

FUTURE PERFECT SKILLS DEVELOPMENT



2016/17 ANNUAL REPORT





higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



Fibre Processing & Manufacturing Sector Education and Training Authority

ANNUAL REPORT OF THE FP&M SETA FOR THE 2016/2017 FINANCIAL YEAR

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Honourable Minister Dr Blade Nzimande and Honourable Deputy Minister Mr Mduduzi Manana, it is my pleasure and privilege to present to you the Annual Report of the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA), for the year ended March 2017.

On behalf of the FP&M SETA Board and staff, I want to thank you and the Department of Higher Education and Training for your support during the reporting period.

Signed:
Ms Felleng Yende
Chief Executive Officer: FP&M SETA

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PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

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2. LIST OF ABBREVIATIONS AND ACRONYMS

ACRONYM	FULL DESCRIPTION
AET	Adult Education and Training
AGSA	Auditor-General of South Africa
AFS	Annual Financial Statements
ALP	Action Learning Programmes
AMSA	Apparel Manufacturers of South Africa
APP	Annual Performance Plan
ATR	Annual Training Report
CBO	Community-Based Organisation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIA	Certified Internal Auditor
CIMA	Chartered Institute of Management Accountants
COSATU	Congress of South African Trade Unions
CPD	Corporation for Public Deposits
CSTO	Co-ordinating SETA-TVET Office Model
CTFL	Clothing, Textiles, Footwear and Leather
DAC	Department of Arts and Culture
DAFF	Department of Agriculture, Forestry and Fisheries
DHET	Department of Higher Education and Training
DQPs	Development Quality Partner
DUT	Durban University of Technology
EISA	External Integrated Summative Assessment
EXCO	Executive Committee
FIETA	Forest Industries Education and Training Authority
FP&M	Fibre Processing & Manufacturing
GRAP	Generally Recognised Accounting Practice
HEI	Higher Education Institutions
HET	Higher Education and Training
HR	Human Resources
ILDP	International Leadership Project
IPAP	Industrial Policy Action Plan
IT	Information Technology
KZN	KwaZulu-Natal
LMIP	Labour Market Intelligence Partnership
MAPPP	Media, Advertising, Publishing, Printing and Packaging
MIS	Management Information System

ACRONYM	FULL DESCRIPTION
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTSF	Medium Term Strategic Framework
NAMB	National Artisan Moderating Body
NEET	Not in Employment, Education or Training
NGO	Non-Governmental Organisation
NLPE	Non-Levy Paying Entities
NPO	Non-Profit Organisation
NQF	National Qualifications Framework
NSA	National Skills Awards
NSDS	National Skills Development Strategy
NSFAS	National Student Financial Aid Scheme
NCV	National Certificate Vocational
OFO	Organising Framework for Occupations
PASA	Publishers Association of South Africa
PFMA	Public Finance Management Act, 1999 (Act No 1 of 1999)
PIVOTAL	Professional, Vocational, Technical and Academic Learning
QCTO	Quality Council for Trade and Occupations
RPL	Recognition of Prior Learning
SABC	South African Broadcasting Corporation
SABDC	South African Book Development Council
SACPO	South African College Principals' Association
SACTWU	Southern African Clothing and Textile Workers Union
SAAA	South African Apparel Association
SADC	South African Development Community
SAGDA	South African Graduates Development Association
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SATU	South African Typographical Union
SAWARD	Spear of African Women in Agriculture and Rural Development
SCM	Supply Chain Management
SDL	Skills Development Levy
SETA	Sector Education and Training Authority
SLA	Service Level Agreement
SMME	Small, Medium, and Micro Enterprises
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training

PART A: GENERAL INFORMATION

ACRONYM	FULL DESCRIPTION
UIF	Unemployment Insurance Fund
W&R SETA	Wholesale and Retail Sector Education and Training Authority
WCM	World-Class Manufacturing
WIL	Work-Integrated-Learning
WSP	Workplace Skills Plan



3. FOREWORD BY THE CHAIRMAN

This report marks the sixth year of implementation of the National Skills Development Strategy and it gives me great pleasure to deliver my report as Chairperson of the FP&M SETA Board. Under the strategic guidance of the National Skills Development Strategy Framework, the FP&M SETA continues to fulfil its catalytic role in the implementation of its Strategic Plan and Annual Performance Plan in the FP&M sector.

The 2016/2017 financial year will undoubtedly go down in the annals of history as a year of significant achievement for the FP&M SETA, despite the global economic meltdown and challenges to national and sector economic growth. It was the year that the FP&M SETA raised the bar and became a visionary in the skills development landscape through the implementation of strategic and innovative programmes, enabling the FP&M SETA to live up to its vision of being “a credible and effective skills development partner to produce a highly skilled workforce through various skills development interventions.” Our strategic intent is to add value and to address the triple challenges of poverty, unemployment and inequalities, with a view to advance the agenda of youth empowerment and development so that our industrial sectors are able to replenish their workforce in order to address competitiveness and sustainability in the medium to long term.

Highlights of Achievements

During the year under review, the Board enhanced its track record of sound corporate governance by providing strategic leadership to the organisation as required by the Public Finance Management Act, 1999, other relevant legislation and codes of good practice. I am pleased to report that FP&M SETA Board Members have undertaken continuous professional development programmes on good corporate governance, best practice governance and ethical standards aligned to King IV.

It gives me immense pleasure to report that the FP&M SETA has achieved 34 out of a total of 38 performance indicators and targets, representing an achievement of 89.5% against the FP&M SETA DHET Service Level Agreement for 2016/17. It is pleasing to note that the FP&M SETA has improved year-on-year on its overall performance since establishment in 2011.

In addition, the SETA's performance demonstrates the FP&M sector's positive contribution to the overarching government programmes – the Human Resource Development Strategy, the National Development Plan, the Industrial Policy Action Plan, the outcomes of the Medium Term Strategic Framework, and in particular, sector development plans, among the key development priorities of the SETA mandate. It must be noted that the FP&M SETA will continue to strive to achieve the 2030 vision that addresses key national transformational imperatives in order to address gender and youth transformation, rural and township development, poverty alleviation and unemployment, which continuously seek to plague our fledgling democracy.

Footprint at TVET Colleges

At this juncture, I would like to re-affirm our commitment to supporting the vision of the Honourable Minister of Higher Education and Training, Dr Blade Nzimande, to implement a Post-Education and Training (PSET) system that reaches out to all citizens of the country, regardless of their geographical location by promoting the growth of TVET colleges, as institutions of choice with regards to skills development.

For this financial year, we are proud to have established strategic collaborations and partnerships with a number of higher education and training institutions, TVET colleges, universities and universities of technology. The FP&M SETA, as part of the DHET–SETA Directorate, is providing excellent leadership and guidance in establishing a best practice model for the implementation of the Co-ordinating SETA TVET Office Model (CSTO Offices), for national roll-out to all TVET Colleges in the Republic of South Africa.

Our commitment in establishing an integrated and fully-functional PSET system was further demonstrated by the implementation of a national TVET research project in collaboration with the South African College Principals' Organisation (SACPO) which will inform and guide FP&M SETA's TVET strategy and approach for supporting TVET colleges. The outcomes of this research intervention is intended to promote WIL placements in the FP&M sector and address lecturer capacity development.

FP&M SETA Centres of Excellence also restores the TVET college esteem by being able to produce students that meet the scarce and critical skills demands of the industry.

During the year under review, the SETA expanded its reach beyond the three regional offices and has established an additional CSTO office at Ehlanzeni TVET College, in Nelspruit, Mpumalanga.

Stakeholder Interaction

The Board of the FP&M SETA considers stakeholder engagement as critical in guiding and informing strategic decision-making on the implementation of skills development in the sector. During the period under review there was extensive engagement on the Sector Skills Plan development and the PIVOTAL List.

During the period under review, the total revenue, including income from skills development levies was approximately R367,5 million. I am pleased to report that the FP&M SETA Board has approved approximately R300 million towards skills development interventions in the FP&M sector during the 2016/17 financial year. When compared with the previous financial year's budget of R372 million, the FP&M SETA worked with a very constrained budget during the 2016/17 year and I am most complimentary of the tremendous efforts of both staff and stakeholders in improving the overall performance of the organisation. It is the strategic objective of the FP&M SETA to disburse funds to support projects that advance sectoral priorities, occupations in demand and MTSF government priorities.

Clearly, the FP&M SETA has improved its capability to manage a higher level of both mandatory and discretionary

grant disbursements and has produced a solid foundation for continued improvement in skills development funding into the future.

My report recognises that the goals of the FP&M SETA strategy can only be achieved with the co-operation and co-ordination of all key stakeholders, including employers of both public and private entities, labour, as well as other stakeholders such as higher education institutions, NGOs, Co-operatives and Community-Based Organisations. Partnerships, co-operation and co-ordination between various entities are critical to achieving the aspirations of higher economic growth and development, higher productivity and a skilled and capable workforce. Our strategy continues to seek a closer synergy between the world of work and our formal education system.

I am pleased that our strategic partnership with the National Student Financial Aid Scheme (NSFAS) continues to thrive. We have committed approximately R20 million to support our students in a number of higher education institutions that study qualifications aligned to our scope and provide a direct response to the "Fees Must Fall Campaign."

The FP&M SETA skills development system is vibrant and dynamic and the true testimony is the fact that during the period under review we had approximately 13,422 learners entering learning programmes and about 6,757 exiting the system with a qualification in an occupational programme. Approximately 60% of our learners are female, which is above the 54% suggested ratio by the national skills strategy. This is indeed a positive trend in addressing gender transformation in our sector. Furthermore, 72% of our learners are categorised as youth (under the age of 35).

In 2016/17, the CEO hosted a number of stakeholder sessions across the country with the objective of interacting with stakeholders to understand the challenges that they encounter in implementing various programmes. These sessions have resulted in closer working relations and collaboration with key industry stakeholders and has enabled us to take a proactive approach to formulating effective solutions to potential challenges. Due to the value that these sessions have produced, it is the SETA's intention to continue with these interactions in the ensuing year.

Report of the Auditor-General

During the year under review, the SETA obtained a second consecutive clean unqualified audit opinion from the Auditor-General of South Africa. Kudos to our dedicated and committed Chief Executive Officer and her staff. A job well done!

The Board is committed to provide the necessary leadership and support to Management to ensure that all findings of the Auditor-General are adequately addressed. Furthermore, the Board will ensure that Management develops a robust action plan which will be monitored and audited regularly in the new financial year.

Future Outlook

The new financial year presents exciting opportunities for the FP&M sector to increase our collaboration with institutions of higher learning to produce learners who are fully equipped with the scarce and critical skills in order to meet the requirements of the sector.

Graduate placement remains one of our main priorities to ensure that young people who have graduated with qualifications which address scarce and critical skills are offered work-integrated-learning and job placement opportunities in order to reduce unemployment and boost the economic growth of our sector and country.

Another key priority for the sector is that of transformation. We are aware of the disparities that still exist in the sector and as a SETA we will endeavour to influence transformation through programmes such as the International Leadership Development Programmes (ILDP) which is aimed at empowering the previously disadvantaged youth. The total number of beneficiaries of the 2016/17 phase of this programme was 25, and plans are in place to continue with this programme. Our objective of the ILDP is to develop potential leadership and strategic positions with the purpose of exposing learners to international benchmarks and best practices with a view to promote transformation within numerous FP&M sectors. The ILDP will also immerse participants in academic and market experiences, accelerate their business insights and enable them to learn directly from local and global business leaders.

We will also continue to support events such as the World Skills Summit. The FP&M SETA used the sponsorship of this event as an opportunity to benchmark different skills development models utilised in other countries and to evaluate international best practices on the implementation and monitoring of learning programmes across the industries.

We are pleased with the finalisation of the new SETA landscape until 31 March 2020, and are looking forward with great anticipation as the FP&M SETA continues to contribute to government's human resources development agenda.

As they say, the proof of the pudding is in the eating and we did just that when the National Skills Authority (NSA), together with the Department of Higher Education and Training hosted the National Skills Conference in March 2017. The aim of the NSA Awards ceremony was to celebrate excellence by recognising best skills development practices across all skills development implementers in various categories. The FP&M sector scooped 12 awards at the NSA conference and we are very proud of this collective achievement.

Acknowledgements

My fellow Board Members continue to be a source of inspiration and admiration. These are the colleagues who are committed to better the lives of the millions employed in the FP&M sector and young people who seek to enter the sector. We have also had the privilege to witness the tangible benefits of decisions that are taken in the boardroom as exemplified by several graduations and events the SETA has initiated during this year under review. Thank you for your commitment to making effective skills development a reality.

On behalf of the Board, I would like to express our gratitude to the staff under the astute leadership of the CEO, and her executive team for the outstanding work that the FP&M SETA team accomplishes on a daily basis. Despite trying circumstances due to the fire and extensive flooding damage caused to the building at the Braampark Head Office, credit is due to the CEO for her leadership in immediately settling staff down to a positive work ethic, guiding the SETA to another successful audit and maintaining the high delivery standards of the FP&M SETA. The team's commitment to creating skills development opportunities for the unemployed youth and many prospective entrants to the sector is commendable. We congratulate the CEO on her awards received for the period under review which is testament to the great work being done at the SETA.

I also wish to extend our gratitude to the Department of Higher Education and Training under the stewardship of the Honourable Minister, Dr Blade Nzimande, for the continuous support of the SETA's initiatives and guidance in implementing our mandate. We appreciate the Minister, Deputy Minister and the Director-General for making time in their demanding schedules to honour the invitations when we celebrate key milestones of the SETA and the sector. Their support does not only encourage us as a SETA, but most importantly demonstrates an appreciation of their commitment to the FP&M sector.

Our stakeholder companies continue to be the backbone of our skills development initiatives and we commend their commitment to contribute to the Minister's vision on post-school education and training which is to "turn every workplace into a training space."

I thank you for your invaluable input during the SETA re-establishment engagements with stakeholders and note that our current tenure has been officially extended until 31 March 2020.

We commit ourselves to assisting our stakeholders to build a competent, capable and skilled workforce. We are aware of the challenges that we face and believe that with the support of our stakeholders, we will move above and beyond and achieve greater results.



Mr Sipho Ngidi
Chairman
FP&M SETA
31 July 2017



4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

"The FP&M SETA continues to reap the rich rewards and outcomes of the results-driven and impact-based business model implemented four years ago, resulting in the FP&M SETA's first clean unqualified audit-opinion of the Auditor-General of South Africa in 2015/16, and ensuring another year of skills delivery at the very highest level in 2016/17 and sustaining the clean audit-opinion."

Ms Felling Yende
Chief Executive Officer

INTRODUCTION

It is my singular honour and privilege to present the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA) 2016/17 Annual Report. My report will reflect on progress made in regard to both the financial performance and overall SETA performance against pre-determined objectives in addressing the scarce and critical skills gaps in the FP&M sector.

When my tenure as Chief Executive Officer commenced in 2013, my strategic intent was to ensure that we develop a sustainable strategic and innovative business model culminating in future organisational successes and a high performing organisation. Clearly, the challenges of the past became the stepping stones for future success!

The fruits of success that we have achieved in this reporting period are embedded in the Business Model that was conceived by myself in 2013, approved and fully-supported by the FP&M SETA Board, Management and Staff. In order to mitigate business risks and address prior year findings, it was necessary to review our current business structure and streamline its operations and processes to create a best practice organisation that is able to meet and exceed organisational objectives and stakeholder expectations while observing good corporate governance and prudent financial management, thus paving the way to an efficient and effective SETA.

The FP&M SETA continues to reap the rich rewards and outcomes of the results-driven and impact-based business model implemented four years ago, resulting in the FP&M SETA's first clean unqualified audit-opinion of the Auditor-General of South Africa in 2015/16, and ensuring another year of skills delivery at the very highest level in 2016/17 and sustaining the clean audit-opinion.

Year-on-year, since 2013, I am pleased to report that there was drastic improvement in the overall quality and alignment of the FP&M SETA's Strategic Plan, Annual Performance Plan and the Sector Skills Plan. The feedback reports that we have received from the Department of Higher Education and Training and the Auditor-General of South Africa positively demonstrates our strict adherence to technical format requirements and SMART principles as outlined in the National Treasury Regulations and Guidelines for Strategic Plans and Annual Performance Plans.

These strategic documents are intended to plan for skills development, to radically expand training provision in the FP&M sector, to make skills development available in workplaces especially for previously disadvantaged people, including women and people with disabilities and to improve the quality of formal education and training aimed at preparing learners for the world of work.

In order to address the strategic objectives of establishing a credible FP&M SETA mandate, our strategic planning sessions with Board Members and my engagements with constituent stakeholders have resulted in the development of a professional, well-researched and quality FP&M SETA Strategic Plan, Annual Performance Plan and Sector Skills Plan (SSP). The FP&M SETA has made marked progress in ensuring that the Strategic Plan and Annual Performance

Plan of the organisation is fully aligned to the core mandate and strategic objectives of the National Skills Development Strategy (NSDS), the 2030 vision of the National Development Plan (NDP), the key priorities of the Medium Term Strategic Framework of Government (MTSF), the Medium Term Expenditure Framework of Government (MTEF), the Human Resource Development Strategy of South Africa (HRDSSA), and the Industrial Policy Action Plan (IPAP).

The FP&M SETA has set performance indicators and targets to support the outcomes and vision of key Government priority focus areas.

I am extremely pleased to report that our Sector Skills Plan has improved markedly with regard to alignment with the FP&M SETA strategy and continues to receive excellent reviews from the Department of Higher Education and Training. It provides a sound analysis of industrial sectors and articulated sector strategies that addresses current and future scarce and critical skills needs and occupations in demand within the sector (PIVOTAL List).

It gives me immense pleasure to report that our strategic mandate and performance as contained in our Strategic Plan and Annual Performance Plan progressively demonstrates that we are closing the gaps that need to be addressed relating to areas such as the increased focus on research, monitoring and impact assessment of SETA interventions, the employability pipeline and the effective use of the Skills Development Levy (SDL), as outlined in the White Paper on Post-School Education and Training. It is our mandate to ensure that we build a robust and fully-integrated post-school education and training system for the FP&M sector that reflects innovation that is informed by research, and that encourages continued upward growth for all of our industrial sub-sectors.

Reflecting on the year under review, I can categorically state that the FP&M SETA has made a tangible difference to the skills levels of all stakeholders who participated in skills development initiatives in the FP&M sector through various lifelong training interventions.

We have had to scale up the business by leveraging all available opportunities to ensure that we perfect audit findings and controls, and improve the overall SETA performance of the previous financial year.

Although the sector has suffered as a result of the global economic recession and that various factors have constrained growth and profitability, the FP&M SETA is vigorously pursuing and realising the promotion and facilitation of an enhanced skills profile for the sector's workforce, employers and the economic growth of the sector and country.

It is critical that we aspire to establish a knowledge economy and developing knowledgeable workers for the future will ensure a future generation of knowledge for the FP&M sector. It is our responsibility to ensure that South Africa produces a skilled, capable and flexible workforce by eliminating the barriers that limit access to occupations in demand. These workers will be the innovators and at the heart of creating a sustainable sector that aligns with the National Development Plan (NDP) and the Vision 2030, eliminating the barriers that limit access to occupations in demand.

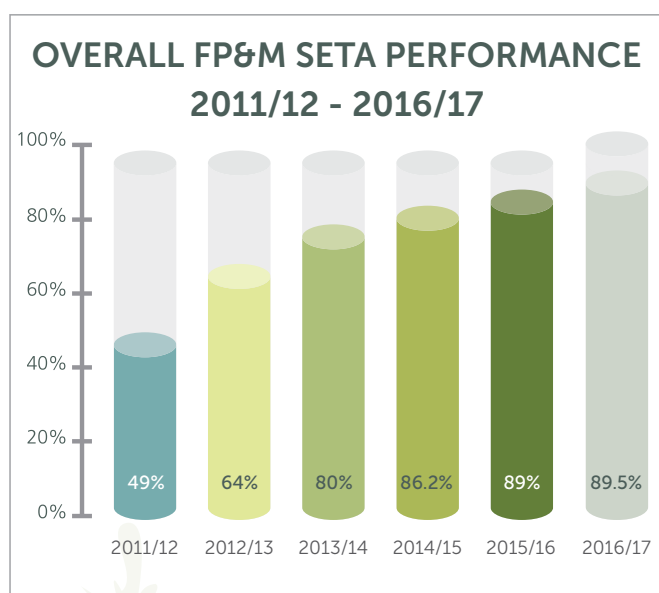
Overall Performance

It is significant to note that through the process of developing this report, key observations have been made with regard to the overall performance of the FP&M SETA.

During the sixth year of the NSDS III strategy, the FP&M SETA has partnered with many constituent FP&M sector organisations, education and training institutions (both TVET & HET institutions), government departments and industry stakeholders to build a truly integrated, high-quality post-school education and training platform.

The FP&M SETA's contribution to skills development is comprehensive, spanning both the development of emerging skills for the sector as well as the development of skills for the existing workforce.

With regard to the supply of skills to the sector, there has been substantial growth in the numbers of new graduates from tertiary institutions that are most relevant to the occupations in demand to the FP&M sector.



FP&M SETA Performance 2016/17

To prove our commitment to effective and efficient service delivery, the FP&M SETA has made significant strides during the period under review, towards ensuring that skills development funding is channelled specifically to address the skills development needs of those who were previously marginalised: the unemployed youth, women and people with disabilities and particularly those from rural and township areas.

All stakeholders need to synergise their efforts in order to achieve the strategic objectives and targets contained in the FP&M SETA Strategic Plan 2016/17 - 2020/21 and Annual Performance Plan 2016/17 - 2019/20.

The SETA endeavoured to deliver on its mandate and adhere to and exceed delivery targets as set out in its

Annual Performance Plan and DHET Service Level Agreement (SLA). It is pleasing to report that the overall FP&M SETA performance is on an increasingly upward trajectory since its establishment in 2011.

Promoting the Growth of Technical and Vocational Education and Training Institutions

While the skills contribution of the TVET sector has traditionally been limited, government's determined focus on increasing both the quality and quantity of output from TVET Colleges means that this sector is playing an increasingly important role in skills development in the sector. With a new focus on repositioning TVET colleges as institutions of choice for learners who are seeking skills to secure employment or create sustainable businesses, a number of partnerships and collaborations with TVETs were forged during the period under review, including and not limited to, artisan development, learnership implementation and work-integrated-learning for TVET graduates.

