individuals who have attempted to determine what a good leader is and what differentiates them from others. Good leadership means the ability to demonstrate direction and to influence others towards a common aim by motivating and guiding them to be responsible for their performance (Harvard Square 2019).

Different scholars have defined leadership according to their understanding and their interests. Stogdill (1974:259) explains that there are numerous definitions of leadership as many individuals have attempted to define the concept. According to Klenke (2007), researchers know a great deal about leadership but not much about the concept itself. Barker (2007) explains that leadership has received attention in thousands of empirical and non-empirical research studies, yet researchers are unable to explain the concept.

Leadership is interpersonal authority that is practised in circumstances and managed through communication processes towards the achievement of specified objectives or goals (Massarik, Tannenbaum & Weschler 1961:24). Leadership entails communication between people in a manner that ensures that the other person feels satisfied that the outcomes will be improved if they conduct themselves as desired (Jacobs 1970:232). Leadership is a relationship where one person influences other individuals to cooperate and work together willingly on certain responsibilities or tasks (Terry 1968:410). Leadership influences and inspires others to cooperate on set goals and as a result achieves the objectives of the individuals and the group. A leader influences, inspires, facilitates, and makes efforts to ensure that objectives are met (Yukl 2010; Ackoff 1999:21). Leadership is therefore the process of influencing and affecting others in a group to strive willingly towards the success of the institution or group (Koontz, O'Donnell & Weihrich 1984:661; Bass 1985:16).

Adebakin and Gdabamosi (1996) explain leadership as the process of regulating and governing the activities of an organised group of individuals towards the achievement of organisational objectives. Robinson (2004) defines leadership as the capacity to influence a group of people towards the achievement of goals. McFarland (1979) stipulates leadership as the abilities that a leader possesses. Howell and Hall-Merenda (1999) define a leader as a person who goes beyond the call of duty and one who persuades others to be innovative and creative. McFarland (1979) also explains leadership as the leader's ability to influence others to work beyond ordinary levels to achieve organisational goals. Other authors believe that leadership is the business of defining the present situation and explaining the goals for the future, making the necessary decisions to solve the problem or to attain the goals, and gaining cooperation from those who must implement decisions (Brache 1983:120).

Based on the provided definitions, it is evident that there is controversy regarding leadership. In this study, the researcher does not attempt to resolve the controversy or produce the most suitable definition of leadership. The definition of leadership is based on the objectives of the study. It is difficult to conclude on a single definition of leadership that can cater for the many aspects of leadership (Karmel 1978:476).

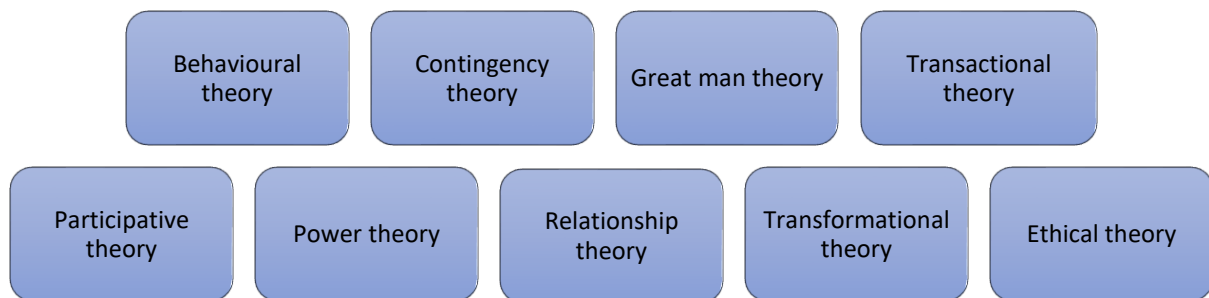
2.6 THEORIES OF GOOD LEADERSHIP

Historically, there were three theories of leadership, namely political, religious, and military theories. Around 1790 BCE, in Babylon, there was a leader named Hammurabi who created codified laws. These laws unified his whole empire and were perceived as fair orders because all people were subjected to the same laws. In China, Sun Tzu was a military general in 500 BCE who was known as a great military leader. Over the centuries, religious leaders have had the most influence on societies (Harvard Square 2019). According to Harvard Square (2019), due to the changes that occurred during the past years, a modern kind of leader has emerged. The changes included captains of industries using technology instead of swords to build empires, employees were found to be more important through the years, and union leaders were appointed to ensure fairness and justice and to eliminate abuse where it existed. The era of scientific leaders increased due to the Industrial Revolution because scientific leaders had improved access to different ranges of new materials to do their jobs. Psychology became a factor in the workforce as times evolved, which proved

consistently that workers are more effective and productive when the environment they work in is positive. Psychology has also proven that the leader's attitude influences the employees, because when employees are respected and treated fairly, they will produce better results than those who feel they are not appreciated (Harvard Square 2019).

Leadership theories provide clarification of how and why certain individuals become leaders. Theories are based on the actions and behaviours that people adopt and learn to hone their leadership skills. It is critical for a leader to have strong ethics, high morals, and self-organisational skills, to be an efficient learner, to nurture growth, and to enforce connections. Theories can assist and provide explanations of how leaders can develop and apply the necessary traits (Schyns, Kiefer, Kerschreiter & Tymon 2011). Figure 2.2 illustrates pertinent leadership theories, which are discussed in the sections that follow.

Figure 2.2: Theories of Leadership



Source: Compiled by Researcher

2.6.1 Behavioural Theory

This theory is based on how leaders conduct themselves. The theory assumes that other leaders can imitate the traits displayed by great leaders. Behavioural theory proposes that leaders are not born but are created, and can be created through learned behaviour (Atiku 2019). The theory is built upon the actions of leaders. The theory indicates that the best predictor of leadership success is to follow the actions of the leader. Behavioural theory is more about the actions of the leaders than the qualities of the leaders; the patterns of behaviour are thus noted and categorised as traits.

Behavioural theory permits leaders to become more flexible to changes and to adapt well to any circumstance (Atiku 2019). Behavioural theory proposes that anyone can become a leader. The downside of behavioural theory is that it does not advise a leader on how to act in certain circumstances (Atiku 2019).

2.6.2 Contingency/Situational Theory

This theory is centred on the context of the leader and views the situational effects of the success or failure of a leader. The leader's situation controls the efficiency and effectiveness of the leader. The theory suggests specific leadership styles and it emphasises that there should be a leader for every specific situation (Schyns *et al.* 2011). The contingency theory is about how leaders manage the situations presented to them at a specific time and place. The leader in contingency leadership applies the leadership style that best suits the circumstances. The contingency theory implies that there is no one-size-fits-all leadership style, and that contingency leadership is very flexible as it adapts to the needs of the followers. One of the benefits of contingency theory is witnessed during transitions because situational leaders keep the organisation afloat as it changes with the times (Baunsgaard 2020).

According to Openstax (n.d.), contingency or situational leadership emphasises that leaders who adapt to every situation are ideal, and they apply experience, intelligence, and expertise to balance the whole organisation. The disadvantage of contingency leadership is that leaders are more involved in short-term decision making and often forget to plan ahead for improved decision making because they deal with situations as they arise. The theory is beneficial for employees who have experience of the environment rather than external persons.

2.6.3 Great Man / Trait Theory

The great man theory proposes that good leaders are born, not created. The theory indicates that traits and skills that make great leaders cannot be learned or taught. The theory believes that leaders must possess unique traits. There is some controversy regarding the great man theory as some scholars believe that leadership can be learned and that effort must be made to become a great leader. However, the theory emphasises that great leaders are born and not made. It also suggests that leaders

cannot come from nowhere. Another controversy regarding this theory is that good leaders are associated with masculinity (Schyns *et al.* 2011).

2.6.4 Transactional/Management Theory

This theory is based on the management skills of the individual organisation, the performance of the group, and supervision. The transactional theory focuses on punishment and rewards. This leadership theory is normally found in profit-making organisations where if employees perform well, they are celebrated by means of rewards and when they fail, they are punished (Schyns *et al.* 2011). The theory believes that people only perform for reward and not because they want to see their organisation grow and become successful. Transactional leaders are often criticised and called lazy leaders because this form of leadership is quite simple: you do well, you are rewarded; you do not do well, you are punished. Transactional leadership can be highly effective because it strengthens positivity in the work environment, and it pushes and motivates employees to succeed (Schyns *et al.* 2011).

The disadvantage of the transactional theory is that punishments and consequence management can kill the morale of the organisation. This kind of leadership can negatively affect employees because transactional leaders are feared, not respected (Schyns *et al.* 2011).

2.6.5 Participative/Democratic Theory

Participative leadership advocates that employees must be involved in the decision making of the organisation. This theory is not popular in the corporate world. Participative leadership is an open door, and entails a transparent and trust relationship between employees and employers. The leaders create a platform by facilitating open conversations with the employees, accept criticism, and use the employees' suggestions and inputs to produce the best solutions to problems. The theory supports team involvement in the decision making of the organisation. This leadership style requires leaders who are open minded, who are constantly ready to learn, who are mature and emotionally stable, and who are willing to accept correction (Schyns *et al.* 2011).

The benefit of this theory is that employees who have participative leaders feel secure, more engaged, valued, and motivated. The leaders are not threatened by the employees' capabilities; instead, they embrace and use the employees' skills and capabilities for the advantage of the organisation. This kind of leadership encourages employees to be honest and share their thoughts. The disadvantage of this leadership style is that the leaders may be too concerned or involved with the needs of individuals and focus less on the needs of the organisation. Some scholars argue that this kind of leadership can make leaders become weak and unnecessary as they depend more on the opinion of the employees (Schyns *et al.* 2011).

2.6.6 Power Theory

The power theory centres around the power and influence the leader possesses to get things done. Because leaders with great power may be viewed as efficient because of their ability to make things happen, this kind of theory is not celebrated in many institutions because most employees do not gravitate towards power leadership. The disadvantage of this theory is that it does not inspire and encourage employees as it supports power and authority. The worst aspect about the power theory is the lack of growth within organisations that support the power theory because the only individuals who receive opportunities for promotions are those with power and influence. This kind of leadership can become toxic and easily corrupted because power rules the organisation (Schyns *et al.* 2011).

Employees under power leadership have low morale because of the power imbalance. Unhealthy competition can arise among employees because there might be a need for some employees to gain power as power is the only way to influence the organisation in the power theory (Schyns *et al.* 2011).

2.6.7 Relationship Theory

The relationship theory is based on leaders who focus on building relationships with employees. In relationship leadership, leaders are often mentors as they provide support and motivation and are always available to converse with employees (Schyns *et al.* 2011). Relationship leaders are concerned with making the work environment more conducive and enjoyable for the employees by encouraging positivity and

spreading love. The relationship theory is one of the best leadership theories as many employees celebrate it and studies have proved that relationship-based leaders often get excellent outputs from employees (Schyns *et al.* 2011). Employees who work under a relationship leader feel confident in their work and in their leader and they enjoy following the leader. The employees are inspired to become the best leaders in the future, and employees who follow a relationship-based leader are encouraged to grow. The result is that organisations have happy employees and better employee retention (Schyns *et al.* 2011).

Researchers have stated that relationship leadership can become problematic in terms of disciplining employees as the leaders are fond of the employees and the relationships can get in the way of work. Irrespective of this, most experts agree that relationship leaders are more effective.

2.6.8 Transformational Theory

Khanin (2007) explains transformational leadership as a process that encourages leaders to interact with their followers and inspire unity and growth. Bass (1985) states that the transformational leadership theory is more centred around the followers than the leaders. While transactional leadership focuses on withholding and giving benefits, transformational leaders focus on transforming others and encouraging them not only for individual benefit but also for organisational gain. Transformational theory can fail when leaders are false and pretentious towards employees (Burkus 2010). The theory depends on the support and encouragement of a team. When transformational leadership is applied early, the team can transform and become more productive. The transformational theory investigates everyone's strengths (Ugochukwu 2021).

Many scholars have stated that transformational leadership assists in elevating the organisation by pushing the mission and the vision of the organisation. Leaders in this theory are empowering and gain commitment from employees. Transformational leaders affect the performance of their employees because they are seen as role models (House, Puranam, Ramirez and Waldman 2001). Transformational leaders also focus on corrective action. According to Barth-Farkas and Vera (2014), transformational leaders are excellent at modelling and their subordinates copy their

behaviour when the leaders exceed their expectations. The leaders are charismatic and they excel through their character rather than their position in the organisation.

2.6.9 Ethical Theory

Ethical leadership means leadership that is supported or believed in. It means leading with integrity, transparency, trust, honesty, respect, and integrity. Ethical leaders lead and make conscious decisions. Kofman (2006) states that to be conscious means to be mindful and to be socially and politically aware. A conscious leader responds to circumstances in the most honourable and respectful manner. An ethical leader is a good influencer of employees because they influence the employees to act correctly. Because leaders serve as examples, it is crucial for every leader to possess ethical traits because employees follow their leaders.

Not only is ethical leadership beneficial to the organisation, it is also beneficial to the individual because it can assist to build a credible and good reputation. Unethical leaders can damage their own reputations. Chief Justice Mogoeng mentioned the need of ethical leaders in South Africa during the Serious Social Investing Conference in 2016, where he emphasised that there is need for leaders who are not corrupt (Raborife 2016).

2.6.10 Conclusion on Leadership Theories

It is evident that true leadership is made up of a combination of many theories and that there are many different leadership qualities that make a good leader. When the circumstances are right, any individual can rise to become a leader and be successful in the role. It means adopting the best leadership style that complements the person's personality. Most leadership skills can be learned, practised, developed, and mastered.

It is critical that institutions define and establish the kind of leadership theories that are suitable for their environment and how these theories can affect their objectives. The success of South Africa's National Development Plan (NDP) depends on the leadership the country produces in the coming years. There is no doubt that if the country does not have functional leaders, the goals and plans set out in the NDP will not be achieved. South Africa needs functional leaders to arrive in the promised land.

The Israelites depended on Moses to get them to Canaan; we as a country are depending on leadership to achieve the goals stated in the NDP. According to Anand (2007), successful communities are those with leaders that have strong political principles, good consciences, work ethics, intelligence, wholesome characters, personal/business morals, and humanity.

The ethical theory is the most appropriate theory for this study because ethical leadership encourages leaders to lead by example. When a leader leads by example, by making decisions with integrity and leading honestly, they influence employees to do the same in their daily tasks. Ethical leadership encourages leaders to evolve willingly, which means that the leader adapts to changes that come from time to time. It is critical for the leader to evolve because the willingness to evolve will rub off on others. An ethical leader mediates fairly on behalf of employees, and moral leaders are experts in problem solving. Ethical leadership is important because it inculcates respect and harmony in the organisation. Ethical leaders communicate openly, and leaders who possess strong ethics know the importance of good communication, honesty, and trust. Ethical leaders communicate honestly and openly (Schyns *et al.* 2011). SETAs need ethical leaders who are courageous and will not hide issues under the carpet but will face the issues head on. There is a growing need for responsible leaders in order to add value to an organisation or sector.

2.7 CONCLUSION

What is the government without governance? The government without governance has no authority and no power. It cannot build the future of society if it has no direction or purpose. The core of governance is processes that lead to decision making in the institution that is centred around the accountability, leadership, behaviour, and control of those in power. Governance is an important part of organisations because it influences the strategic objectives to be achieved, how risk is controlled and managed, and how performance is improved.

This chapter scrutinised theories of governance and leadership and discussed the significance of the theories to this study. Theories are significant in this study as they provide concepts to name what has been perceived and to explain the relationships

between concepts. Theories enable us to explain what we see and how to bring about change.

Understanding concepts of good governance and leadership is the fundamental root of this study as it enables comprehension of what the study aimed to investigate. The next chapter focuses on the first of the two case studies, namely the CETA.

CHAPTER 3:

GOOD GOVERNANCE, LEADERSHIP, AND LEGAL FRAMEWORKS WITHIN THE SETAs

3.1 INTRODUCTION

Legal frameworks are meant to guide and regulate the behaviour of public and private institutions. The need for such frameworks can be traced back thousands of years, which proves their importance. Early laws include Chinese law, Egyptian law, Babylonian law, and laws in the Old Testament of the Bible. It is the responsibility of governmental institutions to create and enforce rules within the different spheres of government.

SETAs are governmental institutions and must be administered and managed in accordance with the rules that govern the rights and responsibilities of governmental institutions. Together, these rules are referred to as legal frameworks. The legal frameworks that govern the SETAs comprise a set of legislation, policies, regulations, and contracts. The rights, obligations, and rules of governmental institutions are set forth in a system of legal documents. Documents that are used in governmental institutions are contracts, legislation, their constitutions, policies, and regulations. Institutions that have detailed and clear legal frameworks are more stable, effective, and efficient (National Resource Governance Institute 2015). An appropriate legal framework protects people from unjustified or groundless decision making by those in power. A legal framework assists in creating equal treatment within the government sectors. Legal frameworks are essential for establishing the roles and responsibilities of the leaders and employees within the SETAs and will assist in avoiding duplications, gaps, and overlaps (United Nations Economic Commission for Africa [UNECA] 2015).

Legal frameworks set the standard for acceptable and unacceptable behaviour in governmental institutions. These frameworks provide justice for everyone in society and protect government resources, people, and the most vulnerable in society. Legality is required in public institutions because it maintains peace and stability. The legal frameworks in the SETAs offers citizens a variety of career options and SETAs are responsible for providing the skills needed within each sector. Legal frameworks are important in the SETAs because ethical and accountable decisions

assist the institutions to achieve the set standards. It is compulsory for the SETAs to ensure that their policies fall within the laws of the country. The policies of the SETAs should align with the Constitution of South Africa and the regulations set by the government.