It pleases me to report that the FP&M SETA Board has supported the post-school education and training system in key priority areas, which included the construction of the Richmond-Indaleni Community Skills Development Centre. In order to forge collaborations with TVET colleges, the FP&M SETA funded research to address the efficiencies of the DHET LEAD-TVET SETA Office Model.

The research was critical to create a standardised value-adding model. Other initiatives included the development of Framework Guidelines for Coordinating SETA-TVET Offices (CSTO) in partnership with Jet Education Services and the Department of Higher Education and Training, which culminated in the opening of a CSTO Office at Ehlanzeni TVET College in Nelspruit, Mpumalanga.

Extension of NSDS III - Legislative Changes

I am also pleased to share with you that the Honourable Minister of Higher Education and Training, Dr Blade Nzimande has promulgated and extended the National Skills Development Strategy III (NSDS III) from 01 April 2018 to 31 March 2020. We look forward to continuing with our important work in developing future perfect skills development initiatives for the sector under our currently established FP&M SETA.

Mandatory and Discretionary Grant Allocation and Expenditure

Since establishment in 2011, there has been an increase in the overall number of mandatory grant submissions received. This is indicative of our efforts to broaden participation in skills development in the sector and promoting sector development and sustainability. Both mandatory and discretionary grants of the SETAs must support training of both employed workers and the unemployed.

A successful partnership with NSFAS to support the bursary programme to address middle to high-level skills needs in the FP&M sector has been established. In response to the crisis experienced by higher education and training institutions

earlier this year, and in support of indigent and financially disadvantaged students studying towards qualifications aligned to the scope of our industrial sectors, we have made a commitment of R20 million towards the NSFAS in 2016/17. In addition, we have established direct bursary partnerships with four higher education and training institutions, amounting to approximately R8.6 million.

Total discretionary grants allocated for 2016/17 for a variety of learning programmes, special projects, sectoral priorities and critical partnerships amounted to approximately R300 million.

The implementation of PIVOTAL programmes, especially high-level and middle-level skills (learnerships and apprenticeships) contributes extensively to the improvement of productivity in workplaces and job placement of unemployed graduates.

The FP&M SETA prioritises artisan training because of the nature of the specific middle-level technical occupational skills required by the sector. More than R50,710,000.00 was allocated for artisan development in the sector by advocating effective partnerships between employers, TVET colleges and the FP&M SETA to fund four hundred and forty seven (447) apprentices entering artisan programmes.

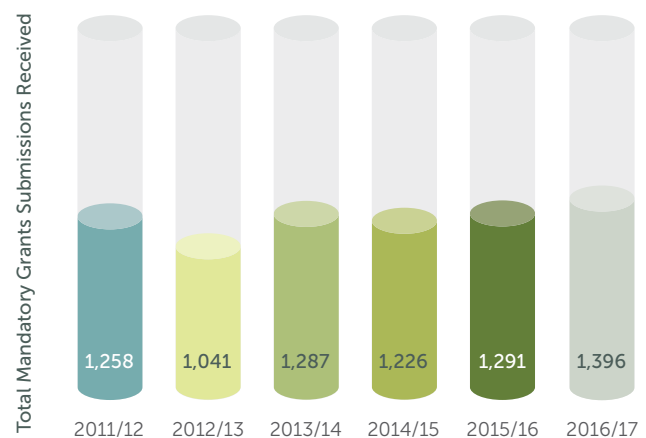
The FP&M SETA Board approved approximately R80,606,000.00 for learnership implementation in the sector for approximately three thousand, four hundred and forty (3,440) employed and unemployed learners entering learnerships that are occupational-based programmes.

The FP&M SETA Board has allocated funds to ensure that middle- and high-level occupations in demand are being addressed by work-ready graduates from TVETs and higher education institutions. In order to contribute to the development of world class skills to address sustainability of sectors, the FP&M SETA collaborates with a number of TVETs and HEIs by funding work-integrated learning programmes for both undergraduate and graduate students from TVETs and HEIs. Just under R20 million was approved by the Board to support work-integrated-learning for learners from TVETs and HEIs in order to address graduate employment in the sector.

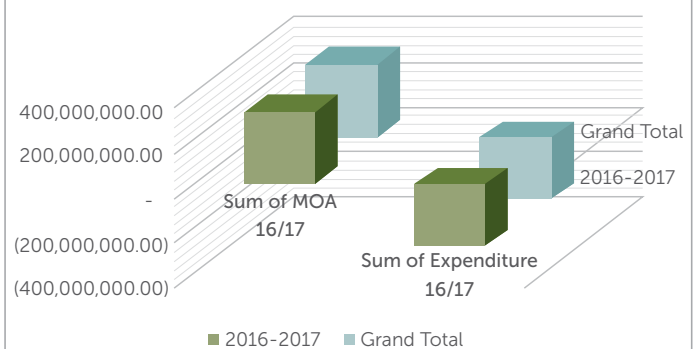
For the period under review, it must be noted that the SETA exceeded its targets for unemployed learners entering into PIVOTAL (bursary, learnership, internship) programmes and skills programmes, recording an achievement percentage of 174%.

The FP&M SETA exceeded targets by implementing focused projects to address basic skills gaps which, enhances foundational skills, reducing illiteracy and poor numeracy skills in the FP&M sector. Targets for entering and completing adult education and training programmes were easily achieved during the reporting period. In order to improve sustainability, enhance sector growth and address skills imbalances amongst workers in the sector, the FP&M SETA supported workers entering into learning programmes.

MANDATORY GRANT SUBMISSIONS 2011/12 - 2016/17



MOA VALUE & EXPENDITURE 2016 - 2017

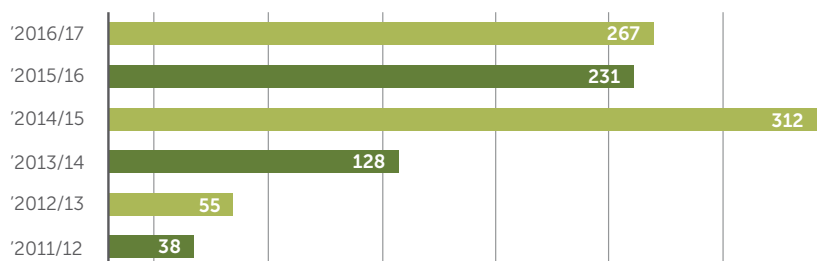


It is indeed pleasing to note that targets for workers entering and completing PIVOTAL and skills programmes were exceeded for the financial period 2016/17. Training of employed workers addresses critical skills, enabling improved productivity, economic growth and the ability of the workforce to adapt to change in the labour market.

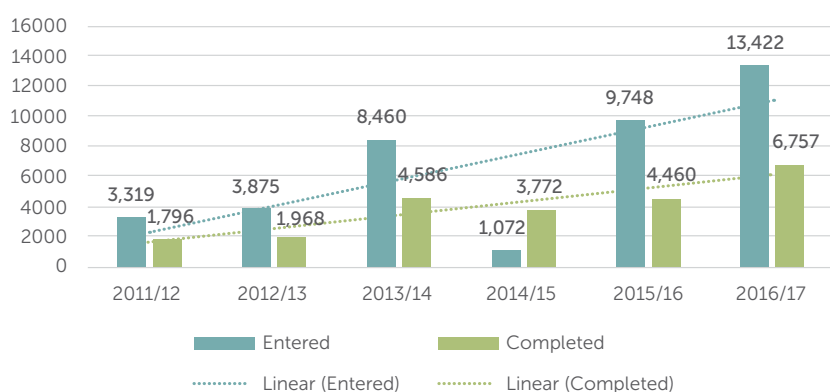
Predominantly black-owned emerging co-operatives, small businesses, CBO's and NLPE's were supported with technical and developmental support and training, which included financial, marketing and business management programmes.

Discretionary grant expenditure during the period under review has increased during 2016/17 when compared to 2015/16, due to concerted efforts by the projects division to encourage early uptake of projects and encouraging skills development providers to adhere to contractual obligations and timeframes with regard to tranche payments.

DISCRETIONARY GRANT EXPENDITURE 2011/12 - 2016/17 R' MILLION



LEARNING PROGRAMME IMPLEMENTATION SINCE INCEPTION



SETA Performance on Learning Programme Implementation

In line with the discretionary grant expenditure trends, both learner registrations and learner completions during 2016/17 have increased by 38% and 51% respectively, when compared to the 2015/16 financial year. This is mostly due to increased monitoring of projects, as well as more efficient certification processes.

Our success must be viewed against the key transformation imperatives of the NSDS III:

- Blacks: More than 95% black learners;
- Gender: More than 50% female learners;
- Age – Youth: More than 85% of unemployed learners are younger than 35; and
- Disability: Approximately 3,200 disabled learners trained.

Rural Development

In order to address rural development, the FP&M SETA Board approved a number of dedicated projects with a view to address poverty alleviation and youth unemployment in rural areas.

Research

In our quest to improve research capacity and expertise within the FP&M sector, I can report that our multi-faceted research partnership with WITS REAL continues to thrive. It is pleasing to note that a record number of small, medium and large firms have made mandatory grant submissions that have contributed to the improvement of quality and quantity of labour market information.

The FP&M SETA contributed extensively to Labour Market Intelligence Partnership (LMIP) through our comprehensive understanding of current supply and demand for skills in the FP&M sector.

In order to address two key strategic objectives of the SETA, the FP&M SETA in partnership with SACPO, commissioned a study to present a research paper which will inform and guide FP&M SETA's TVET strategy and approach for supporting TVET colleges, with a view to establish linkages with TVET colleges or expanding existing partnership-based collaboration; and to assist TVET colleges in building partnerships with employers – with particular reference to colleges that are geographically located in areas where FP&M sub-sector-aligned economic activity is occurring or being promoted

in order to address FP&M SETA industry needs. Another key aspect of the research study is to survey lecturer and college (institutional) capacity development needs, with a focus on SETA occupational programme provision (FP&M SETA programmes in particular).

Our strategic partnerships and collaboration with TVET colleges have yielded excellent results, and three TVET colleges have been recognised as Institutes of Sectoral and Occupational Excellence, namely False Bay College in the Western Cape, Western TVET College (Westcol) in Gauteng and Umfolozi TVET College in KwaZulu-Natal.

"By supporting the workforce of the future through educational programs, we are helping them gain the skills they need to reach their full potential"

Ms Felleng Yende, CEO of the FP&M SETA

Career and Vocational Guidance

During the 2016/17 financial year, the FP&M SETA supported a number of career exhibitions in order to expose school learners and teachers to FP&M occupations. The DHET organised career events and career guidance exhibitions which were hosted by municipalities and sector stakeholders were supported. These included:

- **FP&M SETA Skills Summit 2016/17 held in partnership with Cape Media:** The primary objective of the Summit is to raise awareness for quality education and training standards, as well as to promote ongoing professional development within the FP&M SETA's organisations. Schools and basic education groups were invited to the Summit, and approximately 1,000 learners were exposed to career exhibitions and future opportunities. This exposure to the youth gives individuals the necessary confidence and self-esteem to make informed and wise career choices.
- **Soweto Youth Expo:** The Presidential Izimbizo Programme hosted the Soweto Youth Development Expo in February 2016 and was attended by approximately 6,000 people.
- **FP&M SETA participated in Public Service Career Exhibition:** This exhibition was hosted by the KwaZulu-Natal Provincial Administration from 09 February to 11 February 2016 in the Ugu Sports and Leisure Centre.
- **Apply Now! Campaign:** The Honourable Deputy Minister's 2016 Apply Now! Khetha Career Guidance Campaign was fully supported by the FP&M SETA. The campaign was aimed at encouraging high school learners to apply on-time for admission to post-school institutions. The roll-out campaign is targeted at neglected rural areas, villages and townships to ensure learners make informed career choices.
- **Opportunities for People with Disabilities Campaign:** The Honourable Deputy Minister of Higher Education and Training, Mr Mduzizi Manana, visited Thiboloha School for the Blind and Deaf in Phuthaditjhaba, QwaQwa, in the Free State Province in April 2016. The purpose of the campaign is to expose career opportunities to learners with disabilities and further explain to them ways of applying for SETA funding.
- **Career Guidance:** The FP&M SETA engaged 30 high schools across the country to provide learners in Grades 9 – 12 and the youth, important career information.

National Skills Awards 2017

The National Skills Authority (NSA), together with the DHET, held a successful National Skills Conference on 23 March 2017. The aim of the NSA Awards ceremony was to celebrate excellence by recognising best skills development practices across all skills development implementers in various categories. The FP&M SETA is proud to have scooped 12 awards - the highest number of awards received by any SETA. FP&M SETA companies, skills development providers and education and training institutions were recognised in the following categories:

- Best Artisan Development Programme;
- Best TVET College;
- Best AET Programme;

- Best Skills Programme;
- Best Private College;
- Best University Placement Programme; and
- Best Small Company.

The FP&M SETA was also honoured by the NSA for its clean audit achievement in 2015/16.

Quality Assurance

Our quality assurance function continues to perform well. Accredited Training Providers are monitored regularly to ensure that industry standards are maintained at all times. The focus of accreditation is moving from compliance to continuous improvement as the quality assurance system in the SETA matures. Our quality assurance team is encouraged to give developmental assistance to firms to improve the quality of learning delivery.

QCTO Qualifications Development

The FP&M SETA in collaboration with the Industry stakeholders have realised many achievements with regard to occupational qualifications development. The FP&M SETA Board approved funding to update and restructure the current unit standard-based SAQA registered qualifications with a view to re-align to the curriculum requirements and the new occupational qualifications framework of the Quality Council for Trades and Occupations (QCTO). I am proud to note that during the period under review, we have developed and submitted to QCTO for registration, a total of 55 occupationally-directed qualifications, resulting in six (6) of these qualifications been registered with the SAQA through the QCTO, whilst 49 are in the pipeline to be registered. Since 2012/13 financial year, the FP&M SETA Board approved a total amount of R72,150,000.00 for the development of 74 occupationally-directed qualifications in 10 industrial sub-sectors in the FP&M sector.

In a report to the QCTO at a special meeting of the SAQA Quality Assurance Committee (QAC) held on 27 June 2016, it was reported that the FP&M SETA: Occupational Certificate: Footwear Bottomstock Production Machine Operator, Level 2 was considered to be the best submission ever submitted by the QCTO.

During the period under review the FP&M SETA has partnered with the MICT SETA to develop the Journalist Occupational Qualification, which is now in the process of registration with SAQA through the QCTO.

In terms of occupationally-directed qualifications development, we are following a phase-approach methodology:

Phase 1: Development of occupational qualifications and Trades, which included the 55 Occupational Qualifications that are registered/in the process of registration with SAQA.

Phase 2: Development of External Integrated Summative Assessments (EISA) and data bank of assessment questions and model answers.

Phase 3: Development of learning material to standardise across the sub-sector.

PART A: GENERAL INFORMATION

Through a concerted effort from the Quality Assurance Division, and in consultation with NAMB and the QCTO, the issuing of artisan certificates has improved remarkably, and as a result, backlog issues have been resolved. In order to improve service delivery to our stakeholders, the division streamlined quality assurance processes and continued the enhancement of a fully functional Management Information System (MIS) with modules to improve the management and reporting of our learning programmes.

Newly funded Qualifications Development Projects during the period under review, are as follows:

- R13,200,000.00 was approved by the FP&M SETA Board to fund the development of 17 (trades in the footwear, printing, and textile sectors).
- R2,200,000.00 was approved to fund one (1) industry Entrepreneurial Occupational Qualification to address rural interventions, in order to empower rural-located businesses in the FP&M sector.

Good Corporate Governance

The organisation has established a culture of good corporate governance through the implementation of approved policies and procedures. We are aware of certain risk areas and have worked on focused risk assessment exercises with the various divisions. Capacity building workshops were conducted with management to address early signalling of risks, risk identification, root causes and the implementation of controls. The division implemented practical interventions to alleviate potential risks that could adversely affect efficiencies in service delivery.

Compliance with good corporate governance is regarded as a cornerstone of our successes and achievements. For me, having a robust and effective monitoring and evaluation division is critical to successful implementation of the strategy and achieving performance.

Monitoring & Evaluation

The FP&M SETA consistent with the Government Wide Monitoring & Evaluation Policy Framework and Treasury regulations, formally established the Programmes Monitoring and Evaluation Division and adopted the Monitoring & Evaluation framework.

A unified, coherent and integrated framework for monitoring and evaluation of performance and service delivery within the organisation has been established in terms of the framework. The primary focus of the M&E framework is on the monitoring of performance and impact of FP&M SETA and its stakeholders. The Monitoring and Evaluation Division select and appointed Sector Skills Advisors based on their Sector Skills to perform the site visits in the different Regions. The Sector Skills Advisors prepare structured written reports, covering all key and critical issues addressed and or identified on such a visit.

The Monitoring and Evaluation Policy Framework enables the FP&M SETA:

- To monitor and evaluate how effectively and efficiently skills development of projects are.
- To report accurate and reliable information to governance structures and stakeholders.
- To monitor and evaluate the quality of all aspects of skills development provision.
- To provide appropriate information to enable the FP&M SETA to grow, learn from lessons and share best practices.
- To accurately identify areas of improvement and reduce risk.

One of our priorities in the last financial year was to implement a fully-functional and robust monitoring and evaluation strategy to enhance project management within the organisation. The division also audited the Skills Development Providers. This division engaged independent sector skills advisors with a view to obtaining an objective perspective on discretionary grant project implementation and compliance of Skills Development Providers with their accreditation criteria. Nationally, approximately 591 discretionary grant projects were monitored. The monitoring and evaluation policy was reviewed and monitoring and evaluation tools were developed, aligned to the performance standards of the AGSA when conducting project site visits. Feedback from our stakeholders was extremely positive.

The M&E division is highly successful and adding value to the FP&M SETA and its stakeholders.

Projects Delivery

The Discretionary Grants projects supported are aligned to the strategy approved by the Board, NSDS III and targets as per the SLA signed with DHET focusing on rural development, sectoral priorities, disabilities, strategic and innovative interventions.

The Projects Division has implemented optimised internal controls to ensure maximum impact is derived from activities of the division. Weekly, monthly, quarterly reviews ensure a valid, accurate Commitments Register. Efficient utilisation of the Monitoring and Evaluation Division to vet the project applicants prior to approval assists in high quality partnerships with Stakeholders and Providers.

In order to streamline discretionary grant project implementation, measures were implemented that included an improved discretionary grant online application and contracting system, improved payment processes, monthly reconciliations on commitments and the streamlining of policy to ensure alignment with discretionary grant processes and regulations.

Continuous improvement of processes also included the periodic review of contracts and projects to ensure validity and completeness of information. Where contracts were deemed as non-performing, funds were swept and allocated towards areas of critical need.

General Financial Review of the Public Entity

The FP&M SETA, as guided by the *Public Finance Management Act (PFMA), (Act 1 of 1999)*, has the ultimate objective of promoting sound financial management in order to maximise the delivery of SETA services through the efficient and effective use of limited resources and financial prudence in addressing specific areas of cost containment in implementation of the SETA mandate.

Revenue Collection

During the current financial year, the FP&M SETA received R319.9 million in Skills Development Levy (SDL) income. SDL income was monitored against the budget on a monthly basis.

The SETA remained within the 10.5% administration budget threshold for the 2016/17 financial year.

Penalties and interest (R8.5 million) were received by the FP&M SETA as a result of late payment of SDL by employers to SARS.

Investment income exceeded budget, based on the assumption that the majority of discretionary funding would

be spent during the period under review. However, this did not materialise due to a delay in the implementation of projects by project beneficiaries.

Donor funding (R80,000.00) was received to fund training interventions. These were approved in terms of the Create SA / Department of Arts and Culture (DAC) project. The funding was received from Create SA / DAC.

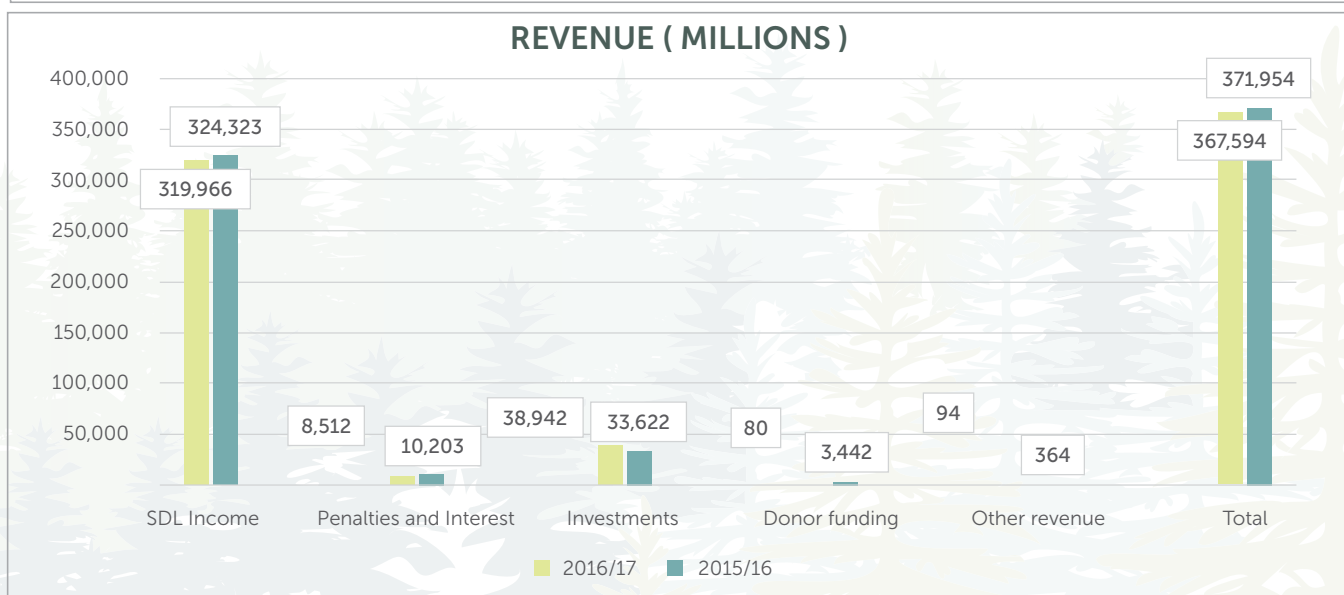
Other revenue (R94,000.00) was generated from fees paid by learners to re-write examinations relating to apprenticeship programmes.

Capital Investment

In terms of implementing the capital investment and asset management plan of the FP&M SETA, the following progress has been made:

- During the reporting period, all excess funds were transferred monthly to the CPD account of the SETA that is held with the South African Reserve Bank. The excess funds were based on monthly cash flow reports. All interest has been capitalised on a monthly basis.

REVENUE COLLECTION						
	2016/2017			2015/2016		
Sources of Revenue	Estimate	Actual Amount Collected	(Over) / Under Collection	Estimate	Actual Amount Collected	(Over) / Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
SDL levies	R382,887	R319,966	R62,921	R348,489	R324,323	R24,166
Penalties and interest	R3,641	R8,512	R (4,871)	R3,458	R10,203	R (6,745)
Investments	R18,428	R38,942	R (20,514)	R17,500	R33,622	R (16,122)
Donor funding (Create SA and DAC)	-	R80	R (80)	-	R3,442	R (3,442)
Other revenue	-	R94	R (94)	-	R364	R (364)
TOTAL	R404,956	R367,594	R37,362	R369,447	R371,954	R (2,507)



PART A: GENERAL INFORMATION

- In terms of the asset management plan, redundant or broken assets were identified and written off during the year. Below are details of how asset holdings have changed during the period under review, including information on the disposals, scrapping, and loss as a result of theft.
- During the year, assets valued at a cost of R408,141.00 (and accumulated depreciation of R390,482.00) were written off because they have been made redundant.

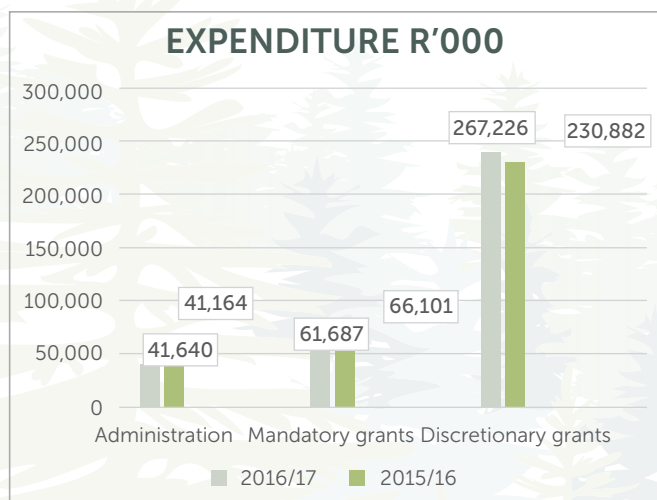
The FP&M SETA's financial performance has improved steadily, with significant strides being made to ensure adequate financial and administrative controls to deliver prudent financial management, with strict adherence to generally acceptable accounting practices and National Treasury regulations.

Revenue Trends

Revenue received in 2016/17 was reported at R367.5 million (2015/16: R371.9 million).

SDL income amounted to R319.9 million (2015/16: R324.3 million) and was allocated in line with the SETA Grant Regulations, which came into effect on 01 April 2013:

- Administration expenditure – R41.6 million (2015/16: R41.1 million).
- Mandatory grants expenditure – R61.6 million (2015/16: R66.1 million).
- Discretionary grants expenditure – R267.2 million (2015/16: R230.8 million).
- Penalties and interest income received for late payments made to SARS amounted to R8.5 million (2015/16: R10.2 million).
- Donor funding, for which the conditions were met, amounted to R80,000.00 (2015/16: R3,4 million).
- Other revenue amounted to R94,000.00 (2015/16: R364,000.00).
- Investment income earned totalled R38.9 million (2015/2016: R33.6 million).
- During the year, assets valued at a cost of R408,141.00 (and accumulated depreciation of R390,482.00) were written off because they have been made redundant.



Investment Strategy

The FP&M SETA invested excess funds with the Corporation of Public Deposits (CPD) as per Section 31.3.3 of Treasury Regulations. The average interest rate for the year totalled 7,36%.

Spending Trends of the FP&M SETA Administration Expense

The disbursement of both administrative and grant expenditure was conducted in a responsible manner and in line with the budget approved by the Board for the period under review. Regular budget reviews were conducted and amendments were made, when required, with the permission of the Board.

The total administrative expenditure totalled R41.6 million (2015/16: R41.1 million).

Administration expenditure was contained within the 10,5% threshold as a result of stringent financial management and the implementation of cost saving measures. Some of these cost saving measures were the increased utilisation of effective video conferencing facilities for internal meetings and committee meetings, thereby reducing travel and accommodation requirements significantly, and the purchase and installation of central printer hubs to reduce equipment rental cost and the costs relating to printing consumables.

Mandatory and Discretionary Grant Expenses

The mandatory grant expenses totalled R61.6 million (2015/16: R66.1 million).

Mandatory grants expenses were lower in the current financial year due to lower levy income received as compared to last year.

Discretionary grant and special projects expenses totalled R267 million (2015/16: R231 million).

Information Technology Environment

Our IT environment is very stable with daily, weekly and monthly backups being performed.

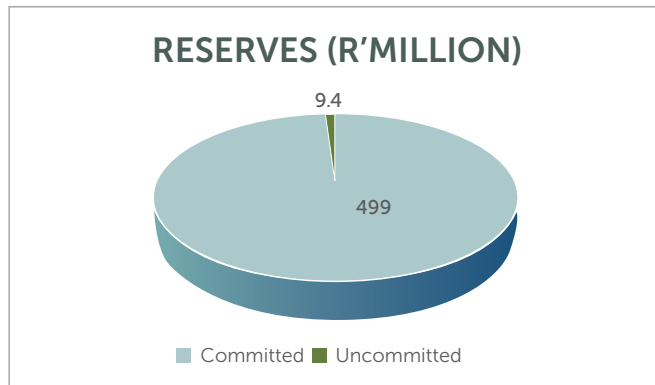
Committed Funds

According to the SETA Grant Regulations, "it is expected that a SETA must have spent or committed (through actual contractual obligations) at least 95% of discretionary funds available to it by 31 March of each year, and a maximum of 5% of uncommitted funds may be carried over to the next financial year."

'Surplus' means a favourable residual balance in the statement of financial performance for the financial year ending on 31 March, minus commitments to training of learners in programmes funded from discretionary funds; 'commitments' in this context mean that contractual obligations exist at the end of the financial year that will oblige the SETA to make a payment or honour its agreement (written with specific terms between a SETA and third party) whereby the third party undertakes to meet agreed deliverables, in relation to

a discretionary project for which a SETA will be obliged to make payment against the discretionary grant.

It is under this definition that the FP&M SETA will need to raise a liability for the 95% of the 'surplus portion' where funds from the 2016/17 period have been committed, and all uncommitted funds from prior year surpluses will be requested for rollover to the next financial year. This request will be sent to National Treasury for approval.



At the end of March 2017, discretionary reserves totaled R508.6 million, of which R498.9 million was contractually committed. R9.7 million was uncommitted at year-end. Approval to retain surplus funds has been submitted to National Treasury.

Capacity Constraints and Challenges

The FP&M SETA did not experience any significant financial constraints or challenges during the period under review, despite difficulties experienced in appointing a Chief Financial Officer in a permanent capacity.

Challenges with regards to performance against predetermined objectives as set out in the Annual Performance Plan largely related to artisan training and adult education and training. This resulted in under performance against the targets. This was mainly due to delays caused by external providers in delivering against project implementation timeframes.

We are developing a more focused strategy and action plan to promote artisan training in the sector and to encourage the provision of adult education and training, particularly to address foundational learning amongst the unemployed youth.

Due to the dire economic crisis experienced by the FP&M sector, the placement of graduates in job opportunities also posed a challenge.

New or Proposed Activities

New discretionary grant projects for 2017/18 are in progress. Discretionary grant projects will address the pre-determined targets as set out in the 2017/18 Annual Performance Plan, which is aligned to the extended NSDS.

Request for the Rollover of Funds

A request to rollover funding was submitted to National Treasury on 31 May 2017. The FP&M SETA applied to retain Discretionary grant reserves to the amount of R508.6 million. The response from National Treasury is pending.

Supply Chain Management

The FP&M SETA complied with all prescripts of Supply Chain Management (SCM) legislation, aligned to National Treasury regulations. Our electronic procurement system was successfully integrated to the Central Supplier Database and I am pleased to report that we have zero tolerance on non-compliance, fraud and corruption with regard to procurement of all goods and services for the organisation. The Supply Chain Management Policy was amended in line with National Treasury Instruction Notes.

During the year under review, the following effective and successful tenders were positively concluded:

- Public Relations, Marketing & Communications Support Services
- Fibre Multi-Protocol Label Switching (MPLS) Internet Solutions
- The Recognition of Prior Learning Capacity Programme
- Skills Development Facilitators Training

Audit Report Matters in the Previous Financial Year

The FP&M SETA received a second consecutive clean, unqualified audit-opinion in the 2016/17 financial year, which is a testament to our pursuit of total compliance, good corporate governance and service delivery excellence. Due to a focused approach from the Internal Audit team ensuring that mechanisms are in place to conduct risk assessment exercises and the monitoring of action plans, all findings from the previous financial year have been resolved.

Key Noteworthy Audit Success Areas for this Financial Year (2016/17):

- The Discretionary Grants Commitments Register
- Supply Chain Management
- Information Technology

Plans for the Future to Address Financial Challenges

Due to our stringent adherence to financial management best practices, I am able to report that our finance division has ensured financial prudence in the organisation although minor challenges have been reported as identified by AGSA.

AGSA has identified lack of management review of the Annual Financial Statements as a key control that needs to be improved. In this regard management has developed plans to address the weaknesses. In order to mitigate business risks related to current findings, weekly, monthly and quarterly reviews to be executed and signed-off by relevant

PART A: GENERAL INFORMATION

General Managers in order to sustain a clean audit status in the future. This will be complimented by detailed reviews by the internal auditors.

AGSA also identified lack of contract monitoring and evaluation as an area that requires improvement. In this regard the FP&M SETA will implement a contract monitoring and evaluation process that will ensure that accruals are raised at the reporting date, where services have been delivered by stakeholders.

Events After the Reporting Date

On 18 April 2017, a massive fire destroyed the fifth floor at Braampark Forum 1B. Our offices were located on the second floor of this building. Firefighters responded and extinguished the fire, however, the entire fifth floor was destroyed.

Water that was used to extinguish the fire, flowed through to the floors below which caused significant damage to ceilings, carpets, furniture and equipment in the FP&M SETA offices. The ceiling is not an asset of the SETA.

Fortunately, the FP&M SETA immediately implemented its Disaster Recovery Management Plan, thus ensuring business continuity and service delivery. Although the incident took place in the midst of the external audit by AGSA, both the business and the external audit continued uninterrupted.

At the time of writing the Annual Report we could not yet quantify or estimate the extent of the damage.

Economic Viability

The Annual Financial Statements (AFS) for the FP&M SETA have been prepared as a going concern.

Acknowledgements

The FP&M SETA Board and Management have performed consistently well, providing solid leadership and strategic guidance to the organisation. Due to our high-standards and unwavering commitment to good corporate governance and service delivery, we have managed to maintain our clean unqualified audit report status for 2016/17.

I would like to thank the Chairman and Board Members for their dedication, hard work and sound guidance provided throughout the year.

My thanks are also extended to the staff, management and the many stakeholders of the FP&M SETA, without whom we would not exist. Even during times of a major crisis, including relocation of the SETA to offsite premises due to damages caused by fire and flooding to our Head Office at Braampark in the midst of the final audit of the FP&M SETA for 2016/17, our staff performed exceptionally well. The resilience, commitment and dedication displayed by the staff during these challenging times to ensure a successful audit outcome, business continuity and service delivery to our stakeholders is highly commendable. It was indeed a great team effort!

Their determination and commitment to achieving our goals has been steadfast and together we have made a positive impact on the lives of all who walk through our doors.

I would also like to commend the Chairman, the Board and stakeholders for their contributions towards our success in the many awards and accolades that the FP&M SETA and I have received during the year.

I look forward to another successful year going forward. Together we can truly raise the bar for skills development in South Africa.



Ms Felleng Yende

Chief Executive Officer
FP&M SETA

Date: 31 July 2017

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report are consistent with the Annual Financial Statements audited by the Auditor-General.

The Annual Report is complete, accurate, and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the Human Resources (HR) information, and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the HR information, and the financial affairs of the public entity for the financial year ended 31 March 2017.

Yours faithfully,



Chief Executive Officer

Ms Felling Yende

Date: 31 July 2017



Chairman of the Board

Mr Sipho Ngidi

Date: 31 July 2017

6. STRATEGIC OVERVIEW

MISSION, VISION & VALUES



VISION:

"To be a credible and effective skills development partner ensuring the delivery of service excellence that will produce a highly-skilled world-class workforce through various skills development interventions."

MISSION:

"To establish a credible institutional mechanism that facilitates an efficient and effective skills development process, through a range of quality services and partnerships, to contribute to the achievement of sector competitiveness, transformation and economic growth."

VALUES:

FP&M SETA is committed to living its values which include:

- **Integrity** – Honouring our mandate and doing what is right.
- **Accountability** – Clarifying and accepting responsibility and delivering on our commitments.
- **Respect** – Driving delivery with respect towards all our stakeholders, embracing openness, trust, teamwork, diversity, and relationships that are mutually beneficial.
- **Service Excellence** – Striving for the best service and delivering it with pride.
- **Inclusive, Sustainable Socio-Economic Transformational Interventions** – Driving and supporting interventions that are meaningful and that will impact positively on the realisation of economically independent individuals and communities.

7. LEGISLATIVE AND OTHER MANDATES

LEGISLATION:

The FP&M SETA is a *Public Entity under Schedule 3A of the Public Finance Management Act (PFMA), 1999 (Act No 01 of 1999)*.

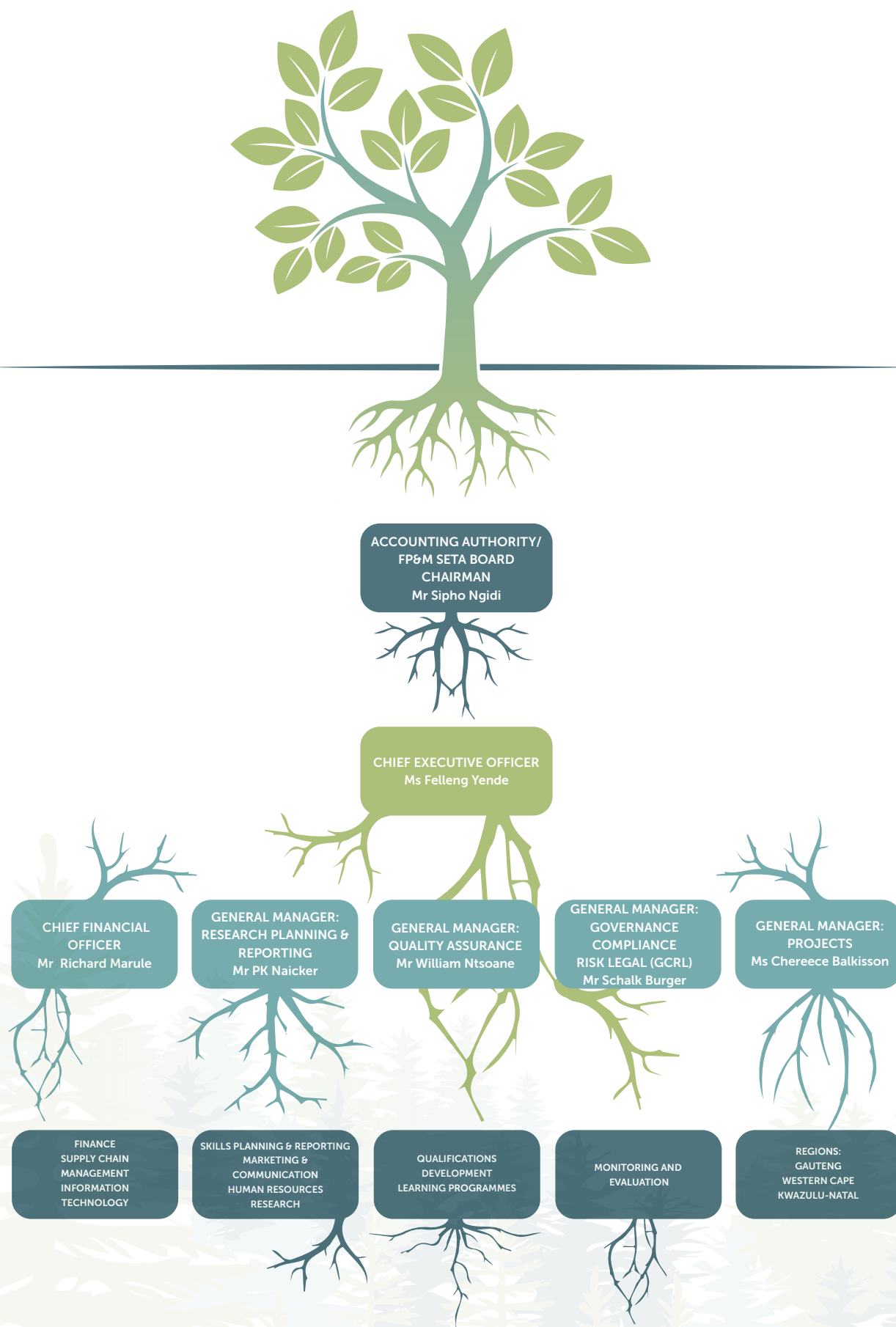
The FP&M SETA is governed by:

- *The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996);*
- *Section 9 of the Skills Development Act, 1998 (Act No. 97 of 1998) as amended in 2008;*
- *Skills Development Amendment Act, 2008 (Act No. 37 of 2008);*
- *Skills Development Amendment Act, 2011 (Act No. 26 of 2011);*
- *Skills Development Levies Act of 1999 (Act No. 9 of 1999) as amended in 2010 (Act 24 of 2010);*
- *The National Qualifications Framework Act, 2008 (Act No. 67 of 2008);*
- *The South African Qualifications Authority Act, 1995 (Act No. 58 of 1995);*
- *The Public Finance Management Act, 1999 (Act No. 01 of 1999) as amended;*
- *Treasury Regulations for Departments, Constitutional Institutions and Public Entities; and*
- *Sector Education and Training Authorities (SETAs) Grant Regulations Regarding Monies Received by a SETA and Related Matters (Regulation No. 990 of 03 December 2012).*

OTHER MANDATES:

- National Skills Development Strategy III;
- Medium Term Strategic Framework of Government;
- New Growth Path;
- Industrial Policy Action Plan;
- Human Resources Development Strategy of South Africa;
- National Development Plan;
- National Skills Accord;
- Integrated Growth and Development Plan;
- Youth Development Strategy;
- Rural Growth and Development Strategy; and
- Provincial Growth and Development Strategy.

8. ORGANISATIONAL STRUCTURE (AS AT 31 MARCH 2017)





The FP&M SETA Head Office and Gauteng Regional Office is situated at Forum 1B, 2nd Floor, Braampark Office Park, 33 Hoofd Street, Braamfontein, Johannesburg, 2001. Tel: 011 403 1700.

PART A: GENERAL INFORMATION



The FP&M SETA Western Cape Regional Office is situated at 3rd Floor, West Wing, Palms Centre, 145 Sir Lowry Road, Woodstock, Cape Town, 7915. Tel: 021 462 0057.



FP&M SETA KZN Regional Office is situated at 2nd and 3rd Floor, Umdoni Centre, 28 Crompton Street, Pinetown, 3600. Tel: 031 702 4482.



PART B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PRE-DETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) performed the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against pre-determined objectives is included in the report to Management. Material misstatements in the Annual Performance Report were identified and subsequently corrected by Management. No material findings were raised on the usefulness and reliability of the reported performance information.

Refer to page 66 of the Auditor's Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

Service Delivery Environment

The FP&M SETA has increased its performance remarkably since its establishment in March 2011. The FP&M SETA's performance increased in 2016/17 to 89.5%, from the 89% reported in 2015/16 financial year, having achieved 34 out of a total of 38 performance indicators against the FP&M SETA DHET Service Level Agreement for 2016/17.

During the period under review, the FP&M SETA registered close to thirteen thousand, four hundred and twenty two (13,422) employed and unemployed learners on learning programmes including learnerships, bursary programmes, internships, skills programmes, apprenticeship programmes and adult education and training programmes. During the same period, approximately six thousand, seven hundred and fifty seven (6,757) learners completed learning programmes relating to scarce and critical skills in the FP&M sector.

The continuous improvement in performance by the FP&M SETA can be attributed to more efficient processes implemented at regional office level as well as the cultivation of good relationships with our stakeholders. This resulted in an increased awareness of stakeholders as to the important role that they play in ensuring the timeous registration of learners on learning programmes, the effective implementation of learning programmes at workplaces and training institutions, and the submission of the required documentation to facilitate payment processes.

The earlier allocation of discretionary grants to beneficiaries during 2016/17 in line with the processes set out in the business model as conceptualised by the CEO, Ms Felleng Yende, also contributed to more effective learning programme implementation and more efficient reporting.

Increased monitoring and evaluation of projects enabled the SETA staff to identify pockets of excellence and high performing project beneficiaries. It also enabled the SETA to identify projects that needed additional assistance from the SETA team to ensure that they remained on track in order to perform in line with agreed deliverables.

Sector skills planning remained an important part of the FP&M SETA's activities. The FP&M SETA established a best practice

Research Chair Partnership in the Political Economy of Skills with the University of Witwatersrand (WITS REAL) to give effect to its Research Agenda. Research activities, as well as engagements with industry stakeholders during workshops, interviews and focus group discussions, contributed to the compilation of a well-researched Sector Skills Plan that was favourably received by the DHET and accurately reflected labour market trends pertaining to its 13 sub-sectors.

The FP&M SETA, under the spirited guidance of its CEO, initiated and implemented a number of high profile projects during 2016/17, some of which are detailed below.

International Leadership Development Programme (ILDP) 2016



The International Leadership Development Programme (ILDP) was conceptualised to uplift and capacitate young leaders who have the potential to grow into the top rungs of business leadership in the sector.