This chapter discusses the legal frameworks that govern the SETAs and the importance of the role of good governance and leadership in creating and implementing policies, as well as how the laws can be implemented to promote more successful SETAs

3.2 BACKGROUND OF LEGAL FRAMEWORKS WITHIN THE SETAs

According to the Office of the UN High Commissioner for Human Rights (2007), the success of legal frameworks, policies, laws, and regulations depends on good governance. Legal frameworks need to enhance cooperation, coordination, and commitment to be effective and efficient. Effective policies assist to promote cooperation by limiting opportunistic behaviour through rewards and penalties. Effective policies assist to coordinate participants' actions based on shared expectations as solving coordination problems is about eliciting socially desirable actions. Effective policies require commitment from all leaders, stakeholders, employees, and role players.

Governmental institutions are creatures of law, and they must operate according to the law and have secondary law-making functions. Good governance depends on legality (Bell 2015). Governance is based on the delegation of power, the distribution of power, how power can be shared, how policies are formulated, and who is accountable for what. As mentioned in Chapter 2, good governance is expected to be participatory, transparent, accountable, effective, and equitable and should promote the rule of law (Johnston 2002). The legal frameworks in public institutions should not only protect the government but should also protect the rights of the citizens and stakeholders. Governance should ensure the equitable treatment of all stakeholders, internal and external. Governance should also ensure accurate disclosure regarding public matters, finances, and the policies that govern institutions. There should be effective strategic guidance in public institutions to ensure the effective monitoring and

evaluation of the Accounting Authority to assist the board, the stakeholders, and the department (Walker, Gregory, Kolodner & Walker 1999).

Policies, regulations, procedures, and laws are an essential part of any institution. Private or public policies and procedures provide guidance for day-to-day operations. Legal frameworks also provide and ensure compliance with laws and regulations as they provide guidance for decision making and streamline internal processes. Leaders in the public sector are mandated to follow the guidance of the laws and regulations set by the institution. When everyone in public institutions follows the laws and policies, the organisations operate as they are meant to, and risk is easily identified and addressed. An organisation that follows rules and laws uses time and resources effectively. When leaders and employees follow organisational legal frameworks, they are able to carry out their duties correctly and provide quality services to stakeholders (NEOGOV 2020).

3.3 LEGISLATION, REGULATIONS, AND POLICY MANDATES WITHIN THE SETAs

The purpose of this section is to discuss the legislation, regulations, and policies that serve as the backbone of the SETAs.

3.3.1 The King III and IV Reports on Corporate Governance for South Africa

The King Code is the primary corporate governance code in South Africa. It enhances credibility and reputation, promotes strong resistance to fraud, supports resilient organisations, and contributes to leadership continuity (Natesan & Du Plessis 2019).

3.3.1.1 Key Principles of the King III Report (2009)

The King III Report (2009) is significant to this study because it places great emphasis on leadership, governance, and corporate citizens. For the sake of this study, the focus of this section is on governance and accountability.

The King III Report (2009) states the following regarding the Accounting Authority:

- The Accounting Authority should act as the focal point of corporate governance.
- The Accounting Authority is responsible for governing the institution.

- The Accounting Authority should exercise leadership, judgement, and integrity.
- The Accounting Authority should ensure that the public institution acts as and is seen to be a corporate citizen.
- The Accounting Authority must promote an ethical corporate culture.
- The Accounting Authority must appreciate and respect that risk and performance are inseparable.
- The Accounting Authority and its committees should participate in strategy and performance meetings.
- The Accounting Authority should appoint the CEO and establish a framework for the delegation of authority.
- The Accounting Authority should ensure the integrity of financial reporting.
- The Accounting Authority should ensure that the institution implements an effective compliance framework and processes.

Principle 1.17 of the King III Report (2009) explains the composition of the Accounting Authority. Regarding the constitution of SETAs, the Accounting Authority should comprise a balance of executive and non-executive directors, with mostly non-executive directors. Principle 1.20 explains the process of appointing the Accounting Authority, the Accounting Authority committees, and the secretary of the institution.

Principle 2.3 of the King III Report (2009) states that corporate governance requires the Accounting Authority to ensure that the institution is run ethically. The section covers good ethics within the institution and suggests that there are five moral duties, of which only two moral duties are relevant to this study, namely intellectual honesty and avoiding conflicts of interest. The report also encourages the Accounting Authority to cultivate and promote an ethical corporate culture. Principle 3 covers audit committees, Principle 4 addresses risk management, and Principle 5 covers internal audits. When correctly followed, the King Code can assist the SETAs to improve their effectiveness and delivery models.

The SETA Governance Charter (RSA DHET 2018) addresses the King II Report of 2002, and mentions characteristics of corporate governance, discipline, transparency, independence, accountability, responsibility, fairness, and social responsibility. The charter addresses how good governance should be implemented and supported by SETA leaders. SETA leaders, however, have failed to implement the characteristics

of good governance over the years, as there is no discipline of those who contribute to qualified audits and fruitless expenditure, and consequence management is not enforced within the SETAs. There is a lack of accountability and social responsibility. SETA targets should include visiting townships, communities, and schools, and they should gather youths in stadiums and inform them of the programmes available for the unemployed, as well as Grade 10 to 12 opportunities. SETAs can also use media platforms, community radio stations, and television to ensure that they reach the masses.

According to The Global Economy.com (2022), South Africa ranked number one among 100 countries in terms of unemployment in 2021 and 2022 with an increase of 5.47% compared to 2020. SETAs are not doing enough. In 2021, only 44 619 unemployed learners were placed in learnership for all 21 SETAs. Only R1 billion was spent on learnerships, while the SETAs combined incurred R12.2 billion in wasteful expenditure in 2021 (PMG 2021). SETAs spend more on irregular, fruitless, and wasteful expenditure than on contributing to the country's economy.

3.3.2 SETA Grant Regulations of 2012

The goal of these regulations is to improve the focus, management, and effectiveness of SETA grant spending. The Grant Regulations provide the basis for the SETAs to allocate and disburse grants. The aims of the Grant Regulations are to:

- regulate the proportion of funds available for skills development spent on administrations;
- enable the SETAs to contribute to the cost of the work of the Quality Council for Trades and Occupations;
- discourage the accumulation of surpluses and the carry-over of unspent funds at the end of the financial year;
- improve the quality and quantity of labour market information received by the SETAs in the form of WSPs, annual training reports (ATRs), and professional, vocational, technical, and academic learning (PIVOTAL) training reports to support their planning;
- promote NQF-registered and quality-assured PIVOTAL programmes that address priority, scarce, and critical skills identified in SSPs; and

- create a framework that supports public education and training and skills development programmes (RSA DHET 2012).

The NDP has emphasised the need for a variety of training interventions that will address the country's different needs, and has highlighted the need to strengthen youth service programmes in order to introduce new community-based programmes to assist young people. The SETA Grant Regulations lay the groundwork for career opportunities that are decreasing rapidly. Decreasing career opportunities contribute to the high rate of unemployment among graduates (RSA NPC 2012).

The Grant Regulations are meant to assist the SETAs with developing internal policies and procedures to govern the organisations. The DHET has provided regulations in terms of the percentages to be allowed for administration and mandatory grants, and the DHET has stated that the majority of discretionary funds should be spent on programmes that address scarce and critical skills. SETA programmes should be aligned with the NDP. SETAs are not assisting in addressing the skills gaps that are holding back economic growth and that are barriers to investment and job creation. There are many industries that the SETAs should be focusing on to expand and employ people but due to lack of skills, positions in those industries are hard to fill, as SETAs are failing to provide relevant skills in order to close the gaps. The DHET must work with the SETAs to streamline their grant procedures in order to achieve efficiency across all SETAs (RSA DHET 2012).

3.3.3 The Skills Development Act (No. 97 of 1998)

Training legislation was passed to oversee and coordinate the affairs of skills development training in the country. Skills development is a pillar of economic growth and success in South Africa. The Skills Development Act was created by the South African government to address the high levels of unemployment and low levels of investment in the South African labour market as a result of the apartheid regime.

As mentioned in Chapter 1, the purpose of the Skills Development Act is to:

- provide employees with opportunities to acquire new skills;
- encourage employees to participate in learnerships and other training programmes;

- improve the employment prospects of the previously disadvantaged through training and education;
- ensure quality of education to citizens of South Africa;
- assist work seekers to find jobs;
- assist retrenched workers to re-enter the labour market; and
- assist employers to find qualified employees.

The mentioned purposes can be achieved by establishing an institutional and financial framework comprising the NSA, NSF, the SDL grant schemes, and SETAs.

Chapter 2 of the Act covers the NSA; how the NSA is established; the functions, composition, and the constitution of the NSA; and its remuneration and administration. The focus of this chapter is on Chapter 3 of the Act, which focuses on the SETAs and their establishment, functions, composition, chambers, constitutions, finances, and administration. Section 14 of Chapter 3 of the Act stipulates the following regarding the finances of the SETAs:

- SETAs are financed from levies collected from employers.
- SETAs are financed by the NSF.
- SETAs are financed from interest earned on surplus money deposited and invested.
- SETAs are financed from services rendered in the prescribed manner.

The Act further states that the money received by SETAs should be used as follows:

- To fund the performance of their functions.
- To pay for their administration within the prescribed limit, and every SETA should submit financial reports annually to the minister.
- Every SETA is required to keep proper records of all its financial transactions, assets, and liabilities.
- The SETAs' financial records must be audited by the AGSA, and the AGSA should express an opinion as to whether the SETAs have complied with the provisions of the Act. A copy of the report should be sent to the minister and the Monitoring Committee.

The Skills Development Amendment Act (No. 31 of 2003) states that when the minister issues a written instruction to a SETA, it is because of the following reasons:

- The SETA is not performing its functions and not complying with the service level agreement.
- The SETA is not managing its finances in accordance with the relevant Acts.
- The SETA has not implemented an employment equity plan as contemplated in section 20 of the Employment Equity Act (No. 55 of 1998).

The Skills Development Act offers many benefits, but there are also disadvantages as there is a great deal of paperwork with regard to training and the administration of the projects provided by the SETAs. Levy-paying employers find it difficult to participate in SETA programmes due to the large amount of paperwork that must be done in terms of training and administration of SETA projects; few employers therefore participate in SETA programmes.

The management and implementation of the Skills Development Act are not easy. Employees often leave the SETAs after training, the training provided by the SETAs is not always in line with the employers' needs, and many private employers refuse to participate in or support government initiatives. Furthermore, SETAs are mandated to monitor the quality of the training they provide and to measure the progress of the learners; however, SETAs have registered and funded 11 deceased learners, 10 006 learners were in multiple SETAs, 76 learners were already employed, 53 learners were funded twice, 140 learners were younger than 15 years of age, 454 learners were reported in multiple years, and 17 learners were not found on the Department of Home Affairs' system as their identity numbers were fraudulent (PMG 2022). The continuation of errors within different SETAs is a clear indication of a lack of consistency and consideration of the Skills Development Act, which leads to unauthorised and irregular expenditure caused by poor administration.

3.3.4 The Skills Development Levies Act (No. 9 of 1999)

The Skills Development Levies Act was established to oversee the collection, administration, disbursement, and regulation of employers' levies. The Act ensures that funds are available for the training needs of contributing companies as stated in

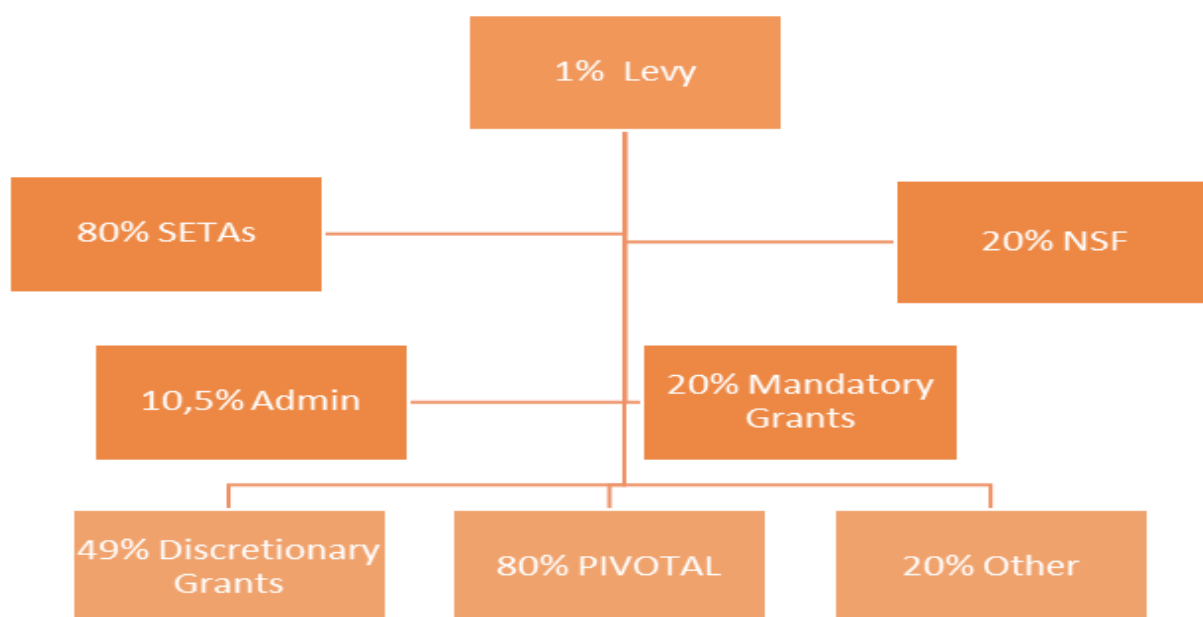
the Skills Development Levies Act. The Act also funds the training and development needs of the companies at low cost (Business Optimization Training Institute 2020).

The Skills Development Levies Act serves to provide funding for skills development initiatives in South Africa. The aim of the Act is to develop the skills of the South African workforce, increase levels of investment in education and training, and encourage employers to use the workplace as an active learning environment. According to Angamuthu (2020), the Skills Development Levies Act makes training affordable by:

- implementing the payment of skills development levies;
- implementing the payment of mandatory levies to stakeholders;
- implementing the payment of grants;
- requiring the appointment of skills development facilitators;
- requiring WSPs; and
- requiring ATRs.

In terms of the Skills Development Levies Act, employers are mandated to pay 1% of their payroll cost to the National Treasury through SARS (RSA 1999b). SETAs receive 80% of the funds to administer the training of employers and employees. SETAs distribute a portion of the funds back to employers upon receipt of a WSP. Figure 3.1 illustrates the process of administering skills levies.

Figure 3.1: Administration of Skills Levies



Source: Palmer (2020)

The following are excluded from paying the SDL:

- Employers whose payroll does not exceed R500 000 per annum;
- Public service employers in national and provincial governments;
- National and provincial entities if 80% or more of their expenditure is paid from funds voted by parliament; and
- Any municipality that received a certificate of exemption from the Minister of Labour (RSA 2009b).

The Skills Development Levies Act distinguishes between the following three types of grants to be paid to employers:

- **Mandatory grants:** According to RSA (2010b), levy-paying employers may claim mandatory grants from their SETA if they have submitted a WSP and ATR. Mandatory grants of 20% of the total levies paid should be paid monthly to employers who pay levies.
- **Discretionary grants:** Discretionary grants are granted at the discretion of particular SETAs from the surplus of skills levies of companies that do not claim levies. Discretionary grants fund learnerships and strategic projects in line with the SETAs' critical skills identified from the WSPs submitted. Discretionary grants can be allocated by SETAs in support of the NSDS, and can be paid to a non-levy-paying employer in terms of the Skills Development Levies Act (RSA 2010b).
- **PIVOTAL programmes:** PIVOTAL programmes are part of occupational qualifications or part of qualifications related to the NQF, skills programmes, graduate development, recognition of prior learning, learnerships, and/or apprenticeships (RSA 2010).

According to SERR SYNERGY (2016), many SETAs are poorly managed and have been placed under administration because of maladministration and unethical conduct. Only a few SETAs have fulfilled their mandates and are providing services to communities. SETAs have from the start been a burden on businesses and the economy. Billions of rands of employers' levies collected through SARS are not administered ethically as employers and businesses do not get what they pay for as billions of rands are wasted by the SETAs through malpractice, dysfunctional

administrative functions, and unethical activities, as found by SERR SYNERGY (2016).

3.3.5 The National Qualifications Framework (NQF) Act (No. 67 of 2008)

According to RSA SAQA (2008), the origins of the NQF can be traced back to the labour movement of the early 1970s. Black unions' demands for a living wage were repeatedly rejected by employers on the grounds that workers were unskilled and that their demands were therefore unjustified. This caused black workers to view training as a means to achieve their demands for better wages. The White Papers on Education and Training (1995) and Reconstruction and Development (1994) underscored the need for the development and implementation of the NQF (RSA SAQA 2008). The NQF Act has the following objectives:

- Create a single integrated national framework for learning achievements.
- Facilitate access to, and mobility and progression within, education and training career paths.
- Enhance the quality of education and training.
- Accelerate the redress of past unfair discrimination with education, training, and employment opportunities.

The NQF Act integrates frameworks that are responsible for recognising and linking distinct forms of learning in South Africa. It also differentiates between broad sectors of learning served, which are served by Quality Councils; Basic Education and Training, served by Umalusi; Higher Education and Training, served by the Council on Higher Education; and Trades and Occupations, served by the Quality Council for Trades and Occupations. The councils are guided and led by their own sub-frameworks, and they are coordinated by SAQA. SAQA is responsible for fostering communication and articulation and reports to the Ministry of Higher Education and Training. The NQF is a comprehensive system approved by the minister for the registration, publication, classification, and articulation of quality-assured national qualifications (RSA 2008). Table 3.1 indicates what each NQF level represents with regard to qualification levels.