During the year under review, the FP&M SETA in partnership with the University of Pretoria's Gordon Institute of Business Science (GIBS), recruited twenty five (25) learners from the wood, textiles, pulp and paper, publishing, printing, forestry and clothing sub-sectors of the FP&M SETA and implemented a programme aimed at developing high-level strategic and innovative management and leadership skills, with a view to exposing learners to the model of World-Class Manufacturing (WCM) so that they are able to produce high quality products. It also aimed to improve the learner's problem-solving skills, assist with the adoption of new technologies and create a network of powerful young leaders who can be positioned as "champions". Through this programme, there is also potential for creating international business opportunities for the local industry.

During March 2017, the learners undertook an international educational visit to countries that have tried and tested best practice models in World-Class Manufacturing (China and Germany) where learners were exposed to plant visits and presentations by the hosting organisations.

As part of the programme, the delegates were required to complete Action Learning Projects (or modules) in teams that cover the following:

- Team 1: The Meta Morphs: Global Competitiveness.
- Team 2: Dunamis: Work Ethic.
- Team 3: Phumelala: Entrepreneurship.
- Team 4: Carpe Diem: Manufacturing Model.

The visits were well rated by the delegates who went to China: "We saw high quality clothing products manufactured in a company which had basic machines. The experience changed my mind, as I now understand that I need to do my best at all times with the resources at my disposal." The delegates who visited Germany also responded positively to the visits: "Trigema – manufacturing at its best. Family-owned business with great values!"

The learners found great value in the visits and presentations and some delegates with preconceived ideas of the country they were visiting were pleasantly surprised. The delegates now have the task of focusing on their Action Learning Projects (ALP). The final ALP presentations and graduations will take place in August 2017 at GIBS.

Partnership with the Lead Accounting College to Produce Financially Qualified Business Leaders



South Africa is facing a number of socio-economic challenges that includes the need for economic growth and job creation. In line with the FP&M SETA's goal to create jobs for unemployed youth from previously disadvantaged backgrounds, the FP&M SETA has partnered with the Lead Accounting College to train forty (40) unemployed matriculants in Management Accounting. This 3-and-a-half-year project offers the learners programmes that range from NQF Level 5 to 7.

The Lead College of Management Accounting is a private tertiary institution that was formed with the purpose of providing financial skills to unemployed matriculants and graduates from previously disadvantaged backgrounds. Their mission is to produce a financially-savvy and employable graduate for every family in the poorest communities of South Africa. The learners participating in this project are young men and women, under the age of thirty five (35), who are mostly black and are from rural areas and townships across South Africa. They are all matriculants and some have previously enrolled in university but were unable to complete their studies for various reasons. This project has enabled them the opportunity to obtain the prestigious CIMA qualification.

This project was realised as a result of comprehensive research into areas where critical skills were in short supply and are impacting negatively on the growth of the South African economy. Among the top five (5) critical skills identified through this research, accounting skills were one of them.

A partnership with the FP&M SETA was formed in order to supply the tuition fees needed to train the current and aspiring management accountants, to obtain a CIMA qualification.

CIMA (Chartered Institute of Management Accountants) is a leading global professional body of Management Accountants. CIMA professionals are globally sought after and are highly employable in various sectors of the economy both locally and internationally. The CIMA qualification prepares the learner for a career in business and teaches skills in strategic management, risk management and decision-making.

Buyel'Ekhaya Fashion Development Programme



The Buyel'Ekhaya Fashion Development Programme was created to expose disadvantaged youth in the Eastern Cape to nationally and internationally-recognised African designers, focusing on the finishing aspects of fashion design by following a specific process through to the final phase of manufacturing and design. This programme coincided with the Buyel'Ekhaya Fashion Show which draws a large audience from all over the country. As a core focus for the FP&M SETA, R2,5 million was allocated to this project.

The implementation of this programme addresses scarce and critical skills in the fields of design and manufacturing, and the programme produced trained, coached and mentored designers who are able to grow their businesses or further their careers within the industry.

This collaboration saw aspiring and emerging designers and artists being equipped with technical, business, marketing skills and knowledge required to build sustainable careers or start their own businesses in their field – thus converting raw passion into viable new ventures.

PART B: PERFORMANCE INFORMATION

The Eastern Cape and East London economies were stimulated in a number of ways, both directly from the operations of the Fashion Show as well as from key attendees. As a result of the programme, eight (8) emerging designers had the opportunity to work with the best designers in the SADC region, in terms of coaching and mentoring. In addition, forty (40) beneficiaries have been taught how to successfully establish and manage a profitable fashion business with the potential to transcend into international careers. The fashion show enabled maximum exposure and awareness of the clothing, textiles, footwear and leather industries. Furthermore, four (4) new co-operatives have been registered, contributing to SMME development in the country.



Clothing Industry Rises to the Challenge

The South African Apparel Association is a leading employer in the South African clothing sector and as such, represents the interests of a number of small, medium and large employers in the local clothing manufacturing sector.

In order to remain competitive through the timely delivery of high-quality products for the domestic and international markets, The Apparel Manufacturers of South Africa (AMSA) and its members have identified a critical need for the training of machinists with the ability to operate various types of machines and execute a range of operations.

To this end, AMSA applied for funding from the FP&M SETA to implement machinist training projects at various manufacturing companies in the Western Cape, KwaZulu-Natal and Gauteng. The programmes implemented were:

Programme:	Number of Beneficiaries:	Budget Allocated:
Skills Programmes for Sewing Machinists, Pattern Making and Cutting and Quality Control	278	R2 million
Learnerships in Clothing, Textiles, Footwear and Leather Manufacturing Processes for Sewing Machinists, Pattern Making and Cutting	80	R2 million

The first learnership programme commenced in August 2016 and was rolled out in the Western Cape, KwaZulu-Natal and Gauteng with a total of sixty (60) unemployed learners. Accredited training was conducted by TVET SA (Pty) Ltd. Positive feedback was received from all participating sites and the graduates from this project, the majority of whom are black women, will be entering the labour market as qualified and multi-skilled machinists.



At the end of 2016, TVET SA commenced with mechanics and pattern making programmes at various manufacturing companies. TVET SA conducted an analysis of the current skills of the employed learners identified to participate in the programme and with input from their employers, provided practical and theoretical training in order to multi-skill the learners in line with company production requirements.

The second learnership for eighty (80) unemployed learners was rolled out during March 2017 and training is currently underway at the TVET SA training facilities in Cape Town and at partner sites in both KwaZulu-Natal and the Western Cape.



TVET SA (Pty) Ltd Provides Quality Education and Training to the Clothing and Textile Sectors

TVET SA (Pty) Ltd, is an accredited training provider specialising in the provision of quality education and training programmes in the clothing and textile sectors.

During 2016/17, TVET SA (Pty) Ltd, partnered with various stakeholders in the clothing and textile industries to address the increasing need in the local manufacturing sectors for qualified and multi-skilled machine operators, competent supervisors and team leaders, and technically skilled machine mechanics.

With funding received from the FP&M SETA, the college implemented learnerships and skills programmes at its training facilities in Maitland, Cape Town and at various partner sites situated in the Western Cape.

Twenty (20) unemployed learners recruited from township areas in-and-around Cape Town were enrolled on the NQF level 2 learnership: National Certificate in CTFL Manufacturing Processes: Machinist Garment Constructor. Learners attended theory classes at the college in Maitland and were taught how to operate various sewing machines in the college's industry-aligned and well-equipped practical training room. On completion of their practical training, learners were placed at host employers, where they are currently undergoing their experiential training at Prestige Clothing, K-Way Manufacturers and Levi Strauss, after in-depth placement interviews were conducted at multiple sites.

TVET SA (Pty) Ltd, also embarked on a project which targeted fifteen (15) unemployed women for enrolment on a credit bearing domestic sewing skills programme, which would allow delegates to explore an additional avenue of economic participation. In addition to equipping all of the participants with the necessary technical know-how, the programme would also focus on incorporating basic financial business skills and credit bearing business related awareness sessions. An outcome of the project was the provision of a toolkit, inclusive of a sewing machine, to facilitate opportunities of economic empowerment and job creation.

A third project was rolled out in the rural areas of Paarl and Atlantis in the Western Cape, where forty (40) employed learners were enrolled on a credit bearing skills programme at NQF level 2: Sewing Machinist Multi-Skilling.

Programme:	Number of Beneficiaries:	Budget Allocated:
Skills Programmes for Sewing Machinists, Pattern Making and Cutting and Quality Control	57	R410,400.00
Learnerships in Clothing, Textiles, Footwear and Leather Manufacturing Processes for Sewing Machinists, Pattern Making and Cutting	80	R2 million



The South African Book Fair: Providing SMMEs the Tools Needed for Sustainable Business Growth

The South African Book Fair started in 2006 and is an annual event that coincides with National Book Week. The FP&M SETA, in partnership with the South African Book Development Council (SABDC) and the Department of Arts and Culture offers small publishers, editors and writers the opportunity to build their own skills and showcase them at the Book Fair, in order to gain exposure to international publishers and established industry role players to boost their careers and businesses.

As part of the South African Book Fair, and to fill the scarce skills gap in publishing for indigenous languages, the FP&M SETA offered fifteen (15) learners an intensive, quality controlled skills programme to develop their skills as indigenous language publishers. Correct interpretation, alignment to cultures and reliability of translated content is critical to publishing in indigenous languages and this skills programme seeks to address these challenges. In addition to this, business management skills programmes are also offered in order to assist SMMEs with the growth and sustainability of their businesses through sound business management practices.

Due to the popularity and value that this event provides the industry, the reach to SMMEs from all provinces, and in both rural and urban areas in South Africa, makes it a key tool for business owners to improve their skill sets and gain new local and international business opportunities. The event is well attended by the media and receives a lot of coverage through newspapers, social media platforms and publishing sector mailing lists.

Printing South Africa: Rural Screen Printing Project

Project Intervention 1:

The 2016/17 year saw the successful close-out of the rural screen printing project with Printing South Africa. An amount of R218,000.00 was approved by the FP&M SETA Board to fund the screen printing technician programme.

Twenty-six (26) learners successfully graduated with the Screen Printing Technician Level 1 qualification. Of the twenty six (26) learners, twenty (20) learners progressed and completed the entrepreneurship programme.

Learners on this programme were selected from rural areas in KwaZulu-Natal, Cape Town and Tshwane in an effort to address youth unemployment. At the end of this programme, the learners received a screen printing starter kit, which contained training manuals as a refresher to what they had learnt on the programme, as well as fabrics and the basic necessities in order to enable them to set up their businesses from home.

We are witnessing another trend in our work with rural communities, a growing number of high school learners do prefer to return to their rural hometowns if good career opportunities present themselves. The burgeoning interest in entrepreneurial careers combined with the desire to "come home" create significant opportunities for rural leaders to begin to reverse historic rural migration trends and revitalise their communities.

At the FP&M SETA we know that young entrepreneurs exhibit a passion to create. When channeled and combined with entrepreneurial education and real world experience, they can establish businesses with significant wealth and job creation potential. At the FP&M SETA we believe that engaging, equipping and supporting young entrepreneurs are key to long-term vitality and sustainability of rural communities.

Project Intervention 2:

Employment is critical for a prisoner's reintegration into society. Printing SA in partnership with FP&M SETA, is proud to report that the National Training & Development Administrator of Printing SA, Shallon Mphasane, collaborated with the Boksburg Correctional Services Department to present the Screen Printing & Business Studies courses to twenty (20) inmates who were imminent for release.

When an inmate is released from prison, skills and employment is a critical factor as to whether he or she becomes a law-abiding citizen or commits more crimes.



These programmes facilitated by the FP&M SETA provides individuals with the skills and knowledge needed to find and keep a job once they are released.

The amount committed for this project was R288,000.00.

Project Intervention 3:

Another proud achievement from this partnership with Printing SA and the FP&M SETA is that the KZN Chamber hosted its second Screen Printing Project in collaboration with the Lungisa Indlela Village, which is based near the Hazelmere Dam outside Verulam. The collaboration was selected on the basis that the Lungisa Indlela Village runs an active agricultural project, manufacturing clothing and other fabric based products.

Lungisa Indlela Village (LIV) NPC was officially established in 2010 with a focus on providing residential foster cluster care to vulnerable and orphaned children in the Durban area. The Village is built on an 83-acre farm next to the community of Cottonlands.

The Screen Printing training project to the value of R288,000.00 will empower forty (40) residents in the local community with skills to enable them to provide screen printing services to the Lungisa Indlela Village where clothing and other fabrics that are produced in its clothing manufacturing department can be contracted out to the community for printing, thereby setting up several micro enterprises.



Aranda Learnership College: Co-operative Programme

This project is intended to help small business development in a way that will boost their confidence to conduct business so that small businesses can be able to confidently submit business plans, marketing their projects and know that they can compete with other organisations.

Aranda approached the Seta with a 3 phase plan.

Phase one: Upgrading or developing of technical skills using the NQF 1 CTFL (Clothing, Textiles, Footwear, Leather and General Goods qualification) with a strong focus on quality and productivity levels.

Phase two: Developing and enhancing business competence using the Business Practice and New Venture Creation qualification.

Phase three: Stakeholders further develop and manage the Incubation Hub. This phase will assist in helping Cooperatives to be well positioned to tender for, secure and retain contracts, to cluster where bigger orders have to be delivered, to identify and access markets while business mentoring is provided.

Location of Training:	Learners:
Kanana	25
Khutsong	60
Meadowlands	30
Carletonville	17
Total	132

FP&M SETA currently funded the first phase to the amount of R950,000.00:

Africa Skills Village: Artisan Development

With a view of supporting the Decade of the Artisan Programme launched by the Department of Higher Education and Training, the reporting year saw the registration of fifty (50) apprentices with the FP&M SETA Quality Assurance Division in partnership with Africa Skills Village:

- Equip the learner with skills and knowledge.
- Empower the learner to apply the new competencies in the workplace and to achieve their own life's purpose.
- Excel in life and the workplace and add value to their communities.

A key transformation imperative addressed through this intervention was the recruitment of females into the artisan space, as eight (8) of the fifty (50) funded apprentices are females.

The Board approved an amount of R7,500,000.00 for this project.

Centre of Excellence for Footwear and Leather: Richmond-Indaleni Skills Development Centre

The training centre is an established and recognised Footwear Centre of Excellence and learners are participating in a footwear shoe-making learnership, NQF Level 2 National Certificate in CTFL Manufacturing Processes. The skills development centre is fully equipped with footwear manufacturing machinery and equipment and is located in mobile classrooms and workshops, purchased with FP&M SETA funding.

The Footwear and Leather Centre of Excellence is fully accredited by the FP&M SETA Quality Assurance Division to offer occupational programmes related to footwear manufacturing processes.

Phase one to train forty (40) learners on a footwear making learnership has been successfully completed. An additional R1,500,000.00 was approved in March 2017 to fund a further twenty (20) learners on this project.

L&X Projects

L&X Projects conducts high quality skills programmes in Wellington, rural Western Cape where there are extremely high levels of unemployment. In the 2016/17 year, fifty (50) learners successfully completed upholstery skills programmes level 1 and 2 and wood machining and cabinet making level 2. These programmes enabled the beneficiaries to start-up their own businesses and gain some level of economic independence. Funding approved for this project amounted to R857,000.00.

HIGH LEVEL AND STRATEGIC RESEARCH RELATED PROJECTS

1. WITS REAL: Research Chair Partnership

With a view of addressing the key strategic objectives of the National Skills Development Strategy relating to establishing a credible skills planning mechanism to promote labour market research, the FP&M SETA has established a Research Chair at the School of Education, in the 'Political Economy of Skills', at the University of Witwatersrand.

The main purpose of establishing the FP&M SETA Research Chair is to provide research support, increase capacity with respect to implementing the FP&M SETA research agenda and strategy and establish a university-based centre of research excellence.

In our quest to improve research capacity and expertise within the FP&M sector, our multi-faceted research partnership with University of Witwatersrand, WITS REAL, continues to thrive with a view to addressing a transformation output of creating a pool of researchers that would be capacitated with the requisite research skills and become sector experts.

The following are the key outcomes and focus areas of this research project:

- Production of four (4) Phd graduates to conduct research on local and international benchmarking of FP&M SETA's 13 sub-sectors to identify global and local skills ladder of learning, establish best practices to inform successful and sustainable future/long term sector growth strategies.
- Profiling of local industry.
- Specific research on FP&M sector and production of Sector Skills Plan, PIVOTAL List & alignment to Strategic Plan & APP.
- Conduct impact study, tracking and tracer studies of FP&M SETA learning programmes.

An amount of R8,577,427.00 was approved by the FP&M SETA Board to support the skills planning and research division to ensure accurate skills planning models are implemented to address occupations in demand and labour market needs in the sector in order to promote sustainable industrial sector growth.

2. Research to promote TVET Partnerships in the FP&M Sector in partnership with the South African College Principal's Organisation (SACPO Public TVET College Principals)

The purpose of the research was to gather information which will inform and guide strategic and innovative partnerships with TVET Colleges. The FP&M SETA Board approved an amount of R2,000,000.00 to foster partnerships and promote the growth of TVET colleges in the FP&M sector. This research study commenced in October 2016 and will be completed in September 2017.

The study had the following clearly defined research objectives:

- Research: Geographic and economic profiling of TVETs to link to sector geographic economic profile.
- To address TVET college accreditation & TVET College staff capacity needs aligned to FP&M SETA programmes.
- To promote WIL placements of TVET graduates.

3. Research Study: The Efficacy and Efficiency of the LEAD SETA-TVET Offices in Public TVET Colleges, in partnership with JET Education Services

The FP&M SETA in partnership with DHET conducted a research study to address the efficacy and efficiency of the LEAD SETA-TVET Office Model as implemented by DHET across all 21 SETAs.

Funding to the value of R1,284,723.00 was allocated to realise the objectives of this project.

Phase one: This phase focused on a SWOT analysis of the LEAD SETA Office Model. Findings and recommendations of the research study resulted in the development of a standardised SETA-TVET Office framework. This research project was imperative to create a standardised / value-adding model that enables SETAs to operate effectively and efficiently in partnership with TVET colleges.

This research study culminated in the Coordinating SETA-TVET Office Model (CSTO Model) in public TVET colleges.

Phase two: Implementation of CSTO Model is in progress across all SETAs in partnership with DHET.

3. ORGANISATIONAL ENVIRONMENT

The period under review concluded the first six years of the FP&M SETA. The organisation flourished due to the implementation of the CEO's innovative business model.

The organisation increased its performance during the year against the targets as set out in the Annual Performance Plan, recording an 89.5% performance against targets.

The changes made to the operational procedures led to a more streamlined organisation, able to deliver timeously and to acceptable standards. Generally, staff carried out their duties diligently and enthusiastically, and in line with their agreed job descriptions and performance agreements.

During the year under review, the development of the integrated Management Information System (MIS) aligned to the operational business processes of the SETA, neared completion. External application modules for activities such

as the management of mandatory and discretionary grant applications were implemented successfully and positive feedback was received from stakeholders, who found the system to be user-friendly. Quality assurance activities were also enhanced with the implementation of the learner management system, which resulted in the automated and controlled issuing of learnership certificates and skills programme statement of results. Internal modules such as the supply chain management system and HR leave module proved to be time saving and effective. The MIS increased the overall efficiency of operational activities of the SETA and ensured more accurate reporting and efficient record management.

The FP&M SETA has efficient governance structures in place to ensure good corporate governance, the implementation of relevant policies and procedures, and sound financial management. The FP&M SETA Board provides strategic direction to the FP&M SETA and an independent audit committee plays an oversight role to ensure that the implementation of financial policies and procedures are in line with the PFMA and other legislative requirements. An Executive Committee (EXCO) is responsible for the monitoring and evaluation of operational activities including the implementation of action plans.

4. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

Extension of the Current NSDS III - Gazette No. 39263

The current NSDS III, which guides disbursement of skills development levies, has been extended until 31 March 2020.

Extension of Tenure for the Current SETA Boards - Gazette No. 39394

The tenure for the current SETA Boards has been extended until 31 March 2020 in line with the re-establishment of the SETAs for the same period.

National Artisan Development Trade Test Pass Rate and Quality Improvement Strategy, 2015 - Gazette No. 39077

In support of the development of the new artisan system, the Medium Term Strategic Framework (MTSF) 2014 to 2020 requires that a strategy for the improvement of trade test pass rates be developed for implementation as from 01 April 2015. This improvement is required to reach 65% by 2020 from a baseline of 45%. The improvement of the trade test pass rates should not affect the quality of the artisans the artisan system produces; it should in fact improve it. The Trade Test Pass Rate and Quality Improvement Strategy comes out of this requirement of the MTSF 2014 - 2020.

5. STRATEGIC OUTCOME-ORIENTED GOALS

Listed below are the strategic outcome-oriented goals of the FP&M SETA which are aligned to the NSDS III.

Programme 1: Establishing a Credible Institutional Mechanism for Skills Planning

The intention of this programme is to conduct labour market research and implement skills planning activities ensuring the development of the sector skills plan annually and ensuring accurate labour market analysis within the sector to address the scarce and critical skills gaps.

The FP&M SETA has successfully implemented a mandatory grant strategy and the information received from workplace skills plans and annual training reports submitted by small, medium and large firms has significantly contributed to the identification of scarce and critical skills, as well as skills development trends in the sector. The SETA disbursed mandatory grants that supported employer participation in skills development at firm level.

Programme 2: Increasing Access to Occupationally-Directed Programmes

The aim of this programme is to implement occupationally-directed programmes to address technical middle level skills needs within the FP&M sector in the next five years.

Through partnerships with public TVET colleges and universities of technology and working with employers, the FP&M SETA is facilitating the placement of learners to benefit from occupationally-directed training. Relevant and appropriate occupationally-directed qualifications and curricula aligned to industry needs are registered with QCTO and NAMB.

Discretionary grants have been allocated in support of the implementation of learning programmes to address the identified scarce and critical skills of the sub-sectors.

Programme 3: Promoting the Growth of a Responsive Public TVET College System

The purpose of this programme is to promote partnerships with public TVET colleges and universities to improve the supply of skills and education and training infrastructure within the FP&M sector annually.

Memoranda of Understanding (MOUs) have been concluded with public TVET colleges and universities to deliver occupational programmes that meet industry needs, including those supporting apprenticeships and N-courses. The FP&M SETA has partnered with TVET colleges to promote WIL and the placement of unemployed TVET graduates in government entities, municipalities, and FP&M workplaces.

The FP&M SETA has partnered with TVET colleges to promote WIL and the placement of unemployed TVET graduates in government entities, municipalities, and FP&M workplaces.

Programme 4: Addressing the Low Level of Youth and Adult Language and Numeracy Skills to Enable Additional Training

The aim of this programme is to provide youth and adults with basic and intermediate skills in order to access further technical and occupational training through partnership agreements with youth development organisations and agencies.

Discretionary grants have been made available to support projects in partnership with youth organisations aimed at assisting unemployed youth to obtain basic occupational skills, in order to provide them with the necessary skills to access the occupationally directed qualifications of the FP&M sector.

Programme 5: Encouraging Better Use of Workplace-Based Skills Development

The aim of this programme is to encourage better use of workplace-based skills development opportunities annually in order to develop a knowledgeable workforce for the sustainability of FP&M sector workplaces.

In order to promote skills development in the workplace, the FP&M SETA has addressed the training of employed workers aligned to scarce and critical skills needs, as identified in the FP&M SETA SSP. This ensures improved productivity and economic growth, and promotes career pathing for the workforce. Learning programmes implemented in this regard, include skills programmes and learnerships for employed and unemployed learners and the placement of learners in work experience/internships. It also included the placement of graduates from TVET colleges and HET institutions on WIL.

Programme 6: Encouraging and Supporting Cooperatives, Small Enterprises, Worker Initiated, NGO, and Community Training Initiatives

The aim of this programme is to encourage and support co-operatives, small enterprises, worker-initiated interventions, NGOs and community training initiatives in order to expand technical, financial and entrepreneurial capacity to address poverty alleviation and unemployment, more especially in rural areas.

Community-based organisations are supported through the discretionary grant strategy of the FP&M SETA in order to expand and contribute to sector economic and employment growth. This is done through interventions that address the key areas of critical skills demands that impact on the efficacy and sustainability of these ventures. In turn, these organisations have contributed significantly towards the SETA's achievement of APP targets.

Programme 8: Building Career and Vocational Guidance

The purpose of this programme is to expose learners to FP&M sector occupations and skills requirements so that learners are provided with guidance through FP&M sector career information and career exhibitions.

Career and vocational guidance are crucial to school leavers and unemployed youth wishing to gain access to the FP&M sector. The FP&M SETA has networked with potential job seekers during various interactive career exhibitions and has shared information on available learning and career opportunities in the FP&M sector.

The above strategic outcome oriented goals informed the predetermined objectives, as set out in the Annual Performance Plan of the FP&M SETA for 2016/17.

The performance against these goals are reported in detail in the performance report, on pre-determined objectives included on page 36 to page 48.

6. PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

Programme 1: Establishing a Credible Institutional Mechanism for Skills Planning

The intention of this programme is to conduct labour market research and implement skills planning activities ensuring the development of the sector skills plan annually and ensuring accurate labour market analysis within the sector to address the scarce and critical skills gaps.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic Objective: 4.1. Establish institutional capacity for credible labour market research and skills planning					
Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.1.1 Number of agreements entered into and signed for research partnerships with previously disadvantaged universities to develop an accurate SSP.	New KPI	1	1	Target achieved – no deviation.	
4.1.2 A Number of WSPs and ATRs approved for large firms to develop an accurate pivotal list.	354 large firms	395	396	Target achieved – no deviation.	
4.1.3 Number of WSPs and ATRs approved for by medium firms to develop an accurate pivotal list.	413 medium firms	451	401	-50	Negative variance: 89% of target achieved. Inadequate participation from medium-sized levy paying companies resulted in the annual target not being met. Increased skills planning support to be offered to medium-sized companies to address this target going forward.
4.1.4 Number of WSPs and ATRs approved for small levy-paying firms to develop an accurate pivotal list.	540 small firms	593	599	6	Positive variance: 101% achievement recorded. Target exceeded due to the deployment of Sector Skills Advisors to assist and support small firms with mandatory grant submissions.
4.1.5 An updated OFO-aligned pivotal list submitted to DHET within regulated timeframes.	An updated skills matrix approved.	An updated OFO-aligned pivotal list submitted.	An updated OFO-aligned pivotal list submitted.	Target achieved – no deviation.	

Programme 2: Increasing Access to Occupationally-Directed Programmes

The aim of this programme is to implement occupationally-directed programmes to address technical middle level skills needs within the FP&M sector in the next five years.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic Objective: 4.2 Increase access to occupationally-directed programmes					
Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.2.1 Number of FP&M SETA occupational qualifications registered by QCTO during the year.	35 (qualifications and part-qualifications)	10	25	15	Positive variance: 250% achievement recorded. DQPs worked with QCTO consultants to develop qualifications and part-qualifications linked to priority occupations in the FP&M sector in order to meet legislative deadlines for phasing out of qualifications.
4.2.2 Number of learners entered into artisan programmes.	225 learners entered apprenticeship programmes. Funded learners – 225	400	447 Funded learners: 447	47	Positive variance: 112% achievement recorded. The target was exceeded due to strategic partnerships with key stakeholders and robust monitoring of implementation of apprenticeship projects.
4.2.3 Number of learners completed artisan programmes.	110 learners completed apprenticeship programmes. Funded learners – 110	200	108 Funded learners: 108	-92	Negative variance: 54% of target achieved. Problems encountered with delays in issuing of certificates have impacted negatively on reporting against this indicator.
4.2.4 Number of unemployed learners completed artisan programmes placed in employment.	Not applicable	120	27 Funded learners: 27	-93	Negative variance: 22.5% of target achieved. Employers / institutions did not report sufficient progress with regards to the completion of artisan programmes by learners on apprenticeship programmes. Low uptake and delayed activation of apprenticeship projects impacted negatively on completion rates and job placement of artisans. More robust monitoring of apprenticeship projects is required.
4.2.5 Number of unemployed learners entered into learnership programmes.	1,617 unemployed learners entered learnership programmes. Funded learners – 1,617	1,815	1950 Funded learners: 1,950	135	Positive variance: 107% achievement recorded. Due to the labour intensity of sub-sectors such as clothing, footwear, furniture, and forestry there is a continuous need to upskill unemployed learners through learnerships as a source of skilled labour. There is an overwhelming demand for learnerships in the FP&M sector.

PART B: PERFORMANCE INFORMATION

Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.2.6 Number of unemployed learners completed learnership programmes.	822 unemployed learners completed learnership programmes. Funded learners - 822	1,361	1,283 Funded learners: 1,283	-78	Negative variance: 94% of target achieved. Late activation of approved learnership projects impacted negatively on this target. More robust monitoring of apprenticeship projects is required. The Quality Assurance division to focus on monitoring of turn-around timeframes of unemployed learnership projects to ensure increased completion rates going forward.
4.2.7 Number of unemployed learners completed learnership programmes placed in employment.	Not applicable	585	215 Funded learners: 215	-370	Negative variance: 36.75% of target achieved. Employers / skills development providers did not report sufficient progress with regards to the completion of learnership programmes. This impacted negatively on job placement of unemployed learners on learnership programmes.
4.2.8 Number of unemployed learners entered into Bursary Programmes.	217 unemployed learners entered bursary programmes. Funded learners - 217	305	556 Funded learners: 556	251	Positive variance: 182% achievement recorded. This target was exceeded through the SETA partnership with the National Student Financial Aid Scheme (NSFAS).
4.2.9 Number of unemployed learners who completed Bursary Programmes.	84 unemployed learners completed bursary programmes. Funded learners - 84	100	230 Funded learners: 230	130	Positive variance: 230% achievement recorded. Learners funded through NSFAS successfully completed their studies.
4.2.10 Number of unemployed learners completed bursary programme placed in employment.	Not applicable	40	Nil	-40	Negative variance: Target not achieved. Although some higher education institutions did report on placement of graduates in job opportunities, this could not be confirmed with their employers. The challenges of tracking of job placement of bursary graduates by higher education institutions contributed to the non-achievement of this target.
4.2.11 Post Graduate Bursary programmes entered by learners.	22 learners entered post graduate bursary programmes. Funded learners - 22	7	18 Funded learners: 18	11	Positive variance: Increased number of unemployed learners entering high level post-graduate programmes in the sector boosted this target.

PART B: PERFORMANCE INFORMATION

Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.2.12 Post Graduate Bursary programmes completed by learners.	3 learners completed post graduate bursary programmes. Funded learners – 3	3	3 Funded learners: 3	Target achieved – no deviation.	
4.2.13 Number of unemployed learners entered Workplace Experience / Internships.	268 unemployed learners entered workplace experience / internships. Funded learners – 268	300	267 Funded learners: 267	-33	Negative variance: 89% of target achieved. Financial crisis of companies resulted in low uptake and delayed activation of work experience/internship projects contributing to non-achievement of this target. More intensive monitoring of these projects will assist in addressing this target. Strategic partnerships and collaboration between TVETs, HEIs and employers is critical.
4.2.14 Number of unemployed learners completed Workplace Experience / Internships.	169 unemployed learners completed workplace experience / internships. Funded learners – 169	210	215 Funded learners: 215	5	Positive variance: 102% achievement recorded. Target exceeded due to improved advocacy and marketing of workplace experience / internship programmes with employers in the sector.
4.2.15 Number of unemployed learners entered skills programmes.	1,618 unemployed learners entered skills programmes. Funded learners – 1,618	850	2,917 Funded learners: 2,917	2,067	Positive variance: 343% achievement recorded. Exceeded annual target due to increased participation of community-based organisations and disability organisations to upskill learners from rural areas, townships and disabled learners, thus giving them access to occupationally-directed programmes
4.2.16 Number of unemployed learners completed skills programmes.	397 unemployed learners completed skills programmes. Funded learners – 397	680	1,386 Funded learners: 1,386	706	Positive variance: 204% achievement recorded. Increased completion rates of unemployed learners on skills programmes is attributed to focused monitoring and evaluation of projects.

Programme 3: Promoting the Growth of a Responsive Public TVET College System

The purpose of this programme is to promote partnerships with public TVET colleges and universities to improve the supply of skills and education and training infrastructure within the FP&M sector annually.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic Objective: 4.3 Promote the growth of a responsive public TVET college system					
Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.3.1 Number of TVET colleges accredited during the year.	10 TVET colleges were accredited during 2015/16. <ul style="list-style-type: none"> • Boland College • False Bay College • Mnambithi TVET College • Coastal KZN TVET College • South West Gauteng College • Tshwane North TVET College • Capricorn TVET College • Umgungundlovu TVET College • Umfolozi TVET College • Enhlanzeni TVET College 	10	11	1	Positive variance: 110% achievement recorded. Positive variance was due to the fact that there is a close working relationship between FP&M SETA Quality Assurance Division and TVET Colleges.
4.3.2 Number of partnership agreements signed with TVET colleges during the year.	Discretionary grant agreements were signed with 10 TVET colleges during 2015/16: <ul style="list-style-type: none"> • Umfolozi TVET College • Mnambithi TVET College • Elangeni TVET College • Central Johannesburg College • Tshwane North College • Sekhukhune TVET College • Northern Technical College • West Coast College • Ekurhuleni TVET College • Sedibeng TVET College 	10	10	Target achieved – no deviation.	
4.3.3 Number of TVET Colleges where Centres of Excellence are established.	3 Centres of Excellence established at TVET colleges <ul style="list-style-type: none"> • False Bay College • Umfolozi TVET College • Western TVET College (Westcol) 	3	3	Target achieved – no deviation	

PART B: PERFORMANCE INFORMATION

Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.3.4 Number of partnership agreements established with universities during the year to address scarce and critical skills.	Discretionary grant agreements were signed with 8 universities during 2015/16: <ul style="list-style-type: none"> University of Pretoria Durban University of Technology Cape Peninsula University of Technology Central University of Technology Nelson Mandela Metropolitan University University of Fort Hare University of Johannesburg University of KwaZulu-Natal 	2	5	3	Positive variance: 250% achievement recorded. Agreements were entered into with universities to fund bursaries from under-utilised funding due to the national call for support of needy students at higher education institutions.
4.3.5 Number of TVET lecturer capability review reports completed during the year to identify lecturer training needs.	Not applicable	10	10	Target achieved – no deviation.	
4.3.6 Number of unemployed learners entered Work-Integrated Learning Programmes from TVETs.	362 unemployed learners entered WIL TVET placement programmes with workplaces. Funded learners – 362	450	468 Funded learners: 468	18	Positive variance: 104% of target achieved. South African Council for Graduate Co-operative promoted work-integrated learning for TVET-graduates in workplaces.
4.3.7 Number of unemployed learners completed Work-Integrated Learning Programmes from TVETs.	193 unemployed learners completed WIL TVET placement programmes with workplaces. Funded learners – 193	315	224 Funded learners: 224	-91	Negative variance: 71% of target achieved. Due to longer duration of WIL programmes and lack of work placement opportunities for TVET learners this impacted negatively on the achievement of this target.
4.3.8 Number of unemployed learners entered Work-Integrated Learning Programmes from HETs.	175 unemployed learners entered WIL HET placement programmes with workplaces. Funded learners – 175	250	252 Funded learners: 252	2	Positive variance: 101% of target achieved. Employers responded positively to work-integrated learning for HET-graduates.
4.3.9 Number of unemployed learners completed Work-Integrated Learning Programmes from HETs.	90 unemployed learners entered WIL HET placement programmes with workplaces. Funded learners – 90	175	149 Funded learners: 149	-26	Negative variance: 85% of target achieved. Due to lack of work placement opportunities for HET graduates by employers, this resulted in the non-achievement of this target.

Programme 4: Addressing the Low Level of Youth and Adult Language and Numeracy Skills to Enable Additional Training

The purpose of this programme is to promote partnerships with public TVET colleges and universities to improve the supply of skills and education and training infrastructure within the FP&M sector annually.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic Objective: 4.4 Addressing the low level of youth and adult foundational skills in the sector to enable additional training					
Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.4.1 Number of bridging programmes with learners registered.	Not applicable	2	2	Target achieved – no deviation.	
4.4.2 Number of learners who entered AET programmes.	803 learners entered AET programmes. Funded learners – 803	780	807 Funded learners: 807	27	Positive variance: 103% achievement recorded. Target exceeded due to commitment of employers to upskill the numeracy and literacy levels of their employees.
4.4.3 Number of learners who completed AET programmes.	402 learners completed AET programmes. Funded learners – 402	350	427 Funded learners: 427	77	Positive variance: 122% achievement recorded. Strategic AET projects were implemented with employers resulting in higher completion rates.
4.4.4 Number of collaborative partnership agreements signed with youth development organisations.	Partnership agreements with 2 youth development organisations. • Green Youth Indaba • YFC Maykhethale KwaDambuza Youth Development Centre	2	2	Target achieved – no deviation.	

Programme 5: Encouraging Better Use of Workplace-Based Skills Development

The aim of this programme is to encourage better use of workplace-based skills development opportunities annually in order to develop a knowledgeable workforce for the sustainability of FP&M sector workplaces.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic Objective: 4.5 Encouraging better use of workplace-based skills development					
Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.5.1 Number of learners assessed through RPL.	226 employed learners assessed through RPL	210	108 Funded learners: 108	-102	Negative variance: 51% of target achieved. FP&M SETA must establish strategic partnerships and implement dedicated RPL projects with industry stakeholders to address this target. Greater RPL advocacy and implementation of a RPL strategy in the sector is required.
4.5.2 Number of employed learners entered skills programmes.	2,090 employed learners entered skills programmes. Funded learners – 2,090	2,250	1,979 Funded learners: 1,979	-271	Negative variance: 88% of target achieved. The lack of activation of approved skill programmes projects for employed learners within required timeframes compromised learner entries.
4.5.3 Number of employed learners completed skills programmes.	800 employed learners completed skills programmes. Funded learners – 800	1,500	414 Funded learners: 414	-1,086	Negative variance: 28% of target achieved. Delayed activation of projects by employers compromised completion rates. Focused monitoring of skill programmes projects is required to address quicker turn-around timeframes.
4.5.4 Number of employed learners entered into learnership programmes.	611 employed learners entered learnership programmes. Funded learners – 611	850	852 Funded learners: 852	2	Positive variance: 100% of target achieved. Pro-active selection, recruitment and registration of learners from employers with regard to learnership projects for employed learners before the end of the financial year.
4.5.5 Number of employed learners completed learnership programmes.	306 employed learners completed learnership programmes. Funded learners – 306	510	407 Funded learners: 407	-103	Negative variance: 80% of target achieved. The Quality Assurance Division to focus on turn-around rates of employed learnership projects to ensure increased completion of funded learnerships.

Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.5.6 Number of employed learners entered Bursary Programmes.	81 employed learners entered bursary programmes. Funded learners – 81	100	76 Funded learners: 76	-24	Negative variance: 76% of target achieved. Strategic partnerships with employers to address middle and high-level skills through bursary intervention in the sector must be encouraged to address non-performance of this target.
4.5.7 Number of employed learners completed Bursary Programmes.	41 employed learners completed bursary programmes. Funded learners – 41	45	21 Funded learners: 21	-24	Negative variance: 47% of target achieved. Employed workers must be supported with their studies in workplaces to ensure completion of their bursary-funded programmes within required timeframes. Greater monitoring of bursary-funded projects is required to address this non-achievement in the future

Programme 6: Encouraging and Supporting Cooperatives, Small Enterprises, Worker Initiated, NGO, and Community Training Initiatives

The aim of this programme is to encourage and support co-operatives, small enterprises, worker initiated NGOs and community training initiatives in order to expand technical, financial and entrepreneurial capacity to address poverty alleviation and unemployment in rural areas.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic Objective: 4.6 Upskilling of cooperatives, small enterprises, worker initiated, NGO, and community training initiatives to promote entrepreneurship and rural development					
Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.6.1 Number of SMMEs, NGOs, and worker-initiated, Co-operatives, and community training initiatives funded.	21 cooperatives	20	20	Target achieved – no deviation.	
	21 small enterprises	20	55	35	Positive variance: 275% achievement recorded. Discretionary grant agreements were concluded with small businesses to deliver skills development interventions.
	7 NGOs	3	6	3	Positive variance: 200% achievement recorded. Discretionary grant agreements were concluded with NGOs to deliver skills development interventions.
	3 CBOs	3	4	1	Positive variance: 133% achievement recorded. Discretionary grant agreements were concluded with CBOs to deliver skills development interventions.

PART B: PERFORMANCE INFORMATION

Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.6.1 Number of SMMEs, NGOs, and worker-initiated, Co-operatives, and community training initiatives funded.	5 NLPEs	5	14	9	Positive variance: 280% achievement recorded. Discretionary grant agreements were concluded with NLPEs to deliver skills development interventions.
	3 Trade Unions	2	2	Target achieved – no deviation.	
4.6.2 Number of SMMEs, NGOs, co-operatives and community training initiatives supported through capacity building initiatives.	52 SMMEs, NGOs, cooperatives and community training initiatives supported through capacity building initiatives.	50	55	5	Positive variance: 110% achievement recorded. Small firms were sponsored to attend capacity building workshops to address skills gaps.
4.6.3 Number of rural development projects supported.	Not Applicable	20	24	4	Positive variance: 120% achievement recorded. In order to address the SETA mandate and strategic Government priorities, rural development projects were fully supported.

Programme 8: Building Career and Vocational Guidance

The purpose of this programme is to expose learners to FP&M sector occupations and skills requirements so that learners are provided with guidance through FP&M sector career information and career exhibitions.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic Objective: 4.8 Building career and vocational guidance					
Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
4.8.1 A Number of career awareness initiatives conducted.	Participated in 23 career awareness events: <ul style="list-style-type: none"> • Safcol Komatiland Career Event, Limpopo, 11 April 2015 • Career Expo in Mautse, Limpopo West, 28 April 2015 • Decade of the Artisan Advocacy Programme, Umhlathuze Municipality, 15 May 2015 • Tembisa Career Exhibition, 23 May 2015 	5	49	44	Positive variance: 980% achievement recorded. Target exceeded due to participation in various career expos organised by Department of Higher Education and Training.

Performance Indicators	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from Planned Target to Actual Achievement for 2016/17	Comment on Deviations
	<ul style="list-style-type: none"> • Career Expo, Bushbuckridge Local Municipality, Mpumalanga, 08 June 2015 • Ministerial Imbizo Career Exhibition (Imbizo) Thabazimbi, 21 June 2015 • Presidential Siyahlola Monitoring & Evaluation Career Expo, 23 June 2015 • Yomoo Exhibition, Mafikeng, 30 July 2015 • National Skills Summit, Pretoria, 4-5 August 2015 • South African Book Fair, Johannesburg, 31 July - 2 August 2015 • Newcastle Career Exhibition, 18-21 August 2015 • eNdwendwe Youth Exhibition, 08 August 2015 • Adelaide Tambo Career Exhibition, 25 August 2015 • Freedom Park Career Exhibition, Soweto, 22 August 2015 • Ermelo Career Exhibition, 18 August 2015 • Bela Bela Career Exhibition, 20 June 2016 • Boksburg Career Exhibition, 08 October 2016 • KwaDambuza Launch Exhibition, 04 December 2015 • Durban Brand Show Exhibition, 10 December 2015 • Voter Education Drive, Tshwane University of Technology, 04 March 2016 • Apply Now Campaign Launch, Edumbe, 04 March 2016 • Soweto Youth Expo, Johannesburg, 20 February 2016 • Public Service Career Exhibition, Ugu Municipality, 09-11 February 2016 				
4.8.2 Number of schools where educators are trained on FP&M Sector career opportunities.	See above	30 schools attend career awareness events.	30	Target achieved – no deviation.	Invitations were received to various career events co-ordinated by government departments. These events were attended by schools from the surrounding areas.

7. ADDITIONAL ACHIEVEMENTS FUNDED BY INDUSTRY

Additional achievements relating to learners' registrations and completions that were funded by industry and contributed to the FP&M SETA's overall performance during 2016/17.