Table 3.1: Qualification Levels in the NQF

Sub-framework	NQF level	Qualification type
General and FET Qualifications Sub-Framework	1	Grade 9
	2	Grade 10 / National (Vocational) Certificates Level 2 / Occupational Certificates
	3	Grade 11 / National (Vocational) Certificates Level 3 / Occupational Certificates
	4	Grade 12 / National (Vocational) Certificates Level 4 / Occupational Certificates
	5	Higher Certificate / Advanced National (Vocational) Certificate
	6	Diploma / Advanced Certificate / Occupational Certificate
Higher Education Qualification Sub-Framework	7	Degree / Advanced Diploma / Postgraduate Certificate
	8	Honours / Postgraduate Diploma
	9	Master's
	10	Doctorate / PhD

Source: Quality Council for Trade and Occupations (2013)

South African youths find themselves in a cycle of learnerships that pay stipends but do not provide skills development opportunities, nor adequate job training, and do not lead to future employment. Learnerships have become the end goal of organisations and levy payers. The DHET and SETAs must play a role in restructuring learnerships effectively, and training should not just be about tax rebates and giving the youth certificates but should be about developing the youth so that they can become active participants in the South African labour and economic markets. SETAs should therefore develop NQF qualifications that are related to the NDP of the country (*Express News* 2022).

According to *City Press* (2018), there is growing dissatisfaction with how the SETAs are managing learnership qualifications that should be issued at the end of each learnership. Employers as the levy payers claim that the SETAs take very long to issue qualifications associated with learnerships. The SETAs' delay to issue qualifications makes it difficult or even impossible for employers to claim the tax rebates that they are entitled to. Not only does the late issuing of learnerships have a negative impact on the employers, but the learners are also affected as certificates are often issued

long after the learners have left their employment and some cannot apply for jobs due to the delays with the NQF certificates. It will be very difficult to solve the many complexities associated with South Africa's unemployment, and until the SETAs expedite the issue of qualifications, South Africa will continue to battle with unemployment.

3.3.6 The Higher Education Act (No. 101 of 1997)

According to Subotzky (2002), the higher education system of the country was created by its colonial history, formed by the conflict between the nationalism of the Afrikaners and the British, and forged against racial lines between white and black people. Politics played a critical role in the history of education. Racially segregated universities were established as a result of the University Act of 1959. After apartheid, the education laws changed and education became a right of all citizens irrespective of their economic status and race.

The aims of the Higher Education Act are to:

- regulate higher education;
- provide for the establishment, composition, and functions of higher education;
- provide for the establishment of governance structures and funding of public and higher education institutions;
- provide for the appointment and functions of an independent assessor;
- provide for the registration of private higher education institutions;
- provide for quality assurance and quality promotion in higher education; and
- provide for transitional arrangements and the repeal of certain laws (RSA 1997b).

Higher institutions of training are critical role players in skills development. SETAs therefore work very closely with universities and other higher education institutions to address the skills development needs of South Africans by providing bursaries for the unemployed through institutions such as the National Student Financial Aid Scheme and through the discretionary grants. The Higher Education Act serves as a guideline to SETAs for managing and administering funding related to higher institutions of learning.

3.3.7 The Further Education and Training (FET) Colleges Act (No. 16 of 2006)

The purpose of this Act is to enable students to acquire the necessary knowledge, practical skills, and applied vocational and occupational competence, and to provide students with the necessary attributes required for employment to enter a particular vocation, occupation, or trade or entry into a higher education institution. The Act is applicable to all educational institutions that have been established or declared a public college or registered as a private college in terms of this Act (RSA 2006).

3.3.8 The National Development Plan (NDP)

According to the RSA NPC (2012), the NDP is the blueprint and guiding document for South Africa. The NDP was released in 2012 and is positioned as a blueprint to address the challenges of the country. According to RSA NPC (2012), the NDP aims to eliminate poverty and reduce inequality by 2030. The aims of the NDP are as follows:

- Encourage citizens to be active in their own development, in strengthening democracy, and in holding their government accountable.
- Increase economic growth, promote exports, and make the economy more labour absorbing.
- Focus on the key capabilities of both the people and the country, which include skills, infrastructure, social security, strong institutions, and partnerships both within the country and with key international partners.
- Build a capable and developmental state.
- Build strong leaders throughout society who work together to solve problems (RSA NPC 2012).

The SETAs target only the needs of levy payers, not the needs of the country in general, and continue to fund futile programmes. SETAs must not only focus on the needs of levy payers but must also align the needs of taxpayers to the NDP. The NDP is targeting 30 000 artisans to be produced annually by 2030; however, South Africa's intermediate skills are very low to support the country's socio-economic development goals. The SETAs are not keeping pace with the skills required to remain competitive in an increasing knowledge-based economy (RSA DHET 2019a).

3.3.9 The National Skills Development Plan (NSDP)

The purpose of the NSDP is to ensure that South Africa has adequate and appropriate high-quality skills, economic growth, employment creation, and social development. The NSDP aims to ensure that the country achieves high levels of economic growth to address unemployment, poverty, and inequality.

The objectives of the NSDP are to:

- expand the college system, with the focus on improving the quality of colleges;
- provide learning opportunities through community education and training colleges;
- improve the throughput rate to 80% by 2030;
- produce 30 000 artisans per year by 2030;
- increase enrolment at universities by at least 70% by 2030;
- increase the number of students eligible to study towards maths- and science-based degrees to 450 000 by 2030;
- increase the percentage of PhD-qualified staff in higher education institutions from the current 34% to over 75% by 2030;
- produce more than 100 doctoral graduates per million people by 2030; and
- promote science and technology and increase research and development (RSA DHET 2019a).

3.3.10 The National Skills Development Strategy (NSDS)

The NSDS was first implemented in 2001. The NSDS is a tool used by the government to drive the process of developing the skills of the South African labour force.

The objectives of the NSDS are to:

- transform the racial and gender inequalities of the labour force;
- create a greater alignment between the skills developed and the needs of the South African economy;
- increase levels of investment in the training of the labour force; and
- improve the quality of training accessed and establish nationally accepted standards (RSA 2011).

According to RSA (2011), the NSDS aims to improve the effectiveness of the skills development system, to increase commitment, and to encourage the linking of skills development to career paths. The skills development systems should promote closer links between the training institutions and the SETAs. The NSDS takes the training provided and supported by the Skills Development Act from just being training to being careers; for example, SETAs provide classroom learnerships and short courses where the learning takes place in the classroom. The Skills Development Act's priority is "unemployed learners getting opportunities to be trained"; however, the NSDS takes those trained learners from the classroom to employment. With the assistance of the NSDS, SETAs have integrated classroom training with employment. Not only do learners receive classroom training, they also gain 12 months' employment and after 12 months, the employer receives a pool of skilled employees to retain after the learnership ends. The NSDS promotes links between SETAs and institutions of training by funding bursaries and placing graduates in internship programmes and students in workplace-integrated learning programmes in different levy-paying companies.

3. 3.11 The National Skills Fund (NSF)

The NSF was established in 1999 in terms of the Skills Development Act of 1998. According to CHIETA (2017), the NSF provides funding for skills development initiatives identified by the NSDP as national priorities. The priorities stated in the Skills Development Act, or as considered by the minister, include achieving a standard of good practice. The NSF reports to the Minister of Higher Education and Training and does not have its own board. The NSF is responsible for the strategic framework and criteria for the allocation of funds from the National Fund (UNESCO 2022).

The objectives of the NSF as prescribed by the Skills Development Act are to:

- fund projects identified in the NSDS as national priorities;
- fund projects related to the achievement of the purposes of the Skills Development Act;
- administer the NSF within prescribed limits; and
- fund any skills development activity undertaken by the minister in order to achieve national standards of good practice in skills development (RSA 1999a).

The NSF is more concerned with projects that are stated as national priorities and that assist with training unemployed people, non-levy-paying cooperatives, non-governmental organisations, community structures, and vulnerable groups. The SETAs and the NSF are both funded by the SDL. The NSF and the SETAs oversee and manage the disbursement of grants, funds, programmes, and levy payers across South Africa in terms of training to upskill the country's workforce (PMG 2020).

3.3.12 The Public Finance Management Act (PFMA) (No. 1 of 1999)

The PFMA aims to regulate financial management in the national government to ensure that all revenue, expenditure, assets, and liabilities of the national government are managed efficiently and effectively. The PFMA indicates the responsible persons entrusted with financial management in the government sector (RSA 1999a). According to Van Wyk (2004), the PFMA is part of broader government strategy to improve the general state of financial management in the public sector. The objective of financial management in the public sector is to support management in the allocation of limited resources with the purpose of ensuring efficient outputs that will serve the needs of South African communities. According to Madue (2007), the PFMA is based on the principle that leaders should be allowed to manage finances within an agreed framework and should be accountable. Managers should ensure that departments do not overspend, they must report monthly and annually, and they should submit financial statements within two months after the end of the financial year.

Public financial management oversees public expenditure. The significance of public management is to improve the livelihood of the general public. Powerful financial management processes and systems are critical in the public sector to deliver effective and efficient public services. The SETAs are obligated to follow the guidance of the PFMA when handling public money. Public funds should be managed accordingly and public servants should avoid fruitless, irregular, and unauthorised expenditure incurred in contravention of the requirements of the applicable legislation (RSA 1999a).

For years, the SETAs and the NSF have been contributing to irregular expenditure, according to the AGSA. The SERVICES SETA and the CETA are the top contributors to irregular expenditures of all the SETAs. The SERVICES SETA has not accounted

for R138 million, while the CETA has failed to provide data regarding missing R76 million. The PFMA speaks highly on accountability when handling public finances; however, no disciplinary measures are taken when irregularities are found by the AGSA, and no one is arrested or suspended for these irregular expenses. The AGSA stated that consequence management is inadequate within the SETAs. The AGSA also noted that project management continues to be a challenge for some of the SETAs; for example, the CETA and the SERVICES SETA struggle to produce commitment registers that are complete and accurate. It is very important for the SETAs to produce accurate commitment registers as they reflect the number of reserves that will be retained. The PFMA makes it clear that the SETAs may not budget for deficits and may not exceed approved budget expenditure unless appropriate approvals are obtained (Phungula 2022).

According to the PMG (2022), SETA funding is underpinned by four principles, namely sharing costs by the government and students, autonomy in determining fees, funding for service delivery, and funding as a steering mechanism. In 2020/2021, the auditors condoned R358 million and wrote off R408 million; however, R3.9 billion was not dealt with due to slow investigations and the implementation of consequence management. Thus far nothing has been recovered.

Fruitless expenditure totals R88.9 million. The amount is made up of R65.7 million for the NSF, R16.7 million for the CETA, R2.1 million for the CHIETA, R1.5 million for the W&RSETA, and R1.4 million for the SERVICES SETA. The CETA's irregularities included the CETA entering into an agreement with a consulting firm to assist with analysing data for adequate decision making and to undertake conflict of interest verifications. Payments were made in excess of the rates agreed on in the service level agreement. The majority of the irregular expenditure was caused by procurement irregularities and overspending on the 7.5% threshold of the total discretionary grants. In terms of expenditure relating to administration expenditure, the financial statements submitted for auditing by the CETA for the year 2021 were not prepared in accordance with the prescribed financial reporting framework and not supported by proper records as required by section 55(1)(a) and (b) of the PFMA (CETA 2022).

The AGSA stated that the budget of the SETAs for 2021 was R22 billion; however, the actual expenditure was R19 billion. The budgeted revenue was R21 billion and the

budgeted discretionary grants for 2021/2022 comprised R17.4 billion but the actual discretionary grants totalled R14.8 million. The CETA failed to correct material misstatements that were identified by the AGSA during the 2020/2021 financial year and also failed to provide supporting records that showed how the money was spent. The SERVICES SETA also failed to correct material misstatements identified in 2021 by the auditors and effective steps were not taken to prevent fruitless and wasteful expenditure as required by section 51(1)(b) of the PFMA. Most of the fruitless and wasteful expenditure in the SERVICES SETA was caused by interest and litigation costs against the entity. The SERVICES SETA failed to take appropriate steps to prevent irregular expenditure amounting to R138 142 000 as disclosed in note 34 of the annual financial statements as required by section 51(1) of the PFMA (CETA 2022).

3.4 CONCLUSION

The SETAs should respect and honour the laws and principles of the country. The Constitution is the primary law that provides guidance on how the country should be governed, and the Acts of the country are tabled from the Constitution. The laws set out how all governmental institutions should be organised. According to RSA (1994b), the public sector should be governed by the democratic values and principles mentioned in the Constitution; high standards of professional ethics should be promoted and maintained; efficient, economic, and effective use of resources should be promoted; and public services should be distributed and provided fairly, equitably, and without bias.

The Constitution of South Africa requires that the public sector should be organised as professional institutions, which means that the individuals employed in the public sector should be professionals and that the appointment of employees in the public sector should be based on merit. According to Maserumule (2022), the Public Service Act Amendment Bill and Public Service Commission Bill are key initiatives to build state capacity through the professionalisation of the public service. The new Public Amendment Bill will pass administrative powers to other heads of government departments.

The main reason why there is a lack of governance and good leadership in the SETAs is ignorance of the law because the SETAs are managed by unprofessional and politically driven individuals. The SETAs' policies do not consider the Constitution, the Public Service Act, the citizens, or the employees.

The SETAs should be led by individuals who understand that laws and regulations are based on the Constitution as the highest and most supreme law of the country and who understand that laws are more important than individual political affiliations and personal interests.

CHAPTER 4:

CASE STUDY: THE CONSTRUCTION EDUCATION AND TRAINING AUTHORITY (CETA)

4.1 INTRODUCTION

This chapter aims to discuss the CETA's inception, functions, sectors and subsectors, governance, and leadership. The CETA was established on 20 March 2000 by the Minister of Labour as a Schedule 3A public entity. As stated in Chapter 1 of the Skills Development Act, the functions of SETAs were transferred to the DHET in 2010, which led to the SETAs being revived and their licence being renewed until 30 March 2030 (RSA DHET 2019b). The CETA must perform its functions following the guidance of the Skills Development Act, the PFMA, and other relevant legislation. The CETA must complete a Sector Level Agreement (SLA) every financial year with the Director General concerning its performance functions as stated in the NSDS and strategic plans. The CETA is obligated to help the minister to comply with his/her responsibility in accordance with NSDS III (RSA 2011).

The CETA has five subsectors that fall under construction that define activities within the sectors. The CETA has different stakeholders in the subsectors, who are classified according to the scope of work they do. The subsectors include building construction, roads and civil construction, the built environment profession, material manufacturing, and electrical construction. The CETA does not provide training or education to the construction sector or any other sector. It also does not provide learning; however, it ensures that those working in construction industries are provided with suitable training by providing financial support and accrediting training providers to provide the training (RSA 2011). The CETA has the responsibility to advance and develop an SSP within the NSDS framework. The CETA must execute its own SSP by mainstreaming and recognising learning programmes and by approving WSPs and annual reports. The CETA is mandated to allocate grants in accordance with prescribed standards to its own employees, skills development providers, and workers (RSA 2011).

According to RSA (2011), the CETA aims to implement the objectives of NSDS III. The CETA's intention is to ensure that citizens acquire skills that are needed to build the capacity of the construction sector to become globally and economically competitive.

The CETA is responsible for the training needs of the employers within the sector, by identifying skills needs in the workplace and by assisting employees to obtain opportunities to acquire new critical skills. The CETA has responsibility over employees in the sector and must ensure that the employees participate in learnerships, apprenticeships, professional training, and skills development programmes (CETA 2022).

4.2 CETA GOVERNANCE BACKGROUND

The CETA is known for appointing corrupt leaders. Three months before the end of the term of the administrator in 2013, the latter appointed the CEO, which is against the Skills Development Act and the regulations as the CEO is supposed to be appointed by the minister with assistance of the Accounting Authority. The appointment of the administrator was also questionable (South African Forum of Civil Engineering Contractors 2020). Furthermore, the former CEO of the CETA and the Accounting Authority were accused of paying 15% pension benefits and a 15% increase to employees. The National Skills Authority (NSA) chairperson was also accused of influencing the tender process and of maladministration. The former acting CFO and members of the Accounting Authority were accused of improper conduct, and there were also allegations of the chairperson signing and approving 100% employee pension benefits. All allegations were made by the Portfolio Committee (PMG 2019).

As stated in the CETA's annual report of 2019/2020, it received levies worth R670 million from SARS in 2019 and 2020. The CETA disbursed R85 million in mandatory grants (grants paid by SETAs to companies that are registered in terms of the Skills Development Levies Act). R1 350 billion was injected into discretionary grant projects (training programmes such as learnerships, short courses, and bursaries). The CETA's performance decreased drastically in 2019 and 2020. The issues stated in the annual report of 2019/2020 are irregular expenditure (CETA 2020).

In 2019/2020, the AGSA issued the CETA with a qualified audit opinion. The poor findings stemmed from poor performance, non-compliance gaps, and control deficiencies. The CETA was faced with many problems that led to poor performance and the Minister of Higher Education Science and Innovation made the decision to

place the CETA under administration in February 2020. According to Rhodes University (2021), the poor performance was caused by financial irregularities due to the previous leadership's administration. As a result of gross financial mismanagement and governance failures, an administrator was appointed as the caretaker of the organisation.