UNFUNDED LEARNERS PER PROGRAMME	2015/16	2016/17	Overall Performance (Funded and Unfunded Learners)
4.2.5 Number of unemployed learners entered learnership programmes.	120	366	Total achievement: 2,316 (128%)
4.2.6 Number of unemployed learners completed learnership programmes.	14	106	Total achievement: 1,389 (102%)
4.2.9 Number of unemployed learners who completed bursary programmes.	0	2	Total achievement: 232 (232%)
4.2.13 Number of unemployed learners entered workplace experience / internships.	42	37	Total achievement: 304 (101%)
4.2.15 Number of unemployed learners entered skills programmes.	94	181	Total achievement: 3,098 (364%)
4.2.16 Number of unemployed learners completed skills programmes.	58	57	Total achievement: 1,443 (212%)
4.3.7 Number of unemployed learners completed Work –integrated learning programmes from TVETs.	-	92	Total achievement: 316 (100%)
4.3.8 Number of unemployed learners completed Work –integrated learning programmes from HETs.	-	26	Total achievement: 175 (100%)
4.5.2 Number of employed learners entered skills programmes.	1,306	2,128	Total achievement: 4,107 (183%)
4.5.3 Number of employed learners completed skills programmes.	714	1,466	Total achievement: 1,880 (125%)
4.5.4 Number of employed learners entered learnership programmes.	94	93	Total achievement: 945 (111%)
4.5.5 Number of employed learners completed learnership programmes.	30	9	Total achievement: 416 (82%)
4.5.6 Number of employed learners entered bursary programmes.	1	22	Target partially achieved. Total achievement: 98 (98%).
4.5.7 Number of employed learners completed bursary programmes.	-	24	Total achievement: 45 (100%)

8. ADDITIONAL ACHIEVEMENTS RECORDED DURING THE YEAR

The following achievements were not included in the 2016/17 performance report as these related to learner registrations and completions concluded in the previous financial year. Due to the late submission of documentation by project beneficiaries, these achievements were not reported during the 2015/16 financial year.

GOALS / OUTCOME / OUTPUTS	TOTAL
4.2.1 Learnerships Unemployed Entered	516
4.2.1 Bursaries Unemployed Entered	117
4.2.1 Internships Unemployed Entered	2
4.2.1 Skills Programmes Unemployed Entered	343
4.2.1 Internships Unemployed Completed	15
4.2.1 Skills Programmes Unemployed Completed	67
4.2.2 Total Artisan Entered	6
4.2.2 Total Artisan Completed	3
4.2.1 Learnerships Workers Entered	296
4.2.1 Bursaries Workers Entered	1
4.2.1 Skills Programmes Workers Entered	1,014
4.2.1 Skills Programmes Workers Completed	24
4.2.3 University Student Placements Entered	11
4.4. AET Programmes Entered	102
4.4. AET Programmes Completed	293
TOTAL Learners Entered	2,408
TOTAL Learners Completed	402



PART C: GOVERNANCE

1. INTRODUCTION

Corporate governance embodies the processes and systems by which public entities are directed, controlled, and held to account. In addition to legislative requirements based on the enabling legislation of a public entity and the *Companies Act*, corporate governance is applied through the precepts of the *Public Finance Management Act (PFMA)*. This is run in tandem with the principles contained in the King III and IV Reports on Corporate Governance.

Parliament, the Executive Authority (DHET), and the Accounting Authority of the public entity (the FP&M SETA Board), are responsible for corporate governance.

2. EXECUTIVE AUTHORITY

During the period under review, the FP&M SETA submitted the following documentation, within the stipulated timeframes, to the DHET and Parliament (where applicable):

- Four (4) SETA Quarterly Monitoring Reports (SQMR) for 2016/17.
- FP&M SETA Annual Report 2015/2016.
- FP&M SETA Strategic Plan for 2016/2017 – 2020/21.
- Annual Performance Plan for 2016/17 – 2018/19.
- Service Level Agreement for 2016/17.
- Materiality Framework for 2016/17.
- Sector Skills Plan for 2015 – 2020 (Annual Update).

3. THE ACCOUNTING AUTHORITY / BOARD

Introduction

The FP&M SETA is governed by its constitution, which is aligned to the standard constitution provided to the SETAs by the DHET. The members of the FP&M SETA Board are appointed by the Minister of Higher Education and Training, in terms of this constitution.

The structure of the FP&M SETA Board, as outlined in the constitution, is as follows:

- One (1) independent chairperson.
- Six (6) employer representatives.
- Six (6) labour representatives.
- Two (2) independent members.

During the year under review, fourteen (14) members regularly participated in the meetings and activities of the FP&M SETA Board. Of the two (2) vacancies that existed, both have been filled and approval of the appointments are pending feedback from the DHET.

The Board met four (4) times during the period under review. The Board has operated according to the policies of the SETA and meetings were conducted in line with the procedures detailed in the constitution. The FP&M SETA subscribed to

the principles of good governance as set out in the King IV report and duties were carried out diligently, objectively, and without prejudice.

The FP&M SETA Board took into consideration the input and advice of the standing committees appointed by it, namely the Executive, Governance & Strategy, Finance, Projects and IT Governance, Quality Assurance, Risk and Audit, and HR and Remuneration Committees. An independent Audit Committee played an oversight role to ensure the implementation of sound financial policies and procedures as well as the maintenance of good corporate governance.

The role of the FP&M SETA Board is as follows:

- Govern and manage the SETA in accordance with the PFMA, the Skills Development Act, and any other applicable legislation;
- Ensure that the SETA achieves its predetermined objectives and other targets;
- Provide effective leadership and ensure that the SETA implements the goals of the NSDS and the Performance Agreement with the Minister;
- Provide strategic direction for the SETA;
- Liaise at a leadership level with stakeholders;
- Ensure that the SETA complies with the relevant statutory requirements and the requirements of its constitution;
- Manage institutional risk;
- Monitor the performance of the SETA; and
- Ensure that its members and the members of the committees, established by the Board, comply with the Code of Conduct set out in Annexure 2 of the FP&M SETA Constitution.

To help members enhance and update their understanding of Corporate Good Governance and KING IV, the SETA facilitated a capacitation workshop which was attended by the Accounting Authority Committee members.

Composition of the Board

Name:	3 CBOs Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Sipho Ngidi	Independent Chairman	01 April 2011	Not applicable	Bachelor of Administration; Industrial Relations Development Programme; Bachelor of Commerce (Honours) Economics.	Finance; HR Management Industrial Relations.	Ithala Limited; Ithala Limited HR and Remuneration Committee; Reatile Timrite Social and Ethics Committee.	Chairman of the Board; Governance and Strategy Committee; Chairman of the Executive Committee.	3 of 4
Frans Barnard	Non-Executive Member	13 August 2013	Not applicable	Master's Degree in Industrial Relations; Master HR Professional, South African Board for People Practices (SAPPP).	Strategic HR Management; HR Risk Management; Talent Management; Workforce Planning Learning and Development; Industrial Relations; HR Technology and Safety / Wellness.	South West Gauteng TVET College; WESTCOL TVET; Aranda Textile Mills; Aranda Learnership College; National Textile Bargaining Council.	HR and Remuneration Committee Member; Quality Assurance Committee Member.	4 of 4
David Bowen	Non-Executive Member	01 October 2011	Deceased	Bachelor of Arts; University Education Diploma; Advanced Diploma in Education; Master's in Education.	Training and Development; Finance Management.	N/A	Executive Committee Member; Finance, Projects and IT Governance Committee Member.	4 of 4
Johann Baard	Non-Executive Member	Awaiting Ministerial confirmation of appointment	Not applicable	Degree Bachelor of Arts (UCT) Industrial Relations Development Programme (Stellenbosch University).		Manpower Commission; National Chairman of SA Chamber of Business standing Committee on labour affairs and Social Policy; Western Cape Development Council; Chairman of Industrial Practitioners Association of SA; Chairman of the Cape Clothing Manufacturers Association; Member of BUSA; Member of NEDLAC; Technical Task Team.	Board Member; Projects, Finance and IT Governance.	3 of 4

Name:	3 CBOs Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Roger Godsmark	Non-Executive Member	01 October 2011	Not applicable	Bachelor of Science (Honours); Agricultural Economics.	Economics; Finance.	N/A	Governance and Strategy Committee Member; Audit Committee Member.	4 of 4
Susan Khumalo	Non-Executive Member	01 October 2011	Not applicable	Grade 12.	Labour relations.	N/A	Governance and Strategy Committee Member; Finance, Projects and IT Governance Committee Member.	1 of 4
Thabo Muthwari	Alternate			Grade 12.	Labour relations.	N/A	HR and Remuneration Committee Member.	1 of 4
Abieda Abrahams	Non-Executive Member	Awaiting DHET approval of her appointment		National Diploma Clothing Management (CPUT); Diploma - ETD- Outcomes Based Assessment: Plan and Conduct Assessment of Learning (UJ); National Diploma - Education Training and Development (UCT); Diploma – Post Graduate Diploma in Labour Law (UWC).	Training and skills development.	Not applicable	Quality Assurance Member; Governance and Strategy Committee Member; HR and Remuneration Committee Member.	4 of 4
Thamsanqa Mhlongo	Non-Executive Member	13 August 2013	Not applicable	Grade 12.	Labour relations.	Wood and Paper Bargaining Council; Furntech COSATU Central Executive Committee.	HR and Remuneration Committee Member.	3 of 4
Devaranie Naidoo	Non-Executive Member	01 October 2011	Not applicable	Grade 10.	Labour relations.	Clothing Bargaining Council (KZN).	Quality Assurance Committee; Finance, Projects and IT Governance Committee Member.	4 of 4

PART C: GOVERNANCE

Name:	3 CBOs Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Michelle Odayan	Non-Executive Member (Ministerial appointee)	01 October 2011	Not applicable	Bachelor of Arts (Law) LLB; Advocate of High Court of South Africa.	Law; Finance; Strategy; Governance; Project Management; HR Development; Organisational Development; Gender Mainstreaming.	Court-Consult Africa (PTY) Ltd; Indiba-Africa Group (PTY) Ltd; MTR Investments (PTY) Ltd; Play Africa-Children's Museum NPO; People Opposing Women Abuse (POWA) NPO.	Chairperson of The Finance, Projects and IT Governance Committees; Board Committee member; Attend Audit and Risk Committee meetings as invitee.	3 of 4
Mike Truelock	Non-Executive Member	01 October 2011	Not applicable	National Diploma in Organisation and Work Study; National Diploma in Personal Management; Industrial Relations Diploma; Programme Management Development Programme.	Organisational Development; HR Management; Management Learning and Development.	Santa Barbara Home Owners Association; Truelock Adventures cc.	Chairman of the HR and Remuneration Committee; Executive Committee Member; Finance, Projects and IT Governance Committee Member.	3 of 4
Brian Wafawarowa	Non-Executive Member	01 October 2011	Not applicable	Bachelor of Arts (Honours); Masters in Literature; Executive Masters in Business Administration; Masters of Business Leadership.	Management; Publishing.	N/A	Governance and Strategy Committee; Finance, Projects and IT Governance Committee Member.	1 of 4
Mpuka Radinku	Alternate			Bachelor of Arts (Honours) (University of the Witwatersrand).	Management; Publishing.	South African Book Development Council Board (Deputy Chairperson); South African Book Fair Board (Executive Director).		3 of 4
Phillip Myburgh	Non-Executive Member	31 August 2015	Not applicable	Diploma Labour Relations.	Labour relations.	Trustee of SATU's retirement fund; Principal Officer of Employee benefits fund; Non-exec dir. of Transparent Financial Services; Chairman of the Statutory Council for Printing, Newspaper and Packaging Industry.	Executive Committee Member; Governance and Strategy Committee Member; Finance, Projects and IT Governance Committee Member.	4 of 4

Name:	3 CBOs Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Syriana Maesela	Non-Executive Member	Awaiting Ministerial approval	Retired	Master in Art of Teaching; BA of Art; Junior Secondary Teaching.	Strategic & Human Resources Management; Leadership Development; Organisational Development.		HR and Remuneration Committee Member.	3 of 4

Committees

During the year under review, the following standing committees were active. These committees provided advice to the Board on matters pertaining to their respective areas of expertise.

Committee	Number of meetings held	Number of members	Name of members
Executive Committee	6	7	Sipho Ngidi (Chairman) David Bowen (Replaced by Johann Baard) Phillip Myburgh Andre Kriel Mike Truelock Susan Khumalo Michelle Odayan
Audit Risk Committee	5	5	Trevor Boltman (Chairman) Karien de Villiers Roger Godsmark Tichaona Zororo (Resigned) Zakariya Suder
		1	In attendance Adv. Michelle Odayan
Governance and Strategy Committee	1	7	Sipho Ngidi (Chairman) Abieda Abrahams Phillip Myburgh Roger Godsmark Susan Khumalo Jane Molony Brian Wafawarowa
Finance, Projects and IT Governance Committee	3	7	Adv. Michelle Odayan (Chairperson) David Bowen (Replaced by Johann Baard) Susan Khumalo Davaranie Naidoo Mike Truelock Brian Wafawarowa Phillip Myburgh
HR and Remuneration Committee	4	8	Mike Truelock (Chairman) Johann Baard Frans Barnard Syriana Maesela Mymoena Williams Abieda Abrahams Thamsanqa Mhlongo

Committee	Number of meetings held	Number of members	Name of members
Quality Assurance Committee	2	12	Davaranie Naidoo (Chairperson) Abieda Abrahams Jai Deepnarain Lance Faul Matseliso Masimula Pamela Naidoo Theresa Otto Ken Leid Frans Barnard Olga Bezuidenhout Mymoena Williams

Remuneration of Board Members

The FP&M SETA based its Board remuneration structure on the National Treasury guidelines as communicated to the SETAs in 2016. Remuneration is reviewed on an annual basis.

Board Members qualifying for remuneration are classified as follows:

- Independent Board Members as appointed by the Minister.
- Board Members not directly employed by the employer or the labour constituencies they represent.

All Board Members, including those qualifying for remuneration, are reimbursed for out-of-pocket expenses incurred in fulfilling their duties as board members. This is in line with the financial policies and procedures of the FP&M SETA.

During the period under review, the following Board Members received remuneration / reimbursements:

Name	Representation	Remuneration (R'000)	Other Re-imbursements (R'000)	Total (R'000)
Mr Sipho Ngidi	Board Chairman; Governance and Strategy Committee Chairman.	279	8	287
Adv. Michelle Odayan	Finance, Projects and IT Governance Chairperson.	107	1	108
Mr Trevor Boltman	Audit & Risk Committee Chairman.	59	2	61
TOTAL		445	11	456

Note: Mr Boltman attended Board meetings in his capacity as Audit and Risk Committee Chairman.

4. RISK MANAGEMENT

Risk management has become an integral part of strategic management. During 2016, a heightened awareness was created around risk management. The implementation of controls to mitigate key strategic risks are monitored throughout the year mitigating exposure to the FP&M Seta. The Seta developed an integrated electronic risk management process in registering and monitoring key risks.

The following risk management strategies have been put in place at the FP&M Seta:

- The dedicated Risk Division, headed up by the General Manager: Governance, Risk, Compliance and Legal, implemented its mandate to identify risk and oversee the implementation of risk management strategies and risk mitigating procedures.
- The Risk Management Policy defining the risk appetite and tolerance levels was implemented successfully.
- A comprehensive Risk Register that reflects both strategic, operational and external risks, with clear actions that need to be taken by assigned risk champions, was updated regularly.
- An internal Risk Management Committee monitored the implementation of risk strategies. The committee reports to the Board / EXCO and the Audit Committee on progress made in addressing the Top 10 Strategic Risks, Top 10 Operational Risks.
- Risk Assessment workshops were held to identify emerging risks and to compile mitigating measures to address the identified risks.
- Internal Audit played an oversight role by evaluating the effectiveness of the risk management processes in place. It also recommended areas of improvement to ensure the efficient realisation of strategic and operational goals. The Internal Audit Coverage Plan is risk-based and addresses high risk areas identified in terms of the FP&M Seta's Risk Profile.

Progress Made in Addressing the Risks Identified

Risk mitigating measures and action plans were developed during the period under review to address identified risks, thereby increasing efficacy of internal operations. This contributed to increased efficiencies in addressing external customer queries, a reduction in the response time to queries and an increase in customer satisfaction. The Risk and Audit Committee monitored the effectiveness of the Risk Management Committee and the risk management function. It provided guidance to staff in the implementation of risk management strategies.

5. INTERNAL AUDIT AND AUDIT COMMITTEES

Internal Audit Function

The Internal Auditors, appointed by the FP&M Seta, continued with the implementation of their three-year rolling internal audit plan.

The internal audit function reported to the Audit Committee in line with the Internal Audit Charter. It provided objective assurance regarding the state of internal control, risk management, and governance processes at the FP&M Seta. The input received from the Internal Auditors and the risks identified, as a result of the extensive internal audits conducted at the FP&M Seta, contributed to the effectiveness of the organisation and strengthened its internal control systems.

Key Activities and Objectives of the Internal Audit

- Review the adequacy and effectiveness of internal control, risk management, and governance processes.
- Provide reasonable assurance on the integrity of financial and operational information.
- Evaluate the adequacy of management controls for the prevention and detection of fraud.
- Provide a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour, and irregularities.
- Evaluate the effectiveness of the entire risk management system and make recommendations for improvement.

Audit Work Carried Out

The Internal Auditors conducted audits in line with their 2016/17 internal audit plan. Operational areas that were scrutinised included human resources and payroll, projects / discretionary grants, supply chain management, IT Governance and risk management. An information technology review and audit of predetermined objectives were also carried out.

Audit Committee

The independent Audit Committee of the FP&M Seta carried out its duties during the period under review, according to its Audit Charter. The Audit Committee met five (5) times during the year and was chaired by an independent chairman, as appointed by the FP&M Seta Board. The Audit Committee ensures that the organisation operates according to a strict ethical code, implements fair practice, and embodies good corporate governance. The Audit Committee, working with the Board and Seta staff, oversees the implementation of relevant and updated policies and procedures across all governance structures and Seta departments. The committee oversee the implementation of sound financial practices, effective risk management, and legal compliance.

Key activities and objectives of the Audit Committee;

- Monitor the performance of the Internal Audit function.
- Review the Annual Risk Assessment process and prioritise the major risks identified.
- Monitor the implementation of checks and balances to ensure compliance with pertinent laws and regulations.
- Assist the Board in reviewing the integrated reporting and disclosure (sustainability reporting).
- Review the financial statements included in the integrated report and regard all factors and risks that may impact on the integrity of the report.

The table below discloses the relevant information on the audit committee members:

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	Number of meetings attended
Trevor Boltman	Certified Internal Auditor (CIA); Certified Government Auditor; Certification in Control Self-Assessment (CCSA); Certificate in Forensic Investigation.	External – Independent	-	November 2011	Not applicable	5 of 5
Karien de Villiers	Chartered Accountant; Bachelor of Accounting Science (B Compt) (Honours) and CTA.	External – Independent	-	February 2014	Not applicable	5 of 5
Tichaona Zororo	CIA; CRMA; CISA; CRISC; CGEIT; B.Sc. Honours Information Systems; PGD IT Auditing; CIS.	External – Independent	-	01 March 2016	28 October 2016	1 of 1
Roger Godsmark	Bachelor of Science (Honours); Agricultural Economics.	External – Employer representative	-	November 2011	Not applicable	4 of 5
Zakariya Suder	Bachelor of Commerce.	External – Labour representative	-	January 2012	Not applicable	4 of 5

6. COMPLIANCE WITH LAWS AND REGULATIONS

The FP&M SETA has developed policies and procedures to guide financial management, HR management, and the implementation of operational activities. These documents are regularly reviewed to ensure compliance with the relevant laws and regulations. Furthermore, the Internal Auditors continually review the compliance state of the SETA in terms of the approved Internal Audit Coverage Plan. Additional assurance is provided via compliance audits conducted by other government institutions such as SAQA / QCTO and the DHET.

The FP&M SETA complies with the reporting requirements as prescribed by National Treasury and DHET. It has submitted its strategic and annual performance plans, the sector skills plan, and the SETA quarterly performance management reports timeously.

Internally, the FP&M SETA has undertaken training interventions to strengthen the capacity of staff in order to ensure continued compliance with acceptable practices. FP&M SETA staff have also attended meetings and workshops

co-ordinated by DHET, the QCTO and SAQA in order to receive information on the latest operational and reporting requirements.

Externally, the FP&M SETA has communicated new developments and changes pertaining to skills development legislation to its broader stakeholder base. This has been done through information and training workshops, bulk email and its website. These communications have been designed to equip stakeholders with the necessary information to meet regulatory requirements, thereby encouraging compliance.

7. FRAUD AND CORRUPTION

The FP&M SETA has a fraud prevention policy in place to guide the entity in its efforts to curb fraudulent behaviour that could lead to financial loss and reputational damage.

The FP&M SETA has a dedicated toll-free Hotline number, managed by an independent service provider that is accessible to internal and external stakeholders to report activities that may appear to be in contradiction with acceptable practices. The provider sends monthly reports to the SETA according to protocols approved by the Board.

Internally, fraud awareness training was conducted to increase awareness of the processes to engage with in order to identify and report fraudulent behaviour.

No fraudulent activities were reported during this period.

8. MINIMISING CONFLICTS OF INTEREST

The FP&M SETA has 'Declaration of Interest' practices in place at all levels of the organisation. Staff members are required to disclose their financial interest annually. Additionally, staff in the SCM Division also declare any interest in relation to transactions entered into with service providers. The declaration is printed on the purchase order.

Board and Committee members are required to declare any financial interest or commercial activities that may be in conflict with their functions at the SETA on an annual basis.

9. CODE OF CONDUCT

The Code of Conduct contained in the Constitution, guides the conduct and performance of members of the Board and committees. It provides an ethical framework for the functioning of the governance structures of the FP&M SETA. The Code of Conduct is supported by policies and procedures relating to the disclosure of interest and gifts, as well as the confidentiality of information.

The Code of Conduct stipulates that Board members must:

- Stand in a fiduciary relationship with the FP&M SETA.
- Comply with all applicable laws and regulations that regulate the activities of the SETA.
- Perform their functions fairly, honestly, and in good faith, giving full effect to the obligations and spirit of the Act and the Constitution.
- Protect and promote the reputation of the SETA and promote goodwill towards it.
- Perform their duties conscientiously and in the best interest of the SETA.
- Conduct themselves ethically and in accordance with the principles of good governance.

Serious or continuous neglect of these duties, or any other misconduct, may result in a member being removed from office or his or her termination of membership of the particular committee of the SETA.

10. HEALTH, SAFETY, AND ENVIRONMENTAL ISSUES

The safety and wellness of its employees are key priorities of the FP&M SETA. The FP&M SETA has implemented policies and procedures to ensure the safety of its employees, visitors, and any other person who may be affected by its activities. Productivity and efficiency of employees are closely related to their emotional and physical well-being and it is therefore of utmost importance to maintain safe working conditions

and productivity enhancing environment, compliance with all relevant legislation and approved codes of practice.

Measures have been put in place to protect the organisation's human resources, capital assets and intellectual property against exposure to risk that could arise from sub-standard practices, procedures, or conditions.

Comprehensive health policies, including HIV/Aids policies, and procedures have been developed to provide adequate control of health and safety risks arising from work activities. Safety and security policies and procedures have been implemented to ensure the safety of staff and assets.

The FP&M SETA Board and Management are committed to providing a safe and healthy work environment that is conducive to increased productivity and performance, and which contributes to the mental and physical well-being of its employees.

11. SOCIAL RESPONSIBILITY

The FP&M SETA is a public entity that operates within the public arena and manages public funding. As such, the FP&M SETA has a responsibility to act in a way that is socially responsible and to set an example for its partners with whom it engages in skills development activities. The FP&M SETA is dependent on the support of its constituent stakeholders and the community at large and it is important for the SETA to be considered credible, fair and without prejudice.

As the leading partner in skills development in the fibre processing and manufacturing sector, it is the responsibility of the FP&M SETA to raise awareness amongst its constituent members and skills development partners of the need for an inclusive approach to skills development. The FP&M SETA is the liaison between previously disadvantaged groups (unemployed youth, women, people with disabilities, and people living in rural and township areas) and the providers of skills development (the institutions of higher and further education). In order to meet the needs of these learners, the SETA has established partnerships with constituent stakeholders, levy paying members, educational institutions and government departments to implement innovative skills development initiatives in rural communities and townships.

The FP&M SETA has also funded, through its discretionary grant strategy, initiatives focused on the development of designated groups who would ordinarily be excluded from these opportunities. These skills development interventions are implemented in partnership with community-based organisations, levy paying entities and public and private training providers, and provide beneficiaries with the necessary skills to become employable or self-sustainable through the creation of new ventures.

In line with its discretionary grant strategy and budget, the FP&M SETA allocates approximately 8% of its special projects budget towards the implementation of skills interventions aimed at assisting people with disabilities; and approximately 20% of the special projects budget towards the implementation of skills inter-ventions in rural areas.

The FP&M SETA's goal is to make available "future perfect skills development" for all people involved in the broader

FP&M community and to break down the barriers to education through focused and accessible skills development interventions.

12. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from *Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1*. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the public entity.

The following internal audit work was completed during the year under review:

- Human Resource Management and Payroll.
- Mandatory Grants.
- Projects / Discretionary Grants.
- Supply Chain Management.
- Information Technology Review.
- Audit of Predetermined Objectives.
- Asset Management.
- Quality Assurance

The following were areas of concern:

- QA with specific reference to the signing of documents.

It must be noted that FP&M SETA management has developed and implemented corrective actions to address the areas of concern raised by Internal Audit.

In-Year Management and Monthly / Quarterly Report

The public entity has reported monthly and quarterly to the National Treasury as is required by the PFMA.

Evaluation of Financial Statements

The Audit Committee has reviewed and discussed:

- The audited Annual Financial Statements for the financial year 2016/17 is included on pages 69 to 108.
- AGSA's management letter and Management's response thereto.

Auditor's Report

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



Trevor Boltman

Chairman of the Audit Committee
FP&M SETA
31 July 2017





PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

A number of achievements were presented to align organisational human resources practices to best practice as outlined below.

Overview of HR Matters

To achieve the FP&M SETA mandate and meet stakeholders' expectations, the organisation requires competent and dedicated staff, of whom the FP&M SETA has taken great care during the year under review.

In the financial year under review, the staff complement totalled 73.

HR Priorities for the Year Under Review and the Impact of These Priorities

The Projects clustering model within the FP&M regions was key and has proven to be succeeding.

Workforce Planning Framework and Key Strategies to Attract and Recruit a Skilled and Capable Workforce

Fair and equitable principles inform the recruitment and selection processes of the SETA. The basis at which employees are recruited, selected, promoted, trained and developed relate to the inherent requirements of the job and the ability of the employee to perform the job adequately and satisfactorily. Key vacant positions were filled in the year under review.

Employee Performance Management Framework

The FP&M SETA embedded a culture that focuses on performance and service delivery excellence. Recognition and reward for excellence was entrenched through the implementation of the performance management policy.

Employee Wellness Programmes

Employees are kept abreast on new developments, organisational requirements and changes through staff, management meetings and workshops. The wellness of employees also plays a critical role and the SETA ensures support where required to all its employees. During the period under review, FP&M SETA appointed a service provider, Careways, to address holistic wellness of its much-valued employees in order to optimise service delivery to all of our stakeholders.

Team building initiatives are observed through strategic planning sessions and celebrating nationally celebrated days (e.g. Heritage Day). The aim is to build a fully motivated functional force, to ensure proper understanding of the business model and the processes required to be a credible partner.

Policy Development

Procedures and processes are in place to enhance the operationalisation of operational objectives through operational policies. These are reviewed regularly by the

HR & Remuneration Committee to ensure alignment with local legislation and international best practice. Organisational policies are approved biennially by the Board for implementation.

Highlight of Achievements

FP&M SETA placement of graduate and undergraduate interns within the organisation continued successfully throughout the year and some were retained on fixed-term contracts for an agreed period. The well-earned work experience gave them competitive edge to obtain permanent jobs in renowned organisations. Overall, the FP&M SETA has a healthy workforce with a low staff turnover.

Several employees were enrolled on training interventions, including Project Management for the Projects Specialists and Administrators; and Emotional Intelligence Programmes for the entire management team. Capacity building workshops were held for management to address good corporate governance and King IV.

Successful policy reviews were undertaken and revised policies were continuously communicated to staff.

The online leave module is functional and adds value to document and information storage, as well as processing data for analysis and reporting.

The introduction of social benefits to employees was finalised and a service provider appointed to administer the employees' retirement funds, group life, ill-health, funeral benefit and medical aid scheme.

Furthermore, the employee wellness programme was introduced and a service provider has been appointed to assist employees in coping with life changing experiences and traumatic experiences which would help them cope in the workplace, etc. The wellness services include psycho-social counselling, legal and financial advice, disease management and the online wellness programme.

The International Development Programme for industry stakeholders proved to be successful and key in ensuring progression, learning and development in the FP&M sectors.

Challenges Faced by the Public Entity

The FP&M SETA has undertaken to summarily dismiss an employee who was formally charged with Gross Misconduct and Fraud in that they were party to the submission of a Medical Certificate in regard to their period of absence which was fraudulent and fictitious and which misrepresented their state of health. A full disciplinary process was followed and lessons learnt will be continuously communicated, where applicable.

Future HR Plans/Goals

The process to review policies, to keep abreast with changes in the legislation that governs the labour market, remains a priority and adequate time will be allocated to ensure compliance. Also in the priority list, is maintaining a non-qualification upon audit and striving towards a clean audit outcome. The options of moving office premises will be embarked on and the decision was taken to address employees' safe working environments.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Below is statistical information on the overall performance and status of the organisation, which includes remuneration, reward, training costs, employment equity and disciplinary matters.

Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of Personnel Exp. to Total Personnel Cost (R'000)	No. of Employees	Average Personnel Cost Per Employee (R'000)
Top Management	3,192	11%	2	1,596
Senior Management	3,880	13%	4	970
Professional qualified	6,909	23%	11	628
Skilled	11,557	39%	30	385
Semi-skilled	3,980	13%	24	166
Unskilled	294	1%	4	73
Other	196	1%	8	24
TOTAL	30,008	100%	83	362

Note: "Other" refers to interns.

Performance Rewards

Programme/Activity/Objective	Performance Rewards (R'000)	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost
Top Management	243	3,192	8%
Senior Management	212	3,880	5%
Professional qualified	438	6,909	6%
Skilled	459	11,557	4%
Semi-skilled	134	3,980	3%
Unskilled	17	294	6%
Other	-	196	-
TOTAL	1,503	30,008	5%

Training Costs

Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Avg. Training Cost Per Employee
Office of the CEO	3,062	59	2%	3	19
Research, Planning & Reporting	5,087	63	1%	9	7
Projects	8,990	196	2%	23	8
Quality Assurance	3,585	39	1%	5	8
Finance	5,190	80	2%	10	8
Governance/Risk/ Compliance/Legal & M&E	3,898	52	1%	6	8
Other	196	6	3%	5	1
TOTAL	30,008	495	2%	61	8

Note: The training reported on includes formal and informal training.

Employment and Vacancies

Programme/Activity/ Objective	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies	% of Vacancies
Top Management	2	2	2	1	50%
Senior Management	4	4	4	1	25%
Professional Qualified	13	12	11	1	9.1%
Skilled	31	27	30	1	3.3%
Semi-skilled	15	15	24**	4	16.7%
Unskilled	4	4	4	0	0%
Other	17	0	8*	0	0%
TOTAL	86	64	83	8	9.6%

Explanations

- *Interns on work experience programmes (University and TVET graduates).
- **In the financial year under review, the FP&M SETA absorbed six (6) interns from the previous financial year, as fixed term employees.
- The reason for variance between approved posts and number of employees as per the above categories are as follows:
 - Professional Qualified: two (2) positions were merged into one position;
 - Skilled: two (2) positions were additional capacity;
 - Semi-skilled: eight (8) positions were also additional capacity; and
 - Other positions are strengthened by the appointment of SSAs and or interns (additional capacity) funded through discretionary funding.

Employment Changes

Level	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	1	1	0	2
Senior Management	3	1*	1	3
Professional qualified	10	1	1	10
Skilled	29	1**	0	30
Semi-skilled	22	2	12	21
Unskilled	4	0	0	4
Other	2	6***	3	5
TOTAL	72	11	17	75

Note:

- *Internal employee appointed as Acting Senior Manager in Projects.
- **IT Specialist appointed.
- ***Interns employed and fixed-term employees.
- Under "Total", the internal employee is not counted. Thus, external appointments were 11.

Reasons for Staff Leaving

Reason	Number	% of Total No. of Staff Leaving
Death	0	0%
Resignation	5	29%
Dismissal	1	6%
Retirement	1	6%
Ill health	0	0%
Expiry of contract	10	59%
Other	0	0%
TOTAL	17	100%

Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	5
Final Written warning	3
Dismissal	1
Other	0

Equity Target and Employment Equity Status

Explanations:

- Compliance to the approved organogram remains a priority. Staff retention processes and internal movements, i.e. secondments, redeployment and acting in senior positions are encouraged.
- Where applicable, positions are strengthened by the appointment of fixed-term employees, SSAs and interns funded by discretionary funding.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	0
Senior Management	1	1	0	0	1	1	1	1
Professional qualified	5	5	0	0	1	1	0	0
Skilled	6	6	0	0	1	1	2	2
Semi-skilled	1	1	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Other	3	10*	0	0	0	0	0	0
TOTAL	17	24	0	0	3	3	3	3

Note:

- *Recruitment of interns

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	0
Senior Management	0	0	*1	1	0	0	0	0
Professional qualified	3	3	0	0	1	1	2	2
Skilled	14	14	0	0	2	2	2	2
Semi-skilled	5	6	2	2	2	2	2	2
Unskilled	4	4	0	0	0	0	0	0
Other	1	**7	0	1	0	1	0	1
TOTAL	28	35	3	4	5	6	6	7

Note:

- *Acting appointment
- **Recruitment of interns

Levels	DISABLED			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	1	1
Unskilled	0	0	0	0
TOTAL	0	0	1	1



PART E: FINANCIAL INFORMATION



1. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FIBRE PROCESSING AND MANUFACTURING SECTOR EDUCATION AND TRAINING AUTHORITY (FP&M SETA)

Report on the Audit of the Financial Statements

Opinion

1. I have audited the financial statements of the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M Seta) set out on pages 69 to 108, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fibre Processing and Manufacturing Sector Education and Training Authority as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

Basis for Opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of Corresponding Figures

7. As disclosed in note 25 to the financial statements, the

corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2017.

Responsibilities of the Accounting Authority for the Financial Statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP, and the requirements of the PFMA and the SDA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the FP&M Seta's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to liquidate the public entity or cease operations, or there is no realistic alternative but to do so.

Auditor-General's Responsibilities for the Audit of the Financial Statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the Audit of the Annual Performance Report

Introduction and Scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to

planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017.

Programmes	Pages in the Annual Performance Report
Programme 1 - Improving skills planning and research mechanisms	36
Programme 2 – Access to occupationally-directed programmes	37 - 39

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
 - Programme 1 - Improving skills planning and research mechanisms.
 - Programme 2 - Access to occupationally-directed programmes.

Other Matters

17. I draw attention to the matters below.

Achievement of Planned Targets

18. Refer to the annual performance report on pages 36 to 48; for information on the achievement of planned targets for the year and explanations provided for the under or overachievement of a significant number of targets.

Adjustment of Material Misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2: access to occupationally-directed programmes. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on Audit of Compliance with Legislation

20. In accordance with the Public Audit Act and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
21. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the Public Audit Act.

Other Information

22. The FP&M Seta's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
24. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
25. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal Control Deficiencies

26. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria
31 July 2017



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure - Auditor-General's Responsibility for the Audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial Statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Authority.
- Conclude on the appropriateness of the Accounting Authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the FP&M SETA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with Governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

2. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Statement of Responsibility

The Accounting Authority is responsible for the preparation of the FP&M SETA's annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

The external auditors are engaged to express an independent opinion on the financial statements of FP&M SETA.

The annual financial statements of the FP&M SETA set out on page 69 to page 108 have been approved by the Board on 24 May 2017.



Ms Felleng Yende
Chief Executive Officer



Mr Sipho Ngidi
Board Chairman

Statement of Financial Position as at 31 March 2017

	Note(s)	2017 '000	2016 '000
Assets			
Current Assets			
Cash and cash equivalents	5	561,772	553,019
Receivables from non-exchange transactions	6	794	4,577
Receivables from exchange transactions	7	858	1,158
Inventories	8	186	152
		563,610	558,906
Non-current assets			
Property, plant and equipment	3	1,488	2,253
Intangible assets	4	132	267
		1,620	2,520
Total Assets		565,230	561,426
Liabilities			
Current liabilities			
Trade and other payables – exchange transactions	11	1,629	3,060
Trade and other payables from non-exchange transactions	10	34,211	26,422
Government grants and Donor funding received in advance	9	10,741	10,821
Provisions	12	8,373	7,808
		54,954	48,111
Total liabilities		54,954	48,111
Net Assets		510,276	513,315
Reserves			
Administration reserve	34	1,620	2,520
Discretionary reserve	34	508,656	510,795
Total Net Assets		510,276	513,315

Statement of Financial Performance for the Year Ended 31 March 2017

	Note(s)	2017 '000	2016 '000
Revenue			
Revenue from exchange transactions			
Other revenue	14	94	364
Finance income	15	38,942	33,622
Total revenue from exchange transactions		39,036	33,986
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and donor funding	22	80	3,442
Skills development levy (SDL) revenue	16	319,966	324,323
SDL penalties and interest received	17	8,512	10,203
Total revenue from non-exchange transactions		328,558	337,968
Total revenue	13	367,594	371,954
Expenditure			
Employee related costs	18	(21,128)	(20,312)
Depreciation and amortization		(1,416)	(1,304)
Lease rentals on operating lease		(4,369)	(3,714)
Debt Impairment	19	(1,325)	(557)
Employer grants and project expenses	20	(328,913)	(296,983)
Government grants and donor funding	22	(80)	(3,442)
General Expenses	21	(13,384)	(15,199)
Total expenditure		(370,615)	(341,511)
Loss on disposal of assets and liabilities		(18)	(78)
Surplus/(deficit) for the year		(3,039)	30,365

Statement of Changes in Net Assets

	Administrative reserve '000	Employer grant reserve '000	Discretionary reserve '000	Total reserves '000	Accumulated surplus '000	Total net assets '000
Balance at 01 April 2015	2,798	-	480,152	482,950	-	482,950
Changes in net assets						
Surplus for the year	-	-	-	-	30,365	30,365
Allocation of unappropriated surplus	1,525	14,940	13,900	30,365	(30,365)	-
Transfer to Discretionary Reserves: excess funds	(1,803)	(14,940)	16,743	-	-	-
Total changes	(278)	-	30,643	30,365	-	30,365
Balance at 01 April 2016	2,520	-	510,795	513,315	-	513,315
Changes in net assets						
Allocation of unappropriated surplus	455	18,010	(21,504)	(3,039)	3,039	-
Transfer to Discretionary Reserves: excess funds	(1,355)	(18,010)	19,365	-	-	-
Net income (losses) recognized directly in net assets	(900)	-	(2,139)	(3,039)	3,039	-
Surplus for the year	-	-	-	-	(3,039)	(3,039)
Total recognised income and expenses for the year	(900)	-	(2,139)	(3,039)	-	(3,039)
Total changes	(900)	-	(2,139)	(3,039)	-	(3,039)
Balance at 31 March 2017	1,620	-	508,656	510,276	-	510,276
Note(s)	27		27			

Cash Flow Statement

	Note(s)	2017 '000	2016 '000
Cash flows from operating activities			
Receipts			
Cash receipts from stakeholders		330,421	332,820
Other cash receipts from stakeholders		94	387
Interest income		38,942	33,622
		<u>369,457</u>	<u>366,829</u>
Payments			
Grants and project payments		(319,874)	(356,036)
Special projects		(80)	(3,442)
Compensation of employees		(21,198)	(20,268)
Payments to suppliers and other		(19,016)	(19,284)
		<u>(360,168)</u>	<u>(399,030)</u>
Net cash flows from operating activities	26	<u>9,289</u>	<u>(32,201)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(429)	(631)
Purchase of other intangible assets	4	(107)	(471)
Net cash flows from investing activities		<u>(536)</u>	<u>(1,102)</u>
Net increase/(decrease) in cash and cash equivalents		8,753	(33,303)
Cash and cash equivalents at the beginning of the year		553,019	586,322
Cash and cash equivalents at the end of the year	5	<u>561,772</u>	<u>553,019</u>

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	'000	'000	'000	'000	'000	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other revenue	-	-	-	94	94	
Finance Income	18,428	-	18,428	38,942	20,514	36.1
Total revenue from exchange transactions	18,428	-	18,428	39,036	20,608	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	-	-	-	80	80	
SDL revenue	382,887	-	382,887	319,966	(62,921)	36.2
SDL penalties and interest received	3,641	-	3,641	8,512	4,871	36.3
Total revenue from non-exchange transactions	386,528	-	386,528	328,558	(57,970)	
Total revenue	404,956	-	404,956	367,594	(37,362)	
Expenditure						
Personnel	(22,982)	-	(22,982)	(21,128)	1,854	36.5
Depreciation and amortisation	(2,386)	-	(2,386)	(1,416)	970	
Lease rentals on operating lease	(3,405)	-	(3,405)	(4,369)	(964)	
Bad debts written off	(49)	-	(49)	(1,325)	(1,276)	36.6
Employer grant and project Expenses	(357,195)	-	(357,195)	(328,913)	28,282	36.4
Expenditure on conditional Grants	-	-	-	(80)	(80)	
General expenses	(18,939)	-	(18,939)	(13,384)	5,555	36.7
Total expenditure	(404,956)	-	(404,956)	(370,615)	34,341	
Operating deficit	-	-	-	(3,021)	(3,021)	
Loss on disposal of assets and Liabilities	-	-	-	(18)	(18)	
Deficit before taxation	-	-	-	(3,039)	(3,039)	
Actual amount on comparable basis as presented in the budget and actual comparative statement	-	-	-	(3,039)	(3,039)	

ACCOUNTING POLICIES

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation Currency

These financial statements are presented in South African Rand, which is the functional currency of the entity and rounding has been made to the nearest thousand (R'1000).

1.2 Property, Plant and Equipment

Property, plant and equipment are tangible non-current assets (including leasehold improvements) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

Item	Depreciation Method	Average useful life
Office furniture and fittings	Straight line	5 years
Motor vehicles	Straight line	3 years
Office equipment	Straight line	4 years
Computer equipment	Straight line	3 years
Leasehold improvements	Straight line	Over lease term
Artwork and signage	Straight line	5 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or

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

1.3 Intangible Assets

An intangible asset is recognised when:

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful Life
Computer software	License period

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised.

1.4 Financial Instruments

Definitions

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class:	Category:
Cash and Cash Equivalents	Financial asset measured at amortised cost
Receivables from exchange	Financial asset measured at amortised cost
Receivables from non - exchange	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class:	Category:
Trade and other payables exchange	Financial liability measured at amortised cost
Trade and other payables non-exchange	Financial liability measured at amortised cost

Initial Recognition

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

Initial Measurement of Financial Assets and Financial Liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement of Financial Assets and Financial Liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and Losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit

when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and Uncollectability of Financial Assets

The entity assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly **OR** through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly **OR** by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses, are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expired or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities

that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-Exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.5 Tax

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

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessee

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

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Inventory primarily comprise of consumables and office stationery that is not used at year end.

1.8 Reserves

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity are sub-classified in the statement of financial position between the following funds and reserves:

- Administration reserve.
- Employer grant reserve.
- Discretionary reserve.

This sub-classification is made based on the restrictions placed on the distribution of monies received in accordance with the regulations issued in terms of the *Skills Development Act, 1998 (Act No. 97 of 1998)*.

Member employer company SDL payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act, for the purpose of:

Purpose of Total SDL payments from employer	% Allocation 16/17	% Allocation 15/16
Administration costs of the SETA	10.50%	10.50%
Mandatory Grants	20.00%	20.00%
Discretionary Grants and Projects	49.50%	49.50%
	80.00%	80.00%

In addition, contributions received from public service employers in the national or provincial spheres of government may be used to pay for its administration costs. Interest and penalties received from SARS are utilised for discretionary grants. Other income received is utilised in accordance with the original source of the income.

The net surplus/(deficit) is allocated to the administration reserve, the mandatory grant reserve and the discretionary fund reserve based on the above. The amount retained in the administration reserve equates to the net book value of property, plant and equipment and intangible assets. Excess cash reserves are transferred to the discretionary reserve.