Due to continuous challenges within the CETA, the administrator's term that was supposed to end after 12 months lasted for two years because of the court case that was taking place between the former Accounting Authority and the Minister of Higher Education. The Accounting Authority accused the minister of interfering in the CETA's operations and bringing it into disrepute. During the administrator's term, the CETA's administration improved and the AGSA issued an unqualified audit opinion in the 2020/2021 financial year. Many improvements in the internal control systems led to the improved audit report.

On 1 September 2021, the new CEO of the CETA assumed his position. Shortly after his appointment as new CEO, he was accused of causing instability and maladministration in the CETA. The National Education, Health and Allied Workers' Union (NEHAWU) accused the new CEO of deliberately destabilising the institution, and the union requested the Minister of Higher Education to intervene regarding the allegations of poor administration and poor governance (eNCA 2022).

NEHAWU accused the CEO of the following:

- Allowing and approving CETA management to travel with luxurious vehicles and fly business class beyond working hours;
- Renting out fancy apartments for administrators;
- Demoralising staff due to irregular skills audits;
- Moving members of staff to departments they were not qualified for, all in the name of the skills audit;
- Employing armed security guards who dressed in military uniform and intimidated and abused staff;
- Unfairly suspending staff members; and
- Irrational salary grading that negatively affected staff members (eNCA 2022).

In 2021/2022, the AGSA again issued the CETA with a qualified opinion. The basis of the qualified opinion, according to the PMG (2022), was commitments made by the CETA. The PMG (2022) stated that the CETA was unable to provide sufficient and appropriate evidence that commitments for the year in question were properly accounted for due to the status of accounting records provided by the CETA. The financial statements submitted for auditing did not meet the standards of the prescribed financial reporting framework and of the PFMA, effective methods were not fostered to prevent irregular expenditure (amounting to R76 million), and the bulk of the irregular expenditure was caused by procurement irregularities and overspending on the 7.5% threshold of the total discretionary grant expenditure relating to administration expenditure. The following are issues stated by the AGSA regarding the procurement processes in the CETA:

- Certain goods over the value of R1 000 000.00 were procured without bid invitations as required by law. It is uncertain and unknown as to which method was used to procure those goods and services by the CETA.
- Other contracts were awarded without bidders meeting the bid requirements, which is in contravention of the Preferential Procurement Policy Framework Act, No. 5 of 2000, which states that all contracted or selected bidders should meet all the requirements stated on the bid invitation.
- Some merchandise assigned for local production were procured from providers who never submitted declarations on local production, which is against the law as stated in National Treasury Instruction Note 4 of 2015 and 2016.
- Some bid invitations failed to stipulate the minimum entry for local production as stated by the Preferential Procurement Regulations of 2017 (PMG 2022).

According to RSA (2018), good governance requires the SETAs and Accounting Authority to behave with integrity, honesty, diligence, and care when managing the affairs of the SETAs. SETAs are also obligated to follow the Batho Pele principles and the vision of the government. The management of the SETAs must put the needs of the people first, and effective and continuous monitoring should be implemented from time to time to assess the effectiveness of good governance and leadership within the SETAs.

4.3 GOVERNANCE AND THE CETA

Without accountability, laws will not be effective and crime will become habitual within the SETAs. As mentioned in Chapter 2, the principle of accountability in governance is the focus of this study. It is critical to discuss accountability in the SETAs. Good governance is the backbone of compliant and well-performing institutions. The optimum and ultimate responsibility of governance in the CETA rests with its Accounting Authority and its committees (Cornforth and Chambers 2010).

Accounting Authorities are accountable for the mission and heritage of their institutions. They have the duty to shape their institutions and they are accountable to the DHET and the public at large. The Audit Committee, Governance Committee, Finance Committee, and Executive Committee (EXCO) give account to the Accounting Authority, and the Accounting Authority reports to the minister.

Accountability means to accept responsibility and to be accountable for one's actions. The purpose of accountability is to ensure that the leaders who are entrusted with managing public funds can be held responsible for their decisions. It is important to enforce accountability as it ensures that public officials act in the interest of the citizens and not in their own personal interest. Where accountability is active, trust exists; without accountability, citizens and stakeholders cannot trust an organisation (Gumede 2021). Accountability plays a big role in good governance as it improves confidence in government performance. Accountability means that public officials are accountable not only to a higher authority but also to the public.

There is a lack of accountability within the CETA, as stated by the PMG (2020). The Accounting Authority refused to take responsibility for the reported R12 million irregular expenditure that occurred during the year in question. The CEO also shifted responsibility by accusing members of the Accounting Authority of benefiting from CETA tenders, and the former CEO accused the members of the Accounting Authority of corruption. The CFO blamed the former CEO for the higher bonuses and increased payments that led the minister to place the CETA under administration. Due to lack of accountability within the CETA, the organisation suffered, and the employees also suffered as they had to sell their cars and property to pay back the irregular money they were paid (*City Press* 2020). The CETA's leaders are known for resigning after

they have been exposed for corruption, which does not solve the organisation's problems. As stated by Gumede (2021), accounting officers should be held answerable for their actions even if they have resigned or retired. As a remedy for corruption, the CETA should recover the losses suffered as a result of fraud or theft by instructing the pension fund administrators to withhold the pension benefits of any employee who is being investigated for such crimes. The employee should remain employed until the investigation has been completed and if found guilty, the employer should recover the losses through the pension fund benefits of the employee in question and the employee should also be officially charged with the crime.

Principles of accountability in the public sector are transparency, participation, and monitoring and evaluation. Accountability means enhancing the integrity of public institutions, while accountability protects the government against corruption, abuse of power, and nepotism. It is necessary to discuss the CETA's organisational structure to understand the reporting and legal strategy and procedures that are followed in ensuring that those entrusted with managing public funds are held responsible for their actions.

Figure 4.1: CETA Governance Structure



Source: CETA (n.d.a)

4.3.1 Accounting Authority

The Accounting Authority is the highest accountable member in a SETA and serves as the governing body of the institution. The Accounting Authority ensures that the institution is accountable both legally and financially. The Accounting Authority governs the CETA in compliance with the PFMA, the Skills Development Act, and other applicable legislation. The Accounting Authority assures that the CETA implements the goals of the NSDS and the performance agreement with the minister (RSA 1998b). It is responsible for putting systems in place and ensuring that risk is properly managed. The Accounting Authority is the risk officer of the institution and is responsible for the institution's risk management as stated in the relevant legislation. The Accounting Authority must develop a risk management policy that clearly states how risk will be prevented and managed. The policy must declare the institution's commitment to managing risk. According to RSA (2008), the most important duties of Accounting Authorities are to always act independently, to not be controlled, to not serve the needs of the individual but rather the needs of the organisation, to display unfettered discretion, and to express independent judgement.

The minister is responsible for appointing the Accounting Authority (the board) of the CETA. Three months before the end of the term, the CEO must invite nominations from the members of the Accounting Authority and the minister must put a notice in the Government Gazette to invite nominations for the chairperson of the Accounting Authority of the CETA (RSA 1998b).

The CETA board is composed of 14 members and one chairperson. The members of the Accounting Authority must not exceed 15. The term of the Accounting Authority in the office must not exceed five years. The Accounting Authority consists of men and women with high levels of skills, experience, and qualifications related to the construction sector. The Accounting Authority creates committees, such as the EXCO, Audit Committee, Finance Committee, and Remuneration Committee. Aiming to ensure governance within the organisation, the Accounting Authority must appoint committees to conduct some responsibilities on its behalf. These responsibilities include reviewing existing policies and drafting new policies and guidelines on behalf of the board.

The CETA's board has faced governance and leadership challenges from its inception. In May 2022, the reporting committee was not pleased with the CETA as the organisation was placed under administration twice due to allegations of unqualified board members, administration issues, and forensic investigations. The committee questioned why three board members were reappointed while they formed part of the former board that failed to meet its obligations (PMG 2022).

4.3.2 Executive Committee (EXCO)

The EXCO of an organisation is a smaller group of individuals with close ties through leadership. The committee can gather in short periods of time to discuss urgent issues concerning the organisation (Farnham 2022). The EXCO is known as the standing committee of the organisation as it acts as a steering committee for the Accounting Authority. The committee's priorities are issues that the Accounting Authority needs to address. The EXCO acts as an extension of the Accounting Authority and acts when the Accounting Authority cannot, and they are able to make decisions and resolve urgent matters concerning the organisation.

EXCOs serve as mentors to boards in terms of facilitating orientations, induction, and training of board members, as well as ensuring that board members understand the board meeting rules. The EXCO usually meets with the Accounting Authority before the first meeting to induct them on their new roles. The EXCO is responsible for introducing new members of the Accounting Authority to the rest of the team. The EXCO provides the needed coaching to the team and also provides the resources needed to execute the role of the Accounting Authority (Wire 2022b).

As stated by BoardSource (2023), although the EXCO oversees the organisation, it cannot amend the laws of the institution. It cannot remove or appoint the Accounting Authority (only the minister can remove and appoint the Accounting Authority), it cannot hire or fire the CEO (only the Accounting Authority can), and it also cannot change organisational budgets as the committee is not authorised to make major strategic and structural decisions. The EXCO has power over other committees under the Accounting Authority within the organisation, and is responsible for governing the CETA's management. It is responsible for overseeing proper financial management of the CETA's funds. The EXCO should coordinate and supervise the application of the

Accounting Authority's policies and legislation. It is also responsible for monitoring national policy issues and developments and recommending the adoption of policies by the Accounting Authority.

The EXCO is responsible for growing and building the organisation by evaluating the performance progress of the organisation and by setting an example to the CEO on how matters are dealt with. Because of the level of responsibility involved, EXCO members must be good communicators and build cohesiveness between the Accounting Authority and the rest of the organisation. The EXCO normally works hand in hand with the CEO and serves as the mediator between the Accounting Authority and the board (Corporate Governance Institute 2021).

4.3.3 Audit Committee

The purpose of the Audit Committee in the institution is to provide oversight of the financial reporting processes, the institution's systems of internal controls, and compliance with laws, regulations, and the audit process. The Audit Committee is responsible for the appointment of the auditor and oversight of the auditor. The audit office reports directly to the Audit Committee, not to management, and the committee is expected to review the accounting and reporting matters of the institution (Deloitte 2018).

The committee plays the critical role of financial reporting, oversight, and internal controls within the organisation. The committee is required to review financial management reports and ensure that the financial statements are understandable and reliable, and it must give its opinion regarding the finances of the institution. The Audit Committee should be updated regularly on new regulatory guidelines applicable to the institution. The committee should ensure that the organisation has policies and programmes in place for dealing with fraud and risk. The committee should work with management to set up anti-fraud controls to ensure that there are programmes and controls in place to ensure that fraud is detected. The committee should approve appropriate ethics and a code of conduct and put in place an effective reporting hotline (Deloitte 2018).

Audit committees in public entities have the role of reviewing organisational policies, including a policy on conflict of interest. Audit committees should have effective

communication with the auditors, and they need to work closely with public accounting bodies (such as the AGSA) that act as external auditors (University of Dakota 2021).

The Audit Committee is established by the Accounting Authority. It serves as an independent committee, but reports to the Accounting Authority. Audit committees are guided and governed by section 77 of the Constitution and National Treasury regulations. An audit committee must be built on the requirements of corporate governance. The committee must perform the functions of an audit committee as stated in the PFMA. The committee should review and make recommendations in respect of the functioning of the internal audit department. It should be composed of independent individuals with in-depth knowledge of finances. The Audit Committee members are responsible for investigating the CETA's financial matters (RSA 2016).

4.3.4 Finance Committee

The Finance Committee must perform the responsibilities stated or assigned to it by the Accounting Authority and must ensure that the CETA meets the requirements of the Skills Development Act, the Skills Development Levies Act, the PFMA, and National Treasury regulations as related to the CETA's finances. The committee should focus on the CETA's cash flow, budget, and operational finances, as well as the policies concerning its finances, and it must implement the recommendations of AGSA reports (RSA 2011).

According to Rabinowitz (2022), the Finance Committee assists the Accounting Authority to fulfil fiduciary responsibilities by giving the Accounting Authority control over the finances and resources of the institution to meet its fiscal responsibilities. The Finance Committee protects the organisation from legal challenges and liabilities that may occur. The committee can protect and defend the organisation from incurring conflicts of interest. The committee interprets the finances of the organisation on behalf of the board to assist the board members to understand the financial direction of the institution.

4.3.5 Remuneration Committee

It is the responsibility of the Accounting Authority to establish the Remuneration Committee. This committee should be composed of persons with the knowledge and

skills needed to perform the functions required of the committee. The purpose of the committee is to serve as an advisory committee to the Accounting Authority to enable the Accounting Authority to develop consistent and fair strategies, policies, procedures, and processes for compensating CETA employees (RSA 2011).

The committee should ensure that the committee members and employees' remuneration is in accordance with the requirements of the PFMA. Because they work with employee and committee finances, the Remuneration Committee submits its financial statements to the Audit Committee. The committee should constantly review and revive the remuneration policy in order to make changes that are beneficial to the CETA and its employees, and the remuneration policy should adhere to the rules and regulations set by the PFMA and the Constitution.

The King IV Report (2016) emphasises that a remuneration committee must consist of non-executive members of the Accounting Authority to avoid conflict of interest as they may directly or indirectly influence decisions, especially when it involves their personal remuneration; however, executive members of the Accounting Authority and EXCO may attend remuneration meetings when invited.

4.3.6 Governance and Strategy Committee

According to O'Brochta, Meloni, Raghupathy, Pfeiffer and Taylor (2019), governance committees support good governance within institutions. Such a committee is responsible for promoting healthy development and the functioning of the Accounting Authority. The Governance and Strategy Committee ensures that the Accounting Authority is well informed about good governance, and is responsible for ensuring that policies are developed, principles are maintained, and setting guidelines for the governance and strategy function for the CETA. Its main function is to promote governance and report to the Accounting Authority on matters necessary for development of the skills strategy for the SETA. The committee is established and appointed by the Accounting Authority, and should consist of a suitable number of persons with the knowledge and skills needed to perform the functions of the committee.

The Governance and Strategy Committee has many different functions within the institution. What unifies the functions of this committee is a supervisory role towards

the Accounting Authority itself. The Accounting Authority manages and supervises the organisation, but the Governance and Strategy Committee has oversight of and follows its own set of compliance obligations and rules (Jackson 2020).

The role of governance committees is very critical within public institutions, as they ensure that the Accounting Authority follows the organisations' constitutions and applicable legislation and regulations. They also guide the Accounting Authority on assessments and make recommendations regarding the appointment of committee members. Governance committees also act on behalf of the Accounting Authority by organising induction and training for new members of the Accounting Authority. Another critical function of the Governance and Strategy Committee is to organise ongoing training opportunities on behalf of the Accounting Authority to ensure that its members develop and grow. The committee assists with approving policy and works closely with strategic departments/units.

As shown in Figure 4.1, the Accounting Authority of a SETA reports directly to the Minister of Higher Education and Training, and the Accounting Authority committees report to the Accounting Authority.

The latter has a team of role players in each department; from finances, executives, audit, to governance. The committees play a significant role in providing support to the board; however, with all that support and with all the resources invested to ensure that governance is exercised according to the Accounting Authority, SETAs still fail to deliver set targets, have clean financial records, and be functional organisations.

4.4 ORGANISATIONAL LEADERSHIP AND THE CETA

Organisational leadership is vital in managing the SETAs. According to Tokar (2020), organisational leadership is people orientated and it promotes leading groups of people to achieve the objectives and mission of the organisation. Organisational leadership means leaders in the organisation understand the organisational mission statement and create strategic plans that are in alignment with the objectives of the organisation. The leaders know how to implement the goals of the institution and know how to hold teams accountable.

As mentioned in Chapter 2, the study followed the ethical leadership theory. Ethics that are relevant to CETA leaders do not differ from daily ethics that people apply. It is normal practice for leadership professions to adhere to a code of ethics. With regard to the SETAs, the relevant code of conduct is to follow the ethics stated in the Batho Pele principles regarding issues such as equity and anti-corruption. Leaders in public institutions must act ethically when they execute their decisions. Leaders in the public sector must follow the guidance of the PFMA, which states that there should be consequences for leaders who commit wrongful acts. They should face dismissal, suspension, or repayment of money, as applicable. Leaders in the public sector are required to act responsibly and they must exercise good judgement when making decisions (RSA 1999a).

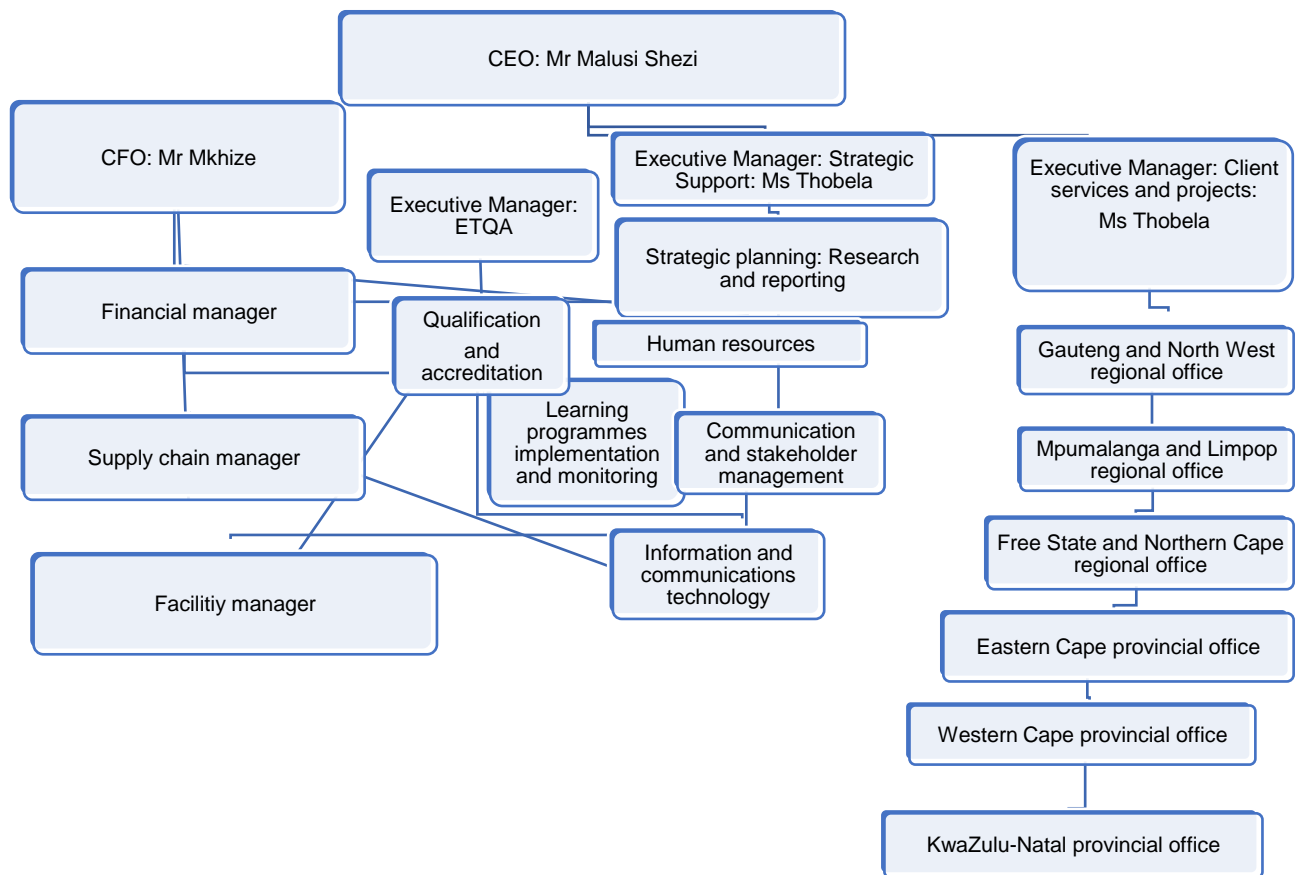
Leaders in the public sector should uphold the principles stated in the Constitution. Section 195 in Chapter 10 of the Constitution states the following principles:

- A high standard of professional ethics should be promoted and maintained.
- Resources should be used efficiently, effectively, and economically.
- Public administration must be development orientated.
- Public officials should be accountable.
- Transparency should be fostered within public institutions, and public institutions' information should be made accessible and available to the public.
- Career development practices and decent human resource management should be cultivated (RSA 1996).

Leaders must foresee challenges and risks that lie ahead, and they need to find innovative means of dealing with such challenges and risks, which they need to communicate effectively to address the concerns of internal and external stakeholders. As mentioned in Chapter 2, SETAs are in desperate need of ethical leaders, who lead with integrity and authenticity and who do not submit to greed and self-gratification. Leaders must understand the nature and the business of the organisation they lead, and they must be able to think strategically, system-wide, and holistically (Tokar 2020).

It is important to discuss the CETA's leadership in order to understand oversight and leadership within the CETA (see Figure 4.2).

Figure 4.2: Leadership and the CETA



Source: CETA (n.d.b)

4.4.1 The Chief Executive Officer (CEO)

In 2013, three months before the end of term of the administrator, the administrator appointed a new CEO, which was against the Skills Development Act and the regulations as the CEO was supposed to be appointed by the minister, with assistance of the Accounting Authority. According to the Skills Development Act, the minister is responsible for the appointment of CEOs in the SETAs; however, the Accounting Authority, in accordance with the Constitution, must ensure that the process of appointing a CEO is done in accordance with applicable regulations (RSA 1998b). The Accounting Authority must follow the recruitment process and place advertisements of the position of CEO where potential candidates can access the advertisement and apply for the position. Shortlisting of candidates should be conducted by the board. After interviews, the Accounting Authority must submit the names of the three best

candidates to the minister, and after the minister has consulted with cabinet, the most suitable candidate for the job can be selected. After selection, the Accounting Authority must evaluate and ensure that the process was conducted fairly and that whoever was nominated possesses suitable qualifications and experience to lead the SETA in question. The CEO should be appointed for a term that corresponds with the term of the members of the Accounting Authority. Each board has its own CEO and is involved in the recruitment of a new CEO. The CEO is the leader and the face of an organisation. The CEO is the highest and most prominent position of authority within the chain of command, even though they are accountable to the Accounting Authority. The CEO should be a focused leader who guides, directs, and evaluates the direction of the institution. They are accountable for the success or failure of the institution. CEOs must be informed of the developments of the industry and the standards needed to implement new developments. A CEO should be a resourceful individual who is ambitious, assertive, extroverted, energetic, enthusiastic, optimistic, humble, and confident. CEOs should be persuasive, motivational, intellectual, inquisitive, and introspective (Bandiera, Guiso, Prat & Sadun 2011). The CEO must implement the decisions tabled by the Accounting Authority. The CEO's duties are to execute the strategic management of the SETA. The CEO should attend the meetings of the EXCO and Accounting Authority and must promote policy development. The CEO should ensure that the finances of the SETA are managed effectively and efficiently, and direct the employees according to the policies and legislation that govern the SETAs (RSA 2011).

4.4.1.1 Office of the CEO

In the CETA, the office of the CEO consists of the following:

- Office of the CEO;
- Secretariat; and
- Office of the executive assistant in the CEO's office.

Because the CEO position is a position of power, and with power comes influence, the CEO is an influencer in the organisation and the face of the organisation. The highest possible ethical conduct is expected from the CEO; the CEO must therefore lead with honesty and integrity and must avoid conflicts of interest in all his/her relations.

When good governance is practised within an organisation, the CEO does not have unchecked power – he/she is accountable and must act with integrity and honesty. The CEO controls the failure and success of the organisation; it is therefore critical that only individuals with ethics lead the SETAs (Peterdy 2022).

During the committee meeting held by the PMG, the Ministry of Higher Education, Science and Innovation, and the SETAs in September 2022, the committee raised concerns about the allegations against the new CEO of the CETA. The new CEO was only appointed in September 2022 but there were already complaints about his leadership. Ms Mananiso (African National Congress) raised concerns regarding leadership and governance issues pertaining to the CETA and said that leadership skill issues should not impede progress and prevent the CETA from taking the opportunity of infrastructure development programmes to advance its mandate. However, one could ask what are the chances of an organisation being successful without good governance and leadership? (PMG 2022).

4.4.2 The Chief Financial Officer (CFO)

According to RSA (1999a), a CFO is a principal member of an institution's leadership team because the CFO engages in the implementation and development of the institution's strategy and resourcing of the strategic objectives. The CFO is required to be actively involved in the financial decisions of the institution to ensure that financial implications and risks are tabled and considered. The CFO is required to develop and promote a system of good financial management and good governance to ensure that the finances of the institution are safeguarded at all costs. As stated in the PFMA, the CFO should ensure that the finances of the institution are managed efficiently and effectively.

The responsibilities of a CFO are as follows:

- Acknowledge the need for general and financial advice;
- Ensure that reporting requirements are met as required by legislation such as the PFMA and the Division of Revenue Act and National Treasury regulations;
- Plan and recommend the structure of the Office of Finances;
- Ensure that financial budgets correlate with the strategic plans of the institution;

- Manage all the mandatory grants, working capital liabilities, and assets;
- Manage the finance department; and
- Manage expenditure and revenue (RSA 1999a).

The CFO should have strong management, professional, and leadership skills. It is the responsibility of every CFO in public institutions to provide financial leadership; the CFO should therefore understand both finances and leadership.

4.4.2.1 The Structure of the CFO's Office in the CETA

The CFO's office in the CETA comprises financial management, supply chain management (SCM), and facility management.

(a) Financial Management

The finance office within a public institution is responsible for managing limited financial resources with the aim of ensuring that delivery output is provided in an effective and efficient manner. The finance office is responsible for the day-to-day management of finances through the formulation of long-term financial policies, strategies, and objectives and providing support for achieving the operational and strategic objectives of the institution, which include controlling expenditure, planning for working capital, and considering the guidelines of the appropriate legislatures (RSA 1999a).

(b) Supply Chain Management (SCM)

SCM forms an important part of financial management in the public sector (RSA 2011:9). SCM represents a significant change in the way organisations view themselves (RSA 2011:14). SCM attempts to breach the gap between the old methods of procuring goods and services and the balance of the supply chain. The purpose of SCM is to add value to each stage of procuring goods from the demand for goods or services, to the acquisition and logistics process, to the end, which is disposal (Madhani 2012).

The role of the SCM Unit in the CETA is to:

- procure goods and services through the bidding method or the quotation method; and

- take advantage of buying power and make a positive contribution to the transformation of the South African economy.

The SCM Unit falls under financial management, and failure to enforce ethics within that department can cause the failure of the organisation, because the supply chain is the link between the private and public sector. The public sector requests services from the private sector. The opportunity for the mismanagement of public money can arise and bribery, personal favours, fraud, conflict of interest, nepotism, and extortion can occur if ethical SCM is not enforced.

(c) Facilities Management

According to Finch and Zhang (2013), facilities management is explained as the resources that support the infrastructure, buildings, estates, and safety of an organisation.

A facilities manager is responsible for:

- lease management;
- maintenance and operations;
- energy management;
- space management;
- emergency management; and
- estate management.

4.4.3 Executive Manager: Strategic Support

Strategic management is a system that can be utilised for strategising in public organisations. Strategic management can assist public organisations to achieve their objectives, goals, and public value. According to Poister (2010), strategic management is characterised by strategic planning, management and evaluation, performance management, and budgeting.

A strategic management plan is a plan that is drawn up by an institution to ensure that performance targets are met, and that the organisation continues to grow. It provides direction for the institution as it establishes policies and plans that are meant to achieve the objectives of the institutions. The responsibility of the Strategic Support Unit is to

develop systems and structures, allocate (financial) resources, manage change, investigate risk, conduct project management, and perform human resource management, including rewards and performance (Victoria University Online 2022).

The CETA's Executive Manager: Strategic Support draws up the strategic plans of the organisation. The executive manager, together with his/her team, are responsible for gathering data from the human resources, projects, CEO, finance, and other departments and developing new plans for departments. The executive manager works closely with other CETA departments and devises new strategies of expanding, improving, and reviving the CETA. The executive manager also investigates new ways of doing things and adapts to 21st-century ways of doing business. The strategic department is a very significant office as it is where the plans are established and where performance is measured.

A strategic manager must know the ins and outs of the organisation; he/she must therefore have knowledge of every department and the work that is done. Many scholars agree that managing a strategic department needs a unique individual with excellent analytical skills, and who is a researcher, innovator, good communicator, and intellectual. According to Jobhero (n.d.), the skills of the strategic manager should include project management, multitasking, decision making, interpersonal and communication skills, knowledge of various financial structures, organisational skills, analytical skills, mathematical skills, and statistical knowledge.

The units that are managed by the Executive Manager: Strategic Support are Research and Reporting, Communication and Stakeholder Relations, Human Resources, and Information and Communications Technology (ICT).

4.4.3.1 Research and Reporting

This department is mandated to conduct research for the CETA, develop SSPs and career guides, analyse the WSP annual reports submitted by employers, and compile quarterly monitoring reports on behalf of the DHET (CETA. 2022). The Department of Research and Reporting is the eyes and ears of the organisation and reports to strategic management. Ethics are important in reporting. It is very important for the CETA to report accurately to the DHET on its performance. Ethical reporting means being transparent about the activities of the organisation.

4.4.3.2 Communication and Stakeholder Relations

The role of this department is to build effective relations with stakeholders, establish and implement effective communication with stakeholders, manage CETA events, participate in career guidance, manage corporate identity, and manage communication among external and internal stakeholders. The department is divided into two units, namely Communication and Marketing. Each unit has its own teams (CETA 2022).

When dealing with stakeholders and communication, the CETA must ensure that the principles of ethical communication are applied at all times. Since honesty is one of the principles of ethical communication, the CETA must provide honest information to stakeholders, and the information should be based on facts and lies while misinformation should be avoided at all costs. Ethical communication means listening to the stakeholders and considering the manner or systems they prefer to communicate. Ethical communication is important within the organisation as it builds trust between the CETA and the stakeholders.

4.4.3.3 Human Resources

The Department of Human Resources in the CETA is responsible for developing the human resources strategy of the institution. It also provides advice on human resource matters; deals with and manages the employees; deals with disciplinary, recruitment, and induction processes; distributes employee benefits; and motivates employees. The CETA's Department of Human Resources has the responsibility of ensuring that the employees are provided with training and development to enhance the CETA's performance. It also ensures compliance with human resource legislative frameworks, reporting, and policies.

Byars and Rue (2006) define human resource management as a system of activities and strategies that focus on successfully managing employees at all levels of the organisation to achieve the organisation's objectives. This department is the backbone of the organisation as it deals with people, which means managing, training, and compensating employees, developing human resource policies, and developing human resource strategies (Frasch, Shadovitz & Shelly 2010). Every manager plays

a human resource role in public and private organisations as some human resource duties are carried out by managers.

The Department of Human Resources plays a very critical role in promoting ethics within the organisation as it encourages the most suitable code of conduct and leads by example. The department is mandated to mentor, encourage, and support employees to be on their best behaviour. When an employee is involved in unethical affairs, the department must communicate with the individual respectfully irrespective of the circumstances, and have honest and transparent communication with the employee to build trust. The department must avoid being biased and taking advantage because of the power they hold in the organisation (Gordon 2021).

The Department of Human Resources must have strong ethical standards because if it does not, incompetent people will be hired, and the organisation will suffer severely. The department deals with the personal issues of the organisation and its people; therefore, the application of ethics is critical within the organisation. Personal matters such as promotion, discrimination, harassment, and recruitment need honesty, fairness, and reliability; the Department of Human Resources therefore cannot be led by people who lack morals, otherwise the whole organisation will collapse.

The scales of the pay grades in the CETA are questionable as there seems to be a non-sequential flow in how salaries are graded in the CETA. For example, the B3 grade of the CETA compared to other SETAs is more than three times higher than the median. The E3 grade is also higher than the median. In the CETA, the E3 median is higher than the E4 median, which is not correct. The PMG (2022) questioned this disparity in the median pay grades and NEHAWU also raised concerns about the disparities, but the Department of Human Resources is not doing anything to address and rectify the anomalies (PMG 2022).

According to Phungula (2022), the CETA's skills audit was conducted by an independent company named African Ambition, together with Manage Integrity Evaluation, a background screening and vetting company. The CETA undertook to verify the qualifications of its staff with guidance from the National Qualifications Framework (NQF) Act (No. 67 of 2008). The report revealed that the SCM manager, Ms Mphuthi, was appointed without possessing the required qualifications.

The position of SCM manager in the CETA requires NQF 7 or NQF 8; however, Ms Mphuthi only had an NQF 4 qualification, which is equivalent to Grade 12. Besides the CETA paying Ms Mphuthi R1.7 million a year, including benefits, the external lifestyle audit report flagged her as a risk, which means she could be using her position to make money for herself. The Department of Human Resources has not acted on these findings as reported by the external skills and lifestyle audits.

4.4.3.4 Information and Communications Technology (ICT)

ICT within the public sector is regarded as the most powerful tool for change and it has the potential to increase public sector transparency and accountability. According to Bhatnagar (2014), ICT plays an important role in governance as it can be used to accelerate and circulate information. Efficient ICT systems in an organisation can reduce corruption. Stakeholders, learners, and employers can participate in all SETA business through ICT.

ICT within the public sector is an ongoing function of the executive authority and it should be rooted in every department within the organisation, from the executive authority to service delivery. It is the function of those in leadership to understand the importance of ICT in corporate governance. The corporate governance of ICT evaluates and directs the strategies and goals of the department using ICT to achieve set objectives (RSA DHET 2012).

According to Mokhele and De Beer (2007), ICT plays a very critical role in accelerating the flow of information from public institutions to the citizens. As stated in the Batho Pele principles, openness, transparency, service standards, access, and availability should be assured. Each and every public institution should provide information to citizens with the minimum effort. The ICT department should be managed by an individual who holds high ethical standards as the unit deals with the confidential information of external and internal stakeholders. The confidential information of employers and learners should be protected. The CETA works with the levies of companies and the important information of the construction industry. The ICT department should protect the levy data and financial information of the employers. The ICT department should also respect the human rights of the employees and not tamper with the private data stored on their computers.

4.4.4 Executive Manager: Client Services and Projects

Regional offices are the first point of contact for stakeholders. The CETA's Department of Client Services and Projects is made up of nine regions with six provincial managers leading the provincial offices. The regional offices under leadership of the Executive Manager: Client Services and Projects is responsible for managing and implementing the CETA projects that are funded through discretionary grants. The department develops projects to fund, which are aligned with the strategic plans of the SETAs and the annual plans of the CETA. The projects that the CETA focuses on are learnerships, apprenticeships, short courses, recognition of prior learning, bursaries, candidacy programmes, internships, graduate placements, work-integrated learning, lecturer support, and the establishment of learning centres. The Projects Unit has three divisions, namely (a) learner contracting and data management (where contracts are drawn and managed and learner information is captured and managed), (b) graduate development support (this unit is concerned with the graduates it provides bursaries to, those who want to further their education, internships to those who need work experience, and TVET placements), and (c) monitoring and evaluation. The department is responsible for inducting learners into new programmes, project monitoring, external moderation, and certification. All these responsibilities are handled in the provinces.

Ethics are important when dealing with projects because when ethical standards are not adhered to, it is easy for corruption to take place. According to O'Brochta *et al.* (2019), ethics means making the best decisions concerning the citizens, environment, and resources. Ethics reduces risk, increases trust among the institution and its people, builds good reputations, and advances positive organisational results. Fairness, honesty, respect, and being accountable are the values that drive ethical conduct.

4.4.5 Executive Manager: Education and Training Quality Assurance (ETQA)

The ETQA department is responsible for accrediting training providers for legacy qualifications, registering assessors and moderators, verifying learning, and awarding certificates to learners. The ETQA department manages providers of different sizes, types, and cultures.

The ETQA department is an independent body, and it is an integral part of the system. It instigates and implements the NQF and is part of the NQF quality management system. The ETQA department is responsible for the standard of service it provides to clients. The ETQA department is directly responsible for sustaining its own internal management systems. To achieve and maintain effective service delivery, it has its own quality management systems (RSA South African Qualifications Authority [SAQA] 2008).

The ETQA manager within a SETA must engage and build relationships with the external stakeholders, the providers, the assessors, the moderators, and the quality assurers from the provincial offices. The ETQA department must assist with uploading learners across multiple SETAs, and the executive manager must ensure that external moderation visits and verifications are conducted. The ETQA department must assist with the registration and compliance of assessors and moderators. Quality is good ethics; quality assurance cannot exist where ethics are not promoted.

4.5 CONCLUSION

The CETA was previously known as the best-performing SETA in South Africa; however, from 2013 there has been instability due to governance and leadership issues. Although the CETA's performance has fluctuated over the years, matters got worse in 2019 when the relationship between the minister and the Accounting Authority deteriorated to the point that they went to court, and the previous CEO resigned after contributing to maladministration and causing instability within the organisation.

The downfall of the CETA to date is due to poor governance and leadership, which the CETA has battled with for years. The principles of ethics and accountability are urgently needed in the CETA. Effective leadership in the public sector lies at the heart of good governance principles, where the leaders respect regulations, laws, and strategies (O'Brochta *et al.* 2019).

CHAPTER 5:

CASE STUDY: THE SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY (SERVICES SETA)

5.1 INTRODUCTION

Johannesburg Stock Exchange-listed brokers such as Adcorp, Kelly Group, Workforce Holding, and Primesery Group have been the cornerstone of the SERVICES SETA for many years. The SERVICES SETA is used by labour brokers, jobseekers, and unemployed citizens. As noted in Chapter 2, the SERVICES SETA is the biggest SETA in terms of scope, capacity, and revenue. The SERVICES SETA's scope entails 70 Standard Industrial Classifications that are grouped into 16 subsectors, and the subsectors are grouped into six chambers. Standard Industrial Classifications are gazetted industry descriptors. The subsectors that fall under the SERVICES SETA are services hiring, household, domestic, cleaning, marketing, postal, labour recruitment, collective, business, funeral, and real estate services. The subsector also covers contact centres, project management, haircare, beauty treatment, and fashion (SERVICES SETA 2019a).

Each chamber has its own committee that is made up of key industry players, namely organised labour, organised employers, and professional bodies. Most of the employers/companies are in the business of management, with the Business Services Chamber consisting of 146 673 employers and the Real Estate Chamber consisting of 13 140 employers (SERVICES SETA 2020a).

According to the SERVICES SETA's (2019c) annual performance plan, around 187 497 companies/employers fall under the SERVICES SETA, of which 97 956 employers of the 187 491 were still operating before the COVID-19 pandemic, 29 160 paid their levies to SARS, and of the latter 29 160, only 4 100 submitted their WSPs and received their mandatory grant funding. According to the SERVICES SETA's (2020a) annual performance plan, the SERVICES SETA is the main contributor to employment in South Africa, as well as the largest contributor to the country's gross domestic product. Irrespective of being the largest economic contributor, the SERVICES SETA is not creating employment because its employers are declining every year.

The SERVICES SETA receives billions of rands each year from the 1% skills levy on the payrolls of big businesses. The SERVICES SETA should therefore be disbursing billions of rands every year; however, there are many challenges within the SERVICES SETA due to vulnerable occupational categories. The majority of employees in the sector are employed as clerks, elementary workers, and domestic workers, and most have a Grade 12 certificate (CETA 2022). The sector is losing employment in the field of domestic work, and the sector is also not evolving. The SERVICES SETA is battling to uplift employees by facilitating training in vulnerable occupations. The majority of SERVICES SETA employers are based in Gauteng, KwaZulu-Natal, and Cape Town. It is evident that the SERVICES SETA is not expanding training to rural provinces. The question is, why is the SERVICES SETA not transforming and evolving? In this chapter, the background and causes of the SERVICES SETA's issues, its mandate, and governance and leadership issues within the SERVICES SETA are discussed in detail.

5.2 BACKGROUND

The levies paid by SERVICES SETA employers assist the SERVICES SETA to execute its mandate of developing skills to support the growth of the economy of South Africa and to create job opportunities. The SERVICES SETA is not defined the same way as other SETAs because of its unique classification practice.

The SERVICES SETA's Standard Industrial Classification codes cover transport, storage and communication, financial intermediation, insurance, real estate and business services, community work, social and personal services and private households, extraterritorial organisations, representatives of foreign governments, and other activities.

Unlike other SETAs, the SERVICES SETA's scope is very vast as the sector covers many industries and many prospects; the SERVICES SETA therefore has various key role players involved in assisting it to achieve its objectives.

Table 5.1: The SERVICES SETA's Industrial Chambers

Chamber	Subsector
Cleaning services	Hiring services Household services Domestic services Cleaning services
Communication and marketing services	Marketing services Contact centres Postal services
Labour and collective services	Labour recruitment services Collective services
Management and business services	Business services Project management
Personal care	Beauty treatment Funeral services Fashion
Real estate and related services	Real estate services

Source: SERVICES SETA (2019d)

5.2.1 The Department of Higher Education and Training (DHET)

The DHET's mission is to develop skilled, educated, and capable citizens who can compete in a sustainable economy (RSA DHET 2021). The DHET aims to undertake its mandate by increasing access to institutions of higher learning, improving participation rates in the system, and improving the quality and efficiency of the system. The purpose of the DHET with regard to the SERVICES SETA is to promote and monitor the NSDS, develop and implement appropriate legislation, and ensure sustainable quality in skills and development.

The DHET assists the SERVICES SETA through the provision of legislation, policies, and guidelines on how to operate the sector. The White Paper for Post-School Education and Training of 2013 governs the SERVICES SETA. The SERVICES SETA implements legislation and policies by tabling SSPs, strategic plans, and annual performance plans. These documents are drafted by the SERVICES SETA with guidance from the DHET as these documents help to hold the SERVICES SETA accountable (SERVICES SETAa 2020).

5.2.2 The Department of Small Business Development (DSBD)

Because the SERVICES SETA's chambers are more focused on businesses, the SERVICES SETA works hand in hand with the DSBD as the latter is responsible for administering and overseeing the growth of small businesses and the SERVICES SETA facilitates skills provision among aspiring entrepreneurs. The SERVICES SETA supports the DSBD through injecting funding into entrepreneurship, cooperatives, and mentoring courses. The SERVICES SETA also supports the DSBD in developing business advisory standards. The purpose of the DSBD is to support small businesses and cooperatives with emphasis on programmes such as entrepreneurship, and the target is people living with disabilities and the youth to contribute to job creation and job growth. The SERVICES SETA has the same objectives as the DSBD because the SERVICES SETA and its chambers are more focused on entrepreneurship (SERVICES SETA 2020a).

5.2.3 Local Municipalities

Municipalities are the third sphere of government. They interact closely with communities and deliver basic services. For the basic services to be provided, municipalities need competent and skilled employees. When municipalities lack skilled personnel, it becomes very challenging to provide essential services effectively and efficiently. Skills and development are essential in municipalities in order to transfer the same skills to the citizens; the LGSETA therefore collaborates with municipalities to ensure that municipal employees are well developed and trained. The SERVICES SETA has also partnered with municipalities to assist in delivering skills development to the municipalities.

The SERVICES SETA has also partnered with many municipalities to deliver skills development to the citizens and to provide employment. The municipalities that the SERVICES SETA works with are Mangaung, Cala, Kokstad, Prieska, Nkandla, Nkonkobe, Bambana, Thabazimbi, Mount Coke, North West, Paulpietersburg, Lesedi, Mkuze, and many more. For the SERVICES SETA to access the community, it needs the municipalities to serve as the mediator between the citizens and the SERVICES SETA. Different municipalities have different needs and partnering with local

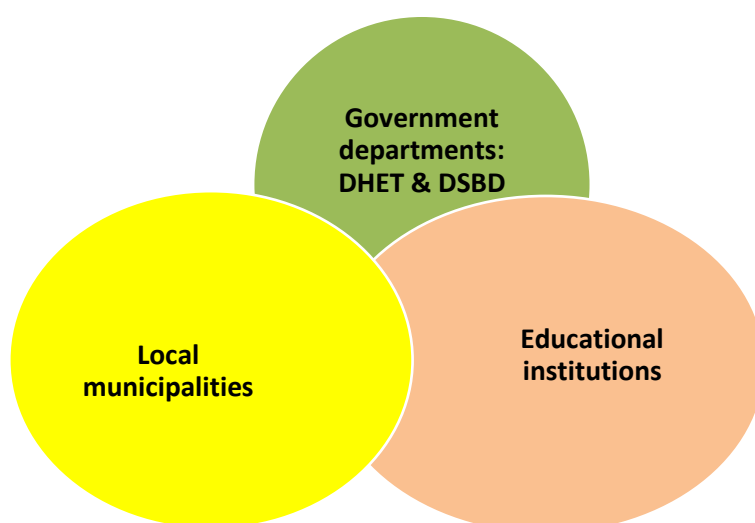
municipalities assists the SERVICES SETA to identify those needs effectively (SERVICES SETA 2020b).

5.2.4 Educational Institutions

Education and skills development are critical for the success of South Africa; however, there are many issues with the current post-school education and training system and South Africa has few opportunities to grow the economy. The SETAs therefore play a very critical role in skills development (Business Unity South Africa 2017).

The SERVICES SETA is in partnership with more than 20 colleges, and there are more than 30 partnership interventions that the SERVICES SETA has entered into with TVET colleges through unique projects known as special projects and discretionary grant funding opportunities. Many TVET colleges provide management, business, fashion, and beauty treatment or somatology courses. The SERVICES SETA provides these TVET colleges with bursaries, experiential training, and internships for the courses that fall under the SERVICES SETA's chambers. The SERVICES SETA has also partnered with various universities, such as the University of Cape Town (development of hair and beauty qualification), Rhodes University (Monitoring & Evaluation Research Chair), and the University of the Witwatersrand (Organizational Framework For Occupations Mapping Tool Research Chair).

Figure 4.3: SERVICES SETA Role Players



Source: SERVICES SETA (2020a)

5.3 GOVERNANCE AND THE SERVICES SETA

The SERVICES SETA was placed under administration for the first time in 2011, which lasted for two and a half years. The SERVICES SETA was placed under administration because of the costliness of its achievements. The auditors claimed that R292 million could not be accounted for and there were also counterfeit learners, ineffective investigations, a highly skilled and underutilised workforce, and poor recordkeeping. In 2014, the SERVICES SETA launched a major forensic investigation because of the wastage and looting of public funds that were taking place (PMG 2014).

The SERVICES SETA is known for being a haven of corruption and for enrolling bogus learners in the system. The SERVICES SETA is inefficient and fails to address the country's skills shortages. The lack of governance in the SERVICES SETA did not stop after the end of administration in 2013. As mentioned in Chapter 1, in 2018, OUTA exposed the SERVICES SETA's corruption with Grayson Reed, which used a false name and charged the SERVICES SETA exorbitant amounts of money. The SERVICES SETA and Grayson Reed had a contract amounting to R163 million. The contract was terminated by the SERVICES SETA six months before the contract end date because of OUTA's investigation. The SERVICES SETA ended the contract but failed to reclaim the money that was paid to Grayson Reed. In 2019, OUTA took the SERVICES SETA to court for refusing to provide information requested in regards to the Grayson Reed contract. In 2021, the Johannesburg High Court ordered the SERVICES SETA to provide OUTA with the requested documents (OUTA 2021).

In 2021, OUTA held a meeting with the Portfolio Committee regarding the issues related to the SERVICES SETA. OUTA accused the SERVICES SETA of awarding a tender to Grayson Reed in an unlawful manner and refusing to provide OUTA with information regarding the tender process that was followed before Grayson Reed was awarded the R163 million tender using fake names and company information. OUTA also claimed that Grayson Reed failed to provide services as learners reported that they were not attending classes and not receiving their stipends from Grayson Reed. Grayson Reed negatively affected the learners who were recruited as they were never paid and never received their certificates. They were failed by both the SERVICES SETA and Grayson Reed (OUTA 2021).

After the court ordered the SERVICES SETA to provide the requested information to OUTA, they conducted an investigation. OUTA submitted the report of the findings to the SERVICES SETA, but it did not provide a response to OUTA. In 2022, OUTA submitted the report to law enforcement bodies, including the Special Investigating Unit, and laid criminal charges with the South African Police Service. The SERVICES SETA had to incur more fruitless expenditure and appoint attorneys to conduct investigations into the Grayson Reed tender based on OUTA's report (OUTA 2022).

The SERVICES SETA received a qualified audit outcome for four consecutive years since 2019. In 2022, the auditors' report recorded wasteful expenditure of R13 million due to non-compliance with legislation. Irregular expenditure of R1 495 million was reported that resulted from five legal cases, which included the Grayson Reed fraud tender case, the chairperson of the board benefiting from tenders, and other governance cases against the SERVICES SETA (PMG 2022). The SERVICES SETA had also overlooked supply chain regulations and legislation for years (PMG 2020). The board must be blamed for not managing the SERVICES SETA adequately. Someone should be held accountable for the lack of governance and leadership within the SERVICES SETA. Accountability is a leading principle in this study. Accountability is critical within the public sector as it makes it clear who is responsible and it states how compliance is demonstrated. The SERVICES SETA's Accounting Authority is responsible for providing oversight and accountability for the organisation, it must be the steward of the resources entrusted to the SERVICES SETA, and it must follow all legal and ethical standards. The board is mandated by law to have more than one annual meeting to provide proper oversight and the Accounting Authority should engage with the Audit Committee from time to time to discuss the results (BoardSource 2022).

According to the SETA Governance Charter (RSA DHET 2018), the Accounting Authority has an obligation to disclose information pertaining to the administration of the SERVICES SETA to the auditors and to the DHET. The Accounting Authority must protect the SERVICES SETA's reputation and act in accordance with the principles of good governance. However, according to the PMG (2021), the SERVICES SETA has no governance measures in place, there are no proper record management systems, its financial statements are not reviewed adequately, and it does not follow the laws

and regulations stipulated in the SETA Governance Charter and the PFMA. There are no consequence measures in place to deal with officials who cause irregular expenditure as stated in section 51(1) of the PFMA, nor is irregular expenditure investigated. The SERVICES SETA's governance structure is illustrated in Figure 4.4.

Figure 4.4: Governance Structure of the SERVICES SETA



Source: SERVICES SETA (2020b)

5.3.1 Accounting Authority

The Accounting Authority is the highest decision-making structure of the SERVICES SETA, and the principal function of the Accounting Authority entails governance and

management of the SERVICES SETA in accordance with the latter's constitution, the Skills Development Levies Act, the PFMA and Treasury regulations. It is the responsibility of the Accounting Authority to monitor the performance of the SERVICES SETA regularly and ensure that the targets set by the sector and the DHET are achieved, and that the targets set in the annual performance plan and SLA are achieved annually.

The SERVICES SETA's Accounting Authority plays a critical role in its governance as the Accounting Authority is responsible for governing and managing the SERVICES SETA in accordance with all applicable legislation and regulations. The Accounting Authority appoints committees and delegates some of its responsibilities and functions to the committees. The main function of the committees is to assist the Accounting Authority by focusing on their specific key areas and responsibilities. It is mandatory for the Accounting Authority to maintain adequate accounting records and the Accounting Authority is responsible for the SERVICES SETA's financial records. The Accounting Authority must ensure that the records represent integrity and honesty. Each member of the Accounting Authority must ensure that the annual financial statements fairly represent the state of the SERVICES SETA's affairs at the end of the financial year. It is critical for the members of the Accounting Authority to have financial skills and knowledge to provide adequate reports. The SERVICES SETA's financial statements must be prepared according to the standards of the Generally Recognized Accounting Practice and should be based on appropriate accounting policies (SERVICES SETA 2019b).

The SERVICES SETA has two policy approaches, namely governance and operation. Governance policies are the responsibility of the Accounting Authority, while operation is the responsibilities of the leaders of the SERVICES SETA, namely the CEO and the executives. Governance policies cover the mission and the vision of the SERVICES SETA, the code of conduct, commitments, conflict of interest, accountability, decision making, leadership, ethics, and cultural issues. Governance policies include policies on the Accounting Authority's delegation of authority from top management, as well as SERVICES SETA employees and stakeholders. The Accounting Authority is composed of three members of community organisations, five members of organised business, and five members of organised labour (SERVICES SETA 2020b).

Many SERVICES SETA employees are unable to support the progress of the sector due to lack of skills and capabilities. In 2019, the SERVICES SETA built a disability ramp without approval from the municipality. The municipality fined the SERVICES SETA, which contributed to unauthorised expenditure. This leaves one to question the skills and capabilities of decision makers in the SERVICES SETA. In 2019, the Accounting Authority appointed senior management without the required qualifications but denied the allegations. The PMG requested an investigation into the matter, and SAQA confirmed that the allegations of the committee were true. In May 2021, the SERVICES SETA's Accounting Authority admitted to employing people who did not have the requisite qualifications. The AGSA linked the SERVICES SETA's poor performance to the lack of requisite skills, especially individuals holding critical positions. There are many individuals who need to vacate some positions in order for the SERVICES SETA to progress (PMG 2020). The Accounting Authority is unable to play the oversight role and the SERVICES SETA's finances are not administered in accordance with legislation. The SERVICES SETA's CFO is still employed even after the PMG's discovery that he did not meet the requirements of the position (PMG 2021). The Accounting Authority was also not appointed in accordance with the legislation, which also led to the SERVICES SETA's poor performance. The SERVICES SETA has also appointed non-qualifying service providers to render services to it, which further contributes to its poor performance.

The Accounting Authority must acknowledge and accept responsibility for the systems of internal controls established in the SERVICES SETA and must maintain strong control systems. To meet its responsibilities, the Accounting Authority must reduce risk and errors in internal controls. The Accounting Authority can reduce risk by delegating responsibilities within a clearly defined framework and effective accounting procedures. The Accounting Authority and its committee members are remunerated for attending Accounting Authority and subcommittee meetings and other engagements. The remuneration of the Accounting Authority and its committee is based on National Treasury guidelines, and the remuneration is approved by the Minister of Higher Education and Training (SERVICES SETA 2019b).

The Accounting Authority is accountable for the business of the SERVICES SETA and reports and answers to the Minister of Higher Education and Training. The committee

of the Accounting Authority is accountable to the latter. It is critical for the Accounting Authority to understand the core business of the SERVICES SETA and to take part in its operations. It is the board's responsibility to ensure that the SERVICES SETA achieves its set targets and performs well. Members of the Accounting Authority should be smart, ambitious, and willing to correct problems. They must not protect threats and must assist in resetting and aligning their strategic goals to achieve set targets.

5.3.2 The SERVICES SETA's Chamber Committees

Chamber committees act in a stakeholder capacity as advisory bodies to assist the SERVICES SETA's executive management to carry out the Accounting Authority's mandate. These are thus independent advisory bodies that make recommendations on matters relevant to the subsectors of the chamber. The membership of the committees is not restricted to members of the Accounting Authority only. There are six chamber committees, namely the Cleaning and Hiring Services Chamber, Communication and Marketing Services Chamber, Labour and Collective Services Chamber, Management and Business Services Chamber, Personal Care Services Chamber, and the Real Estate Services Chamber (SSETA 2019a).

It is the responsibility of the chamber committees to ensure that the SERVICES SETA receives applicable, relevant, and proper information from the industry to enable the SERVICES SETA to perform its strategic and planning functions. The chamber committees must ensure that they work with the industry to strengthen the SERVICES SETA with relevant skills in order to supply skills to stakeholders and to the citizens of South Africa. It is the responsibility of the chamber committees to ensure that there is meaningful participation by the SERVICES SETA stakeholders in the NSDS by providing the necessary resources. The committees must promote effective communication and serve as mediators between the SERVICES SETA and its stakeholders. They must also serve as mentors and educate the SERVICES SETA's stakeholders on new developments in the sector. The responsibility of increasing job opportunities for unemployed citizens lies with the chambers; they therefore need to expose learners to suitable workplaces (SERVICES SETA 2019a).

5.4 LEADERSHIP AND THE SERVICES SETA

The SERVICES SETA's leadership is composed of the CEO, CFO, Executive Manager: Strategic Management, Executive Manager: Core Business, Executive Manager: Corporate Business, and Executive Manager: Strategic Partnership. The CFO is responsible for the SERVICES SETA's finances and reporting, SCM, and project accounting. The Executive Manager: Core Business is responsible for overseeing the following units: Learning Programmes, Quality Assurance, Provincial Operations, and Mandatory Grants. The Executive Manager: Strategic Planning is responsible for research, impact assessment, skills planning, performance verifications, reporting, qualifications development, and chamber operations. The Executive Manager: Corporate Business is responsible for human resource management and development, facilities, ICT, legal services, marketing and communications, and record management. The Executive Manager: Strategic Partnerships is responsible for special projects, bursaries, cooperative development, infrastructure development, and stakeholder relations and transformation (SERVICES SETA 2022). Figure 5.1 illustrates the SERVICES SETA's leadership structure.

Figure 5.1: Leadership Structure of the SERVICES SETA



Source: SERVICES SETA (2022)

Operational policies are the responsibility of the executive management. The executive management is also responsible for the discretionary grants, SCM, human resources and organisational compliance, and enterprise risk management. Instead of discussing the duties of the leadership of the SERVICES SETA in detail, the focus is on the role of ethics in leadership with regard to the operational policies.

According to Watt (2008), ethical leadership requires a leader to be a good follower. Ethical leaders know and understand that they are accountable to those in authority, and they understand that they must align their work priorities with the organisation's objectives. Ethical leaders adhere to the applicable policies and regulations. When a leader is unable to submit to laws, policies, and regulations and account to those in authority, the leader will corrupt the whole organisation because the leader has an influential role and his/her actions and conduct affect those he/she leads.

5.4.1 The CEO and Ethics

It is the CEO's responsibility to build an ethical organisation. The CEO must possess high ethical standards to be able to build a healthy and ethical organisation. According to Basu, Denman, Ewald and Lonergan (2015), employees come to the workplace with their own set of values; however, structures and controls can be put in place, and they can be taught the organisational culture, values, and principles. A leader cannot learn to be ethical; he/she is the custodian of ethics and others must learn them from him/her.

According to social learning theory, employees learn how to behave by observing the behaviours of their role models (Bandura & Walters 1977). CEOs and managers within the SETAs are the role models and their conduct affects the whole organisation. When the CEO lacks ethical standards, other managers will feel comfortable to act unethically, and the employees can also have the same fate. Ethical leadership refers to the demonstration of appropriate conduct through actions and promoting the conduct to followers through communication, decision making, and reinforcement (Brown, Trevino & Harrison 2005). The CEO has ethical obligations within the public sector and must therefore make decisions based on a moral compass.

5.4.2 Finance and Ethics

The SERVICES SETA's performance has been declining for years. It received qualified audit outcomes consecutively for three financial years (2018/2019, 2019/2020, and 2020/2021), and these findings were caused by interest and penalties relating to litigation, invoices, and fines (SERVICES SETA 2022).

According to the Kelley School of Business (2020), for financial professionals, the structure of ethics is built on a culture of integrity. The importance of ethics in finances means incorporating a code of conduct and standardised methods of ethics and checks. Solid leadership cultivates such a culture when a company:

- Maintains high stakeholder confidence and a good reputation with internal and external stakeholders,
- Understands principles of ethics and promotes ethical conduct,
- Enjoys good governance and a dedicated, motivated, and ethical workforce,
- Minimises financial risk, and
- Minimises legal risk.

Financial ethics means the leader of the finance department, which is usually the CFO, should always practise the truth, integrity, justice, and fairness in dealing with the organisation's money. Ethics are critical in an organisation and are even more important in finances. When dealing with finances, there is no grey area. The CFO must be principled and hold high standards of ethics. In order for leaders in finance to uphold high ethical standards, they must be educated because being educated will assist leaders in finance to have a desire to protect their reputation, qualifications, and skills. Leaders must also be informed of financial matters when dealing with the finances of an organisation such as the SERVICES SETA. The SERVICES SETA is the biggest SETA in South Africa and it manages billions of Rands of company levies. The leaders must therefore be very educated, skilled, and politically and socially aware, and they need to be wise when dealing with the SERVICES SETA's finances (Bhasin 2021).

It is critical for financial leaders to follow codes of ethics related to finances. According to Gilman (2005), the code of conduct is related to the behaviour of leaders, employees, and stakeholders in relation to finances includes the following:

- Avoid conflicts of interest in personal or organisational relationships.
- Act with honesty and integrity while managing the finances of the organisation.
- Provide financial information that is complete, accurate, understandable, objective, timely, and fair to the CEO, the Accounting Authority, the Audit Committee, and the stakeholders.
- Treat the finances of individual companies with confidentiality, adhere to the Protection of Personal Information Act, and maintain transparency.
- Act responsibly and in good faith, show care to internal and external stakeholders, and demonstrate care and competence without misrepresenting material facts.
- Promote ethical behaviour among all employees.
- Promote and adhere to the code of ethics of the organisation.

According to the PMG (2021), the SERVICES SETA reported misstatements on their finances for three consecutive years. Many public organisations commit fraud in their financial statements to impress their stakeholders, to avoid consequence management, and to mislead auditors. It is unethical to provide an auditor with incorrect and misleading information regarding organisational finances, which means that the financial office within the SERVICES SETA is not managed by ethical leaders as the finances of the organisation are not administered according to the applicable policies and legislation.

5.4.3 Ethics and Strategic Management

The SERVICES SETA needs to set a new strategic vision and a set of values that include ethics. Building strong ethics is an integral aspect of the Strategic Management Unit. Aligning the needs of stakeholders and the objectives of the organisation with ethics is an important role that the strategic manager must fulfil. Strategic leaders must implement and build ethical considerations into business strategy during the planning process. Because strategy is the foundation of how an organisation aims to run its

operations, it is important to ensure that the strategy of the organisation aligns with business ethics.

According to Granite State College (n.d.), it is important for strategic managers to develop a code of ethics that aligns with organisational objectives and mandates. Developing a code of ethics should not only be based on the internal stakeholders; the needs and concerns of the external stakeholders should also be taken into consideration. The SERVICES SETA should invest in ethical training for employees and managers on how to integrate ethics into their day-to-day responsibilities. Ethical training will assist with building a strong ethical culture and will equip the employees and managers with the necessary tools to address ethical issues as they appear. Having ethical officers within an organisation assists the organisation in handling ethical issues that can arise internally. Because employees may sometimes be faced with issues of ethics that are not stated in the code of ethics, it helps to have ethical officers who can provide guidance. Ethical officers can work together with the finance department to train employees and managers on ethics (Granite State College n.d.).

The decisions made by the SERVICES SETA over the years prove that it is struggling to put good governance structures in place and that there is no accountability because it is led by unqualified and unskilled leaders.

5.4.4 Ethics and Core Business

According to Twin (2022), ethics are fundamental in core business. When employees make ethical decisions, the organisation establishes a good reputation for ethical behaviour, and when ethics are adhered to, it become easier for every employee to do what they are supposed to do, and the organisation's performance improves. The employers within the sector increase, trust increases among employees and stakeholders, stakeholder retention and growth are ensured, the organisation attracts talent, and through attracting talent the organisation will achieve its set targets and obligations as stated in the Skills Development Act.

According to Hoang Thi Phuong Loan (2016), business ethics assists in improving an organisation's public image. Every organisation has an image that represents how the public views the organisation. The reputation or image of an organisation is built on how the leaders treat their employees and their communities in general. The overall

behaviour of the organisation becomes the principal factor that determines its public image. The SERVICES SETA is notorious for employing unethical individuals and, as a result, ethical, skilled, competent, and educated individuals are not attracted to the SERVICES SETA due to its ethical issues. An organisation that has ethical guidelines in place is at a lesser risk of not following the regulations and Acts that govern it.

5.4.5 Ethics and Corporate Business

The Department of Corporate Business in the SERVICES SETA is divided into six units, namely Human Resource Management and Development, Facilities Management, ICT Management, Legal Services, Marketing and Communication, and Records Management. Each unit has its own manager, and each manager is responsible for their respective units. This provides strategic leadership, management, and support to the units. Its functions are as follows:

- Provide strategic leadership to the units.
- Oversee and ensure that all managers reporting under the Executive Manager: Corporate Business receive adequate support to achieve organisational targets.
- Lead and manage all units under the department.
- Develop and implement various policies and strategies to improve service delivery internally and externally.
- Coordinate planning and implement policies aimed at improving the organisation.
- Ensure that structural and governance processes are in place in order to achieve organisational objectives (United States Department of Justice n.d.).

5.4.6 Strategic Partnerships

Strategic partnerships is a department that is made of the Special Projects, Bursaries, Entrepreneurship and Cooperative Development and Infrastructure Development.

5.4.6.1 Special Projects

The Special Projects Unit was established by the Accounting Authority to address its transformational agenda and rural township revitalisation. The Special Projects Unit in

the SERVICES SETA implements projects that are aimed at assisting previously disadvantaged people such as women, youths, and disabled people, based on their community and individual needs. Special projects contribute to the economy of municipalities as they are formulated according to municipal needs, and they also contribute to youth employment and aim to foster change within disadvantaged groups. Special projects furthermore assist non-governmental organisations, cooperatives, local municipalities, and public entities. Individuals who are interested in participating in special projects apply through a discretionary grant window. Millions of rands are injected into special projects in different provinces and if the managers who administer the application process of special projects do not focus on value, this unit will not serve its purpose as projects will only benefit the SERVICES SETA's employees (SERVICES SETA 2019a).

The SERVICES SETA funds projects such as the Kliptown Youth Programme, which is situated in Soweto. The project supports the youth of Kliptown through the allocation of funds for further studies in TVET and higher education and training. The SERVICES SETA has also funded Disabled People South Africa, where the purpose of the project was to support the community of disabled persons. The SERVICES SETA has also funded the South African National Military Veterans Association, where the project aimed to address section 5 of the South African National Military Veterans Association Act (No. 18 of 2011), which requires government spheres to support military veterans. The Tshisahulu Tribal Council is another project the SERVICES SETA has funded through the Special Projects Unit. The project sought to decrease the unemployment rate by focusing on skills related to municipalities, and funded internships, learnerships, bursary support, and apprenticeships (SERVICES SETA 2020b).

5.4.6.2 Bursaries

The Bursaries Unit is responsible for managing and allocating bursaries to disadvantaged citizens in the fields related to the SERVICES SETA. It funds qualifications such as human resource management, marketing, entrepreneurship and small, micro, and medium enterprise (SMME) development, communication, media, waste management and cleaning, project management, dermatology, cosmetic developments, real estate and property development, business management, social sciences, and economics (SERVICES SETA 2020b). The SERVICES SETA

advertises bursaries for unemployed and employed students, and the higher institutions of learning apply on behalf of the students. The Bursaries Unit administers the applications. After the allocations are completed, the SERVICES SETA and the institution enters into a Memorandum of Understanding, which is revised annually. The SERVICES SETA bursary offers financial assistance to assist students to pay for basic needs during their studies. The bursaries fund unemployed and employed South African citizens to study at public institutions (SERVICES SETA 2020b).

The Bursaries Unit administers huge sums of money, as shown in Table 5.2; it is therefore necessary for the bursaries offices to be managed by ethical leaders to avoid corruption and favouritism. Since the bursaries officials work closely with higher education institutions, it might be very easy for unethical officials to influence the selection process and manipulate the budgets. The purpose of bursary funding is to ensure that the citizens of South Africa are equipped with quality skills to enable entry into the labour market. The Bursaries Unit is one of the most important units in the SERVICES SETA as it supports the future of South Africa’s leaders.

Table 5.2: The SERVICES SETA’s Bursary Cap Amounts

Qualification	Employed	Unemployed
Undergraduate & Advanced Diploma	R35 000	R65 000
Honours	R45 000	R70 000
Masters	R55 000	R90 000
PhD	R65 000	R120 000
TVET	R17 500	R35 000

Source: CETA (n.d.a)

5.4.6.3 Entrepreneurship and Cooperative Development

According to the SERVICES SETA (2021), entrepreneurship is a person’s ability to turn dreams and ideas into reality. The SERVICES SETA, through its entrepreneurship programme, aims to promote innovation, competitiveness, and growth in the economy. Fostering an entrepreneurial spirit in the youth supports the creation of skills and businesses. The SERVICES SETA has developed qualifications such as new venture creation and business advisory occupational qualifications to equip new entrepreneurs with the skills needed to venture into entrepreneurship (see Table 5.3).

The Entrepreneurship and Cooperative Development Unit aims to stimulate the growth of employment in the country. Its initiatives focus on programmes of action that entail enhancing the entrepreneurial ecosystem and empowering entrepreneurs. The aims of these programmes are revenue growth through promotion, and the development and increase of entrepreneurs, small businesses, and cooperatives. The programmes focus on black people, the youth, women, and disabled people from townships and rural areas (SERVICES SETA 2020b).

Table 5.3: The SERVICES SETA’s Entrepreneurship and Cooperative Development Qualifications

ID	Qualification	NQF level	Quality assurance
49648	National Certificate: New Venture Creation (SMME)	2	SERVICES SETA
66249	Further Education and Training (FET) Certificate: New Venture Creation	4	SERVICES SETA
57712	FET Certificate: Generic Management	4	SERVICES SETA
61595	FET Certificate: Management and Administration	4	SERVICES SETA
84226	National Certificate: Management and Administration	5	SERVICES SETA
59201	National Certificate: Generic Management	5	SERVICES SETA

Source: CETA (n.d.a)

5.4.6.4 Infrastructure Development

The establishment of infrastructure provides employment and broad-based black economic empowerment opportunities and thus contributes to the goals of the NDP (RSA NPC 2012). Infrastructure development is the means for progress across South Africa and the African continent in general. Infrastructure enables productivity and sustainable economic growth and plays a major role in human development and poverty reduction. Examples of infrastructure development are housing, energy, transportation, roads, railways, airports, harbours/ports, information and technology, and water and sanitation (RSA Department of Performance Monitoring and Evaluation [DPME] 2012).

In 2021, the SERVICES SETA advertised a tender for a panel of professionals in the built environment for the construction of infrastructure projects. One of the projects cost the SERVICES SETA millions of rands as it ended up paying a fine for building an unauthorised disability ramp. Infrastructure development falls under the CETA, which specialises in construction; the question is therefore why did the SERVICES SETA interfere in another SETA's mandate? Are the SERVICES SETA's personnel skilled to run infrastructure development?

5.5 CONCLUSION

Effective leadership without ethics is impossible. Leaders within the SERVICES SETA have proven that they do not adhere to regulations and legislation. The SERVICES SETA is not delivering services to communities due to corruption and it is not growing due to a lack of governance and leadership. With the large sums of levies the SERVICES SETA is receiving from SARS, the organisation has the potential to change the lives of South Africans but due to unethical decision making, it is failing dismally. Good governance and ethical leadership cannot be separated, but the cycle of corruption is never-ending and corruption within the SERVICES SETA is no longer academic – it is systemic.

CHAPTER 6: FINDINGS, CONCLUSION, AND RECOMMENDATIONS

6.1 INTRODUCTION

The SETAs were established to provide skills development and training to employed and unemployed individuals in different economic sectors. The SETAs must develop skills development plans in response to the skills needs of the different sectors they serve. The SETAs must ensure that training is appropriate and meets the standards of individual sectors. The SETAs must provide skills development within different and specific sectors such as banking and finance, agriculture, arts and culture, health and welfare, safety and security, construction, manufacturing and engineering, wholesale and retail, education and training, food and beverage, media and advertising, public service, local government, energy and water, and others.

The main aim of this study was to investigate the challenges faced by the SETAs with regard to governance and leadership. The previous chapters focused on the challenges that affect the progress of the SETAs and the importance of following governance frameworks to resolve the SETAs' governance and leadership issues. This chapter is guided by the findings from the case studies in Chapters 3 and 4. It outlines the findings, recommendations, and conclusion of the study. The chapter also makes suggestions for future research.

6.2 DISCUSSIONS OF FINDINGS

The study revealed that the SETAs are faced with significant challenges, of which poor leadership and governance remain the main issues; from appointing unprofessional board members who fail to lead the SETAs in their mandate as stipulated by the Skills Development Act to appointing CEOs who lack credentials, accountability, and leadership skills.

The study revealed in Chapters 4 and 5 that the appointments of most executives in the SETAs are influenced by politics and not credentials. The management of the SETAs fails to ensure that the levy contributions are spent according to the Skills Development Levies Act of 1999, which states how levy contributions should be administered and the programmes that should benefit from the levy contributions.

Billions of rands of employer levies are not managed according to the PFMA, as stated by the PMG (2022).

Chapter 2 highlighted the importance of good governance and leadership in public and private institutions by discussing good governance and what good governance entails. Based on the findings, it is clear that good governance is lacking in the SETAs and that good governance cannot be understood and carried out effectively by leaders who do not believe in ethical leadership. Good governance needs leaders to be fair, transparent, accountable, and honest in all their dealings. The study showed that ethical leadership is the best leadership style as it encourages the principles of good governance.

In Chapters 4 and 5, the case studies that were analysed revealed that the SETAs are continuously failing to meet the targets set by the DHET. The SETAs have a track record of falling in and out of administration due to mismanagement of funds, irregular expenditure, abuse of power, non-performance, and legal disputes between management and unions, board members, and ministers. The top contributors to irregular and wasteful expenditure are the CETA and the SERVICES SETA. During the year 2022, the AGSA issued these two SETAs with qualified findings.

Chapter 3 discussed how SETAs contravene the regulations and the Acts that govern them. The SETAs were found to have been funding learners who had passed away. Other issues found were that some learners were under multiple SETAs at the same time; some were employed but benefiting from learnerships and bursaries that are meant for unemployed people; some learners registered on SETA systems were younger than 15 years of age, while SETA programmes are supposed to only benefit unemployed adults from the age of 18 years old according to the legislation; and some learners were registered on SETA systems with fraudulent identity numbers. Because of a lack of skills among SETA employees and management, costly errors will continue to be made. The SETAs continue to endorse learnership programmes that fail to contribute to the economy of the country. The SERVICES SETA offers qualifications such as national certificates in cleaning supervision, customer management, new venture creation, and funeral services, which are not relevant in modern times. The youth are finding it very difficult to access opportunities after completing most of the SETA qualifications, as most are outdated and irrelevant.

6.3 RECOMMENDATIONS

We are living in a digital world that is advancing in artificial intelligence, robotics, the Internet, genetic engineering, and quantum computing; technology has therefore become significant. In order to survive and contribute to the ever-evolving economy, the SETAs will also need to evolve and make drastic changes in how they manage and administer their organisations. To deal with organisational and administrative dynamics, the SETAs are in need of employees who can match the demands of the evolving world. It is very critical for the SETAs to employ leaders who can respond to a dynamic environment.

The laws create an environment and culture in which the SETAs operate. The environment created by the laws and the Constitution requires the SETAs to operate under the support of good governance. Policies and legislation are a good governance model and they assist to ensure that governmental institutions possess values and visions that will uplift these organisations. The SETAs should have leaders who will assist to carry forward the vision and goals of the NDP and who will be able to deal with organisational challenges.

6.3.1 Professionalisation of the SETAs

According to the NDP, the public sector should attract highly skilled individuals and cultivate a sense of professional common purpose and commitment to developmental goals (RSA NPC 2012). The NDP suggests that there is a need to increase the pool of skilled people, and the public service should be the career of choice of graduates – not the career of choice of politicians.

Professionalising the SETAs means that the SETAs' workforce should be made professional by employing professionals for top management and training individuals in the lower levels of the SETAs. The SETAs' standard required qualifications for personnel, especially in high positions, should be increased. In most SETAs, the requirements for CEOs are a postgraduate degree and 10 years' experience in management. These requirements should be increased.

The SETAs administer billions of rands of employer levies; the individuals entrusted with this task should therefore have high credentials. Management positions should

not be occupied by political members or political affiliates, and should be occupied by individuals who can manage well and who have proven records and credentials. Order should be maintained within the SETAs and nepotism should not be tolerated. Most SETA managers possess only Grade 12.

The SETAs are supposed to be skills development champions and skills development should be provided in-house as well. The SETAs should promote a learning environment. Skills and qualifications should be a requirement in the SETAs and there should not be any individual working for a SETA without the required credentials. Positions should therefore be occupied by professionals. The ministries associated with the SETAs should be led by ministers who are professional individuals because dealing with educational and training affairs requires one to be educated. For years now the SETAs have been unable to attract professionals because of disorder within the SETAs, and SETA employees in the same positions do not get the same salaries irrespective of possessing the same qualifications and experience.

Professionalising the SETAs means employing qualified CEOs, managers, and employees. It was reported that the SERVICES SETA had managers who did not meet the requirements of the positions; professionalising the SETAs is therefore very critical and necessary in order to improve the overall delivery model.

6.3.2 Uniformising of the SETAs

The SETAs operate as independent entities. Each SETA has its own structures, policies, constitution, blueprint of skills development, and unique training delivery models. Because of their different natures, the SETAs have different mandates but the administration of the mandates should be uniformised to be the same as in the government where different governmental departments deliver different public delivery, but the administration is uniform. Procurement, finances, human resources, health and safety, information and technology, etc. should be administered the same. The individuals employed in those departments should possess the same qualifications within all SETAs, the positions should be named the same in all SETAs, and the work requirements should be uniformised. The administrators that are employed in the CETA's human resource department and those employed in the SERVICES SETA should all have a degree in human resource management, the

same experience, earn the same salary, and do the same work. The organogram of the SETAs should list the same roles and responsibilities, and lines of command should be made uniform; for example, SETAs such as those for construction, services, mining, agriculture, and banking do not have a CEO, while SETAs such as the W&RSETA have a CEO.

The indifference of the SETAs has caused them to attract corrupt and unprofessional individuals, and it is easy to get away with corruption in a disorderly and disarranged environment. Because of a lack of uniformity, the SETAs are unable to attract people with the skills required to move forward their mandates. SETA employees often move from one SETA to the next. SETA administrators move from another SETA for the same job and responsibility, but the salary and environment differ. After committing misconduct, SETA employees often move to another SETA without being detected because the SETAs' systems are ineffective. Many SETAs have taken advantage of the indifference and some completely ignore the laws that govern public institutions.

6.3.3 SETAs Should Be Converted to Governmental Departments

SETAs currently operate as state-owned organisations as they are parastatals or instrumentalities. SETAs, however, do not make a profit on behalf of the government because all services that are rendered by the SETAs are free of charge. The SETAs should therefore not be part of the government but should be the government. Operating fully as the government will mean that the SETAs should become an office that falls under the DHET, and their functions should be streamlined accordingly; for example, some SETAs duplicate the functions of other governmental offices such as funding bursaries. The NSF funds bursaries through the National Student Financial Aid Scheme; the SETAs and NSF therefore perform the same function. Funding SMMEs is a function of the DSBD. Because the SETAs are unpopular, they should rather assist existing government departments with funding instead of performing the same functions as them.

It is evident that the SETAs have failed dismally. They should only focus on their single most important mandate, namely WSPs. The SETAs should only focus on assisting employers with their WSPs and ensure that they submit their WSPs annually. The SETAs should focus on facilitating learnerships and short courses and assist

unemployed and unqualifying South Africans with learnerships and allow the NSF and universities to manage the bursaries and provide them with funding.

6.3.4 Dissolving the SETA Boards and Current Leadership Structures

The success of a board is measured by the organisation's or institution's performance. The study found that the SETAs are not effective because the boards make poor decisions that lead to poor performance, which impedes good governance. The SETA boards have failed for years to provide guidance and leadership. They also fail to provide support to the SETAs, which contributes to the SETAs failing to meet their overall objectives. Some SETAs perceive SDL funds as money meant to enrich the board members and their friends. The judgement of funding for certain projects is mostly dependent on the interests of the board members, especially special projects.

SETA boards mostly consist of individuals who do not have a skills development background or knowledge. Many SETA board members have a trade union background, which does not assist much in making decisions about skills development and finances. In some SETAs it was reported that board members interfere in the daily operations of the SETAs, in other SETAs the board members shifted their responsibilities to the CEO, and in others the boards report to the CEO while they are supposed to report to the Minister of Education, according to law.

History has proven that most SETAs improve their performance and administration when they are placed under administration by the minister, which means that SETAs must do away with the boards and report directly to the minister. SETA boards have external committees that are in charge of their division, but this does not improve performance. The funds that are used to reimburse the boards and their committees could be used to fund disadvantaged learners' education.

Underperforming CEOs, executives, and employees also hide behind the boards and blame them for their poor performance. If there are no boards, individuals will be exposed and no one will be able to hide. The SETAs are notorious for selecting board members who have their own hidden agendas, who are involved in too many affairs, and are too busy to make effective decisions because they do not have the time or energy to devote to the work of the board.

6.3.5 Aligning SETA Learning Programmes with the NDP

Despite being given billions of rands from levy-funded institutions, the SETAs have not made major contributions to addressing the skills development needs of the country. The NDP states that every citizen of South Africa should have access to education and that the education should be at a high standard regardless of their economic status and race. The higher education vision of the NDP is to ensure that all children are offered high-quality education, with the focus on mathematics and science. SETAs should therefore focus on funding scarce skills qualifications such as engineering, healthcare, forensic science, SCM, library science, artisanship, accountancy, and occupational health and safety.

SETAs should invest in developing learning programmes that can benefit the economy. The current qualifications framework has proven to be inappropriate and unable to address skills development needs. By funding only critical and scarce skills, SETAs will influence the youth to pursue courses that will not only benefit the economy of the country but will also move the SETAs and higher education forward, which will also benefit the country, and the youth can become easily employable and earn good salaries.

SETAs should work with public institutions to provide credible training. The SETAs, with the assistance of public institutions, can develop short learning courses that will address the needs of different employers. The SETAs should inject money into rebuilding apprenticeship systems and strengthening learnerships. Due to the increasing number of university graduates, the SETAs, with the assistance of public institutions, can build practical colleges that will encourage students to work with their hands. Students can be encouraged to become veterinary technicians, welders, chefs, massage therapists, cosmetologists, paramedics, mechanics, and many more.

6.3.6 Developing a Good Governance Model

A governance model is not a one-size-fits-all model. It is important for the SETAs to each develop their own unique model that can address their individual needs. Every organisation needs a large degree of accountability and transparency as part of its governance model to be strong and prosperous. A governance model outlines how people in authoritative positions are accountable to their stakeholders. A governance

model incorporates ethics, integrity, and a responsible code of conduct for all leaders, volunteers, and employees (Eisenstein 2020).

The components of a governance model consist of the following:

- **Structure:** Organisational design and reporting structure are very fundamental in organising the structure of an organisation. The current SETA structure must be revamped. A functioning or effective organisational structure sets clear definitions of authority, responsibility, and an understanding of objectives.
- **Oversight and responsibilities, including Board oversight, management, and accountability:** Oversight creates better control measures and enforces control of behaviour and performance.
- **Talent and culture, including performance management and incentives, business and operating principles, and leadership:** Because SETAs are not led by leaders who recognise or know how to recognise and appreciate the organisation, the employees feel unappreciated. Unappreciated employees are demotivated and do not perform well. SETA leaders should embrace talent and create a culture of appreciation and recognition.
- **Infrastructure, including policies, procedures, reporting, technology, and communication:** As stated in Chapter 5, laws are significant and policies and standard operating procedures should align with the Constitution and the Acts that govern the SETAs.

6.3.7 Developing and Fostering an Accountability Framework for the SETAs

Many SETAs have drifted away from their primary core function, which is caused by a lack of proper accountability. As mentioned in previous chapters, the SETAs sometimes fund other activities not related to skills development, while some SETAs fund areas of work not related to their sector. There is a lack of accountability as to who is responsible for such decisions. Leadership is the pacesetter in any organisation and is responsible and accountable for the performance and culture of the organisation. When leaders fail to own up to their mistakes, the whole organisation follows suit. Leaders have to hold themselves accountable first.

Accountability addresses ownership of responsibilities and the obligation to report on the monitoring of those responsibilities. An accountability framework assists by outlining the ownership of responsibilities, monitoring, and reporting. Such a framework explains the initiatives, plans, purpose, and intended results, as well as how monitoring will take place and when evaluation will be implemented.

An accountability framework encourages decision making and the outcomes of every initiative implemented in the organisation. It clarifies timelines and oversight responsibilities. An accountability framework can also assist SETA employees to assess if an initiative is achieving its intended results or failing, in a timely manner. The framework describes who is expected to perform which responsibility. When the framework has been developed, it will be easy to hold those responsible accountable for their decisions.

6.3.8 Moulding SETAs to Becoming Effective Mediums of Skills Development in South Africa

An educated society is crucial to the development of the economy. Skills development is therefore worth investing in. Studies have revealed that individuals who have access to quality education are more likely to have functioning families, gain employment, are less likely to commit serious crimes, and are less dependent on government grants, schools, and health services. Moulding SETAs to become effective mediums of skills development can relieve the great burden on the government, universities, colleges, and technical schools. Lack of education is considered by experts as the root of poverty; education can therefore break the cycle of poverty and through skills development, connections can be created across the globe. The SETAs can assist South African students to obtain critical skills from developed countries by funding their education.

A society that is educated is prepared to compete with other nations, as many citizens are able to participate effectively in the economy of the country and thus lead a better life. The introduction of the SDL was meant to ensure that South Africa has resources in place to ensure the development of skills in order to drive the economy. As mentioned in Chapter 5, NSDS III aims to direct skills development resources towards addressing challenges outlined with the funding of training. The NSDS must be driven

by the SETAs; however, the SETAs need to be moulded and restructured for them to play their role. The SETAs have ignored their oversight role for too long. Their oversight must be improved in the areas of WSPs and ATRs, and quality training should be provided. The SETAs' training agenda should aim to ensure that issues of skills development are at the forefront of their operations.

6.4 CONCLUSION

As stated in Chapter 1, the main objective of this study was to investigate governance and leadership in the SETAs. To achieve this objective, the study used two SETAs as case studies, namely the SERVICES SETA and the CETA, because of their size and performance. To assist in achieving the main objective, a theoretical analysis of the principles of good governance and leadership was conducted, using the King III and King IV reports as the basis of the analysis.

The study also sought to provide the historical background of the SETAs and their purpose, as adopted in the Skills Development Act of 1998. A discussion was provided so that the arguments and postulations of this study could be understood within the context of governance and leadership.

The intent and purpose of this research were to analyse and scrutinise the efficiency of governance and leadership in the SETAs and how the SETAs have contributed to skills development. The study provided a background of the SETAs, their formation, and their mandates. Theories of governance and the principles of good governance, namely accountability, responsiveness, transparency, rule of law, ethical conduct, efficiency and effectiveness, competence and capacity, human rights, consensus orientation, stability, inclusiveness, and empowerment, were discussed. The study focused only on the principle of accountability because accountability in the SETAs is questionable. Billions of rands of irregular expenditure and dishonesty in handling public affairs must be accounted for. It was critical to discuss the principle of accountability because there is no accountability in the SETAs. The Accounting Authority blames the minister or the CEO, and the CEO blames the employees.

Good leadership was conceptualised and the background of good leadership was discussed. Good leadership was discussed in depth by analysing theories of leadership, namely the behavioural, contingency, trait, transactional, democratic,

power, theory, relationship, transformational, and ethical theories. The study focused only on the ethical theory as the most pertinent theory for the study as it encourages leaders to lead by example and to lead with integrity and honesty, which are foreign characteristics in the SETAs. Each SETA must achieve the sector-based outputs that are outlined in their performance agreements, and the issue of poor governance and leadership should be addressed effectively and efficiently.

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