Surplus funds in the employer grant reserve are transferred to the discretionary reserve at the end of the financial year. An amount is retained in the employer grant reserve to pay for projects that are committed at year end as per the commitments register.

1.9 Employee benefits

Short-term Employee Benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined Contribution Plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.10 Provisions and Contingencies

Provisions are recognised when:

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

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements and these include discretionary grant

contracts that are non-cancellable or only cancellable at significant cost.

The commitment value is calculated using the contract value less any payments or adjustments. Contracts are removed in the commitments register when the FP&M Seta has no contractual obligation to another party due a cancellation, expiry of contract or discharge of contractual obligations under the contract.

1.12 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest, Royalties and Dividends

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.13 Revenue from Non-exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Levy Income

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the SETA pay a skills development levy (SDL)

of 1% of the total payroll cost to the South African Revenue Services (SARS). 80% of SDL are paid over to the SETA (net of the 20% contribution to the National Skills Fund).

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

Revenue is adjusted for inter SETA transfers due to employers changing SETAs. Such adjustments are separately disclosed as inter SETA transfers. The amount of the inter SETA adjustment is calculated according to the Standard Operating Procedures issued by the Department of Higher Education & Training (DHET) on 15 May 2007.

When a new employer is transferred to the SETA, the SDL transferred by the former SETA are recognised as revenue and allocated to the respective category to maintain its original identity. The SDL transfer is measured at the fair value of the consideration received.

SDL income is recognised when it is probable that future economic benefits will flow to the SETA and these benefits can be measured reliably. This occurs when the DHET either makes an allocation or payment, whichever comes first, to the SETA, as required by Section 8 of the Skills Development Levies Act, 1999 (Act No. 9 of 1999).

Penalties and Interest

Interest and penalties on SDL is recognised on the earlier of the time the DHET makes the allocation or payment of the funds in the bank account of the SETA.

Government Grants and Other Donor Income

Conditional government grants and other conditional donor funding received are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which they are intended to compensate. Unconditional grants received are recognised when the amounts have been received.

1.14 Borrowing Costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative Figures

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

1.16 Unauthorised Expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.17 Fruitless and Wasteful Expenditure

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

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

1.18 Irregular Expenditure

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

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

National Treasury Practice Note no. 4 of 2008/2009 which was issued in terms of *Sections 76(1) to 76(4) of the PFMA* requires the following (effective from 01 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year-end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 Budget Information

The Entity is typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/2016 to 31/03/2017.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.20 Related Parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

All transactions with related parties are disclosed whether or not they at arm's length or in the ordinary course of business

1.21 Events After Reporting Date

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

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

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

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

1.22 Grants and Project Expenditure

Grants and project expenditure

A registered company may recover its total SDL payment by complying with the grant criteria in accordance with the Skills Development Regulations issued in terms of the Skills Development Act 1999 (Act No. 9 of 1999).

Mandatory Grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form within the agreed upon cut-off period and the application has been approved as the payment then becomes probable. The grant is equivalent to 20% of the total SDL paid by the employer during the corresponding financial period for the skills grant.

Discretionary Grants

A SETA may out of any surplus monies determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. The grant payable and the related expenditure are recognised when the application has been approved to the extent that the conditions of the grant have been met and the services have been rendered (substance over form is applied to ensure that minor administrative compliance deliverables do not result in a deviation from the accrual principle to which these financial statements are prepared).

Notes to the Financial Statements

2. New Standards and Interpretations

2.1 Standards and Interpretations Issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or (deficit) may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents the annual financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate annual financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Annual Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management.

The minister has not yet set the effective date; however, FP&M Seta has adopted the standard in 2015/16.

GRAP 108: Statutory Receivables

The objective of this standard is: To prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The standard is applicable however, it is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 109: Accounting by Principles and Agent

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal- agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

GRAP 32 Service Concession Arrangements

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public-sector entity.

Arrangements within the scope of this Standard involve the operator providing a mandated function related to the service concession asset on behalf of the grantor. The operator providing the mandated function can either be a private party or another public-sector entity.

The effective date of the standard is not yet set by the Minister of Finance.

The following standards and interpretations are also not yet effective but they will not have an impact on future financial reporting for the SETA:

- GRAP 34: Separate Financial Statements.
- GRAP 35: Consolidated Financial Statements.
- GRAP 36: Investments in Associates and Joint Ventures
- GRAP 37: Joint Arrangements.
- GRAP 38: Disclosure of Interests in Other Entities.
- GRAP 110: Living and Non-living Resources.
- IGRAP 17: Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset.
- IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land.

3. Property, Plant and Equipment

	2017			2016		
	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value
Office furniture and fittings	3,209	(2,774)	435	3,326	(2,477)	849
Motor vehicles	141	(126)	15	141	(126)	15
Office equipment	2,262	(1,745)	517	2,201	(1,398)	803
Computer equipment	2,348	(1,845)	503	2,272	(1,723)	549
Artwork	279	(261)	18	279	(242)	37
Signage	172	(172)	-	172	(172)	-
TOTAL	8,411	(6,923)	1,488	8,391	(6,138)	2,253

Reconciliation of property, plant and equipment – 2017

	Opening Balance	Additions	Disposals	Depreciation	Total
Office furniture and fittings	849	27	(15)	(426)	435
Motor vehicles	15	-	-	-	15
Office equipment	803	93	(1)	(378)	517
Computer equipment	549	307	(2)	(351)	503
Artwork	37	-	-	(19)	18
Signage	-	2	-	(2)	-
TOTAL	2,253	429	(18)	(1,176)	1,488

Reconciliation of Property, Plant and Equipment – 2016

	Opening Balance	Additions	Disposals	Depreciation	Impairment Loss	Total
Office furniture and fittings	1,293	22	(37)	(419)	(10)	849
Motor vehicles	15	-	-	-	-	15
Office equipment	696	414	(33)	(271)	(3)	803
Computer equipment	600	195	(8)	(223)	(15)	549
Artwork	56	-	-	(19)	-	37
Signage	1	-	-	(1)	-	-
TOTAL	2,661	631	(78)	(933)	(28)	2,253

Assets with a cost price of R408,141.00 and an accumulated depreciation of R390,482.00 were identified as not working/damaged during the asset count that was conducted during the current financial year and a write off amounting to R17,659.00 was recognised in statement of financial performance.

On 18 April 2017, a massive fire destroyed the fifth floor at Braampark Forum 1B. Our offices are located on the second floor of this building. Firefighters responded and extinguished the fire, however the entire fifth floor was destroyed.

However, the water that was used to extinguish the fire flowed through to the floors below. This has caused significant damage to ceiling, carpet and furniture and equipment. The ceiling is not an asset of the Seta. At the time of writing we could not quantify or estimate extent of the damage.

4. Intangible Assets

	2017			2016		
	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value
Computer software	989	(857)	132	881	(614)	267
TOTAL	989	(857)	132	881	(614)	267

Reconciliation of Intangible Assets – 2017

	Opening Balance	Additions	Amortisation	Total
Computer software	267	107	(242)	132
TOTAL	267	107	(242)	132

Reconciliation of Intangible Assets – 2016

	Opening Balance	Additions	Amortisation	Total
Computer software	140	471	(344)	267
TOTAL	140	471	(344)	267

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Petty cash on hand	9	5
Bank balances	34,564	52,002
Donor funds held	10,115	25,378
Short-term deposits	517,084	475,634
	561,772	553,019
Current assets	561,772	553,019
	561,772	553,019

Short term deposits are held with the Corporation of Public Deposits (CPD), is available on demand and is subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, bank balances and deposits held on call with CPD.

Cash and cash equivalents includes donor funds held.

6. Receivables from Non-exchange Transactions

	2017 '000	2016 '000
Employer receivables due as a result of SARS (overpayments): Gross value	658	1,473
Inter-SETA receivables	141	47
Other Debtors	305	2,350
Training Layoff Scheme (TLS) Debtors	1,429	1,429
Allowance for doubtful debts provision	(1,739)	(722)
	794	4,577

6.1 Receivables from Non-exchange Transactions Impaired

Reconciliation of provision for impairment of receivables from non-exchange transactions.

	2017 '000	2016 '000
Opening balance	(721)	(163)
Provision for impairment	(1,325)	(558)
Amounts written off as uncollectible	157	-
	(1,889)	(721)

7. Receivables from Exchange Transactions

	2017 '000	2016 '000
Deposits	338	338
Prepaid expenses	194	534
Sundry debtors	476	286
Allowance for doubtful debt provision	(150)	-
	858	1,158

8. Inventories

	2017 '000	2016 '000
Stationery and other consumables	275	152
	275	152
Inventories (write-downs)	(89)	-
	186	152

Inventory comprises cartridges, paper, kitchen items and other consumables.

Inventories Reconciliation

	2017 '000	2016 '000
Opening carrying amount	152	159
Purchases	313	191
Amount utilised	(190)	(198)
	275	152

9. Government Grants and Donor Funding Received in Advance

FP&M SETA received conditional grants as follows:

Unspent conditional grants and receipts comprises of:

	2017 '000	2016 '000
Department of Arts and Culture	1,989	1,989
Create SA	3,354	3,434
TLS: UIF	551	551
W&R SETA and CTFL SETA Collaboration Project	851	851
TLS: DHET	3,996	3,996
	10,741	10,821

Movement During the Year

	2017 '000	2016 '000
Balance at the beginning of the year	10,821	14,240
Additions during the year	-	23
Income recognition during the year	(80)	(3,442)
	10,741	10,821
Non-current liabilities	-	-
Current liabilities	10,741	10,821
	10,741	10,821

Donor funding and other government grants are recognised as income when the conditions related to the grants are met and are based on qualifying expenditure incurred. Refer to note 22 for detailed movements of grants.

10. Trade and Other Payables from Non-exchange Transactions

Trade payables from non-exchange transactions relate to mandatory and discretionary grant liabilities other than those that are accounted for as grants received in advance (conditional grants received).

Non-exchange payables are as follows:

	2017 '000	2016 '000
Mandatory grant payables	834	992
Discretionary grant payables	513	6,991
Inter-SETA payables - non-exchange	-	1
Discretionary grant accruals	27,974	13,442
Accrual for mandatory grants	4,890	4,996
	34,211	26,422

11. Trade and Other Payables – Exchange Transactions

	2017 '000	2016 '000
Trade payables	317	863
Accrued expense: Administrative expenses	1,279	1,959
Accrued expense: Salary deductions payable	-	201
Accrued expense: Operating lease straight lining	33	37
TOTAL	1,629	3,060

12. Provisions

Reconciliation of provisions: 2017	Performance bonus	Levies from exempt companies*	Total
Opening balance	2,139	5,669	7,808
Amount utilised in profit and loss	(1,503)	(992)	(2,495)
Additions	1,635	1,425	3,060
TOTAL	2,271	6,102	8,373

Reconciliation of provisions: 2016	Performance bonus	Levies from exempt companies*	Total
Opening balance	2,421	5,226	7,647
Amount utilised in profit and loss	(1,229)	(739)	(1,968)
Additions	947	1,182	2,129
TOTAL	2,139	5,669	7,808

Leave pay provision for 2015/16 amounting to R903,000.00 has now been reclassified to accruals in line with Grap 19.

13. Revenue

	2017 '000	2016 '000
Other revenue	94	364
Interest received - investment	38,942	33,622
Government grants & subsidies	80	3,442
SDL revenue	319,966	324,323
SDL penalties and interest	8,512	10,203
	367,594	371,954

The amount included in revenue arising from exchanges of goods or services are as follows:

	2017 '000	2016 '000
Other revenue	94	364
Interest received - investment	38,942	33,622
	39,036	33,986

The amount included in revenue arising from non-exchange transactions is as follows:

	2017 '000	2016 '000
Transfer revenue	80	3,442
SDL revenue	319,966	324,323
SDL penalties and interest	8,512	10,203
	328,558	337,968

14. Other Income

	2017 '000	2016 '000
Testing certificates - non-exchange	81	174
Insurance refund - exchange	13	190
	94	364

15. Finance Income

	2017 '000	2016 '000
Interest revenue		
Interest from deposits and bank	38,942	33,622

16. Levies

	2017 '000	2016 '000
Administration - SDL received from SARS	42,064	42,642
Administration - Inter SETA transfer in	31	8
Employer grants - SDL grants received from SARS	79,685	81,041
Employer grants - Inter SETA transfer in	12	-
Discretionary grants - SDL received from SARS	198,029	200,593
Discretionary grants - Inter SETA transfers in	145	40
Discretionary grants - Inter SETA transfers out	-	(1)
	319,966	324,323

17. SDL Penalties and Interest Received

	2017 '000	2016 '000
SDL interest income	4,574	5,140
SDL penalties income	3,938	5,063
	8,512	10,203

18. Employee Related Costs

	2017 '000	2016 '000
Basic	17,536	17,266
Bonus	1,634	947
Medical aid - company contributions	925	630
UIF	74	71
Workmen's compensation	49	96
SDL	191	190
Leave pay provision charge	(149)	108
Short term benefit	284	344
Other short-term costs	4	-
Cellphone allowances	89	88
Overtime payments	12	13
Acting allowances	19	18
Car allowance	460	541
	21,128	20,312

19. Debt Impairment

	2017 '000	2016 '000
Allowance for credit losses/bad debts	1,325	557

20. Employer Grant and Project Expenses

	2017 '000	2016 '000
Discretionary Grant Expenses		
Non-pivotal skills administrative project costs (20.1)	10,099	9,688
Non-pivotal skills project expenses	98,834	93,750
Project expenses on non-window funded projects (20.2)	6,869	6,765
Pivotal skills administrative expenses	2,590	2,704
Pivotal skills project expenses	148,834	117,975
	267,226	230,882
Mandatory grant expenditure		
Mandatory grant to employers	61,687	66,101
Employer grant and project expenses for the period	328,913	296,983

20.1 Non-pivotal Skills Administrative Project Costs

	2017 '000	2016 '000
Basic salaries	6,735	6,713
Leave accrual	19	16
Medical aid	393	257
UIF	41	40
SDL	80	78
Short Term Benefits	686	636
Cellphone allowances	29	35
Overtime	6	32
Acting Allowance	48	-
Car Allowance	165	33
Project Monitoring: Travel and Subsistence	574	1,163
QA monitoring visits: Verification SSA costs	437	79
QA monitoring visits: Verification travel and subsistence	26	-
Meetings / Workshops / Conferences	516	231
Resources	143	375
Consultants	201	-
	10,099	9,688

R 2,050,000.00 has been reclassified to Non-pivotal project expenses as this was incorrectly allocated in 2015/16.

20.2 Project Expenses on Non-window Funded Projects

	2017 '000	2016 '000
Basic salaries	628	-
Medical aid	36	-
UIF	3	-
SDL	6	-
Short Term Benefits	58	-
Overtime	1	-
DG Marketing	4,146	5,491
SSP	1,034	258
WSP	328	300
DG funding promotions	629	716
	6,869	6,765

Included in Pivotal administrative expenses are employee cost R732,000.00 for 2016/17.

21. General Expenses

	2017 '000	2016 '000
Internal audit fees	1,189	818
Advertising	54	211
Auditors remuneration	1,781	2,089
Bank charges	47	63
Cleaning	64	70
Audit committee fees	112	137
Computer expenses	23	35
Legal fees	40	100
Board fees	455	410
Insurance	151	390
Repairs and Maintenance	63	34
Fuel and oil	22	17
Consultant fees	668	2,667
Postage and courier	156	106
Printing costs	344	317
Management information costs	2,151	2,052
Stationery	108	89
Security	48	42
Staff welfare	7	5
Subscriptions and membership fees	640	465
Telephone and fax	777	769
Staff training and development costs	216	286
Travel - local	1,027	1,423
Electricity	878	945
QCTO expenses	1,804	1,125
Catering and refreshments	296	342
Stock write-off provision	89	-
Office expenses	174	192
	13,384	15,199

22. Government Grants and Subsidies

	2017 '000	2016 '000
Operating grants		
Create SA: NSF	80	3,442
CREATE SOUTH AFRICA (SA)		
Balance unspent at beginning of year	3,434	6,877
Conditions met – transferred to revenue	(80)	(3,443)
	3,354	3,434

23. Lease Rental on Operating Lease

The operating leases relates to building premises used as office accommodation in our two regional offices and head office. The current lease agreement in Durban has been extended to 31 March 2018. The Cape Town lease expires end of May 2017 and Johannesburg offices' lease expire at the end of March 2018. Annual escalation for all three regions amounts to 9%.

Reconciliation of future minimum lease payments:

Reconciliation of future minimum lease payments	2017 '000	2016 '000
Not later than one year	1,060	570
Later than 5 years	-	-
	1,060	570

24. Related Parties

Relationships

Company Name	Member Name
Aranda Textile Mills	Frans Barnard (Authority Member)
Aranda Learnership College	Frans Barnard (Authority Member)
Pearson Holdings	Brian Mafawarowa (Authority Member)
DHET	Shareholder
SAPPI SA Ltd	Mike Truelock (Authority Member)
other SETAs	Parent entity is DHET

Related Party Balances

Amounts included in Government grants and donor funding received in advance regarding related parties.

	2017 '000	2016 '000
UIF	1,176	1,176
W&R SETA	254	254
Department of Arts and Culture	(1,989)	(1,989)
UIF	(551)	(551)
DHET	(3,996)	(3,996)
W&R SETA	(851)	(851)
	(5,957)	(5,957)

	2017 '000	2016 '000
Trade and other payables - non-exchange - interseta		
W&R SETA	-	(1)
Trade and other receivables - non-exchange - interseta		
W&R SETA	141	47

Related Party Transactions

Administration fees paid to (received from) related parties

	2017 '000	2016 '000
eThekweni Municipality	(59)	(56)
Telkom	(519)	(529)

Related party	Nature of relationship	Transaction type	Amount SFP 2017*	Amount receivable/ (payable) 2017	Amount SFP 2016*	Amount receivable/ (payable) 2016
SAPPI SA Ltd	Mike Truelock (Authority Member)	Mandatory grants	-	-	6,161	(220)
SAPPI SA Ltd	Mike Truelock (Authority Member)	Discretionary grants	-	-	4,087	(65)
Pearson Holdings SA (Pty) Ltd	Brian Wafawarowa (Authority Member)	Mandatory grants	73	-	251	(16)
Pearson Holdings SA (Pty) Ltd	Brian Wafawarowa (Authority Member)	Discretionary grants	48	-	-	-
Aranda Textile Mills (Pty) Ltd	Frans Barnard (Authority Member)	Discretionary grants	4,046	-	1,309	(955)
Aranda Textile Mills (Pty) Ltd	Frans Barnard (Authority Member)	Mandatory grants	91	7	65	(5)
Aranda Learnership College (Pty) Ltd	Frans Barnard (Authority Member)	Discretionary grants	4,828	-	2,610	-
Aranda Learnership College (Pty) Ltd	Frans Barnard (Authority Member)	Mandatory grants	3	-	-	-
Subtotal	-	-	9,089	7	14,483	(1,261)
Aranda Textile Mills (Pty) Ltd	Frans Barnard (Authority Member)	Levies	(338)	-	(265)	-
Pearson Holdings SA (Pty) Ltd	Brian Wafawarowa (Authority Member)	Levies	(193)	-	(1,026)	-
SAPPI SA Ltd	Mike Truelock (Authority Member)	Levies	-	-	(37,368)	-
Aranda Learnership College (Pty) Ltd	Frans Barnard (Authority Member)	Levies	(12)	-	-	-
			8,546	7	(24,176)	(1,261)

*SFP is the transaction value recognised in the Statement of Financial Performance.

The above transactions occurred under terms that were no less favourable than those available in similar arm's length dealings.

Board and Committee Remuneration 2017	Attendance Fee	Expenses	Total
Board			
S Ngidi (Chairman)	279	8	287
M Odayan	107	1	108
T Boltman	59	2	61
Audit Committee			
T Boltman	52	1	53
K De Villiers	21	2	23
M Odayan	30	-	30
T Zororo	5	-	5
	553	14	567

Board and Committee Remuneration 2016	Attendance Fee	Expenses	Total
Board			
S Ngidi (Chairman)	219	3	222
M Odayan	106	2	108
T Boltman	76	3	79
Audit Committee			
T Boltman	53	3	56
K De Villiers	18	2	20
S Ngidi	24	-	24
M Odayan	27	-	27
T Zororo	2	-	2
	525	13	538

Executive Management 2017	Basic Salary	Allowances	Company Contributions	Bonus	Leave pay	Total
Name						
CEO	1,759	267	176	243	-	2,445
GM: Governance, Compliance, Risk and Legal	922	169	14	65	-	1,170
GM: Projects	414	72	6	59	26	577
GM: Research, Planning and Reporting	881	210	13	69	-	1,173
CFO	645	43	59	-	-	747
GM: Quality Assurance	792	136	11	20	-	959
	5,413	897	279	456	26	7,071

Executive Management 2016	Basic Salary	Allowances	Company Contributions	Bonus	Back pay	Leave pay	Other Benefits received	Total
Name								
CEO	1,673	166	176	217	-	-	-	2,232
GM: Governance, Compliance, Risk and Legal	868	131	12	50	-	-	-	1,061
GM: Projects	737	103	10	15	-	-	-	865
GM: Research, Planning and Reporting	828	172	12	58	-	-	-	1,070
CFO	321	13	45	-	-	25	275	679
GM: Quality Assurance	699	103	10	13	7	-	-	832
	5,126	688	265	353	7	25	275	6,739

25. Prior Period Errors

The following prior period errors were identified and corrected retrospectively in the period affected by the error: Adjustments were made to the project commitment values as disclosed in the notes to the financial statements due to the following reasons:

- MOA value incorrectly captured.
- Incorrect allocation of expenditure in prior period.
- Company appeal for reversal of termination.
- Correction of error sweeping.

Refer to note 35 for details of restatement.

The following reclassifications were done:

- Leave provision of R903,000.00 has been reclassified to Accruals in line with Grap 19.
- A credit amount of R2,050,000.00 was incorrectly allocated to project admin expenses instead of non-pivotal skills project expenses.

	2017 '000	2016 '000
Statement of financial position	-	-
Statement of financial performance	-	-

26. Cash Generated from (used in) Operations

	2017 '000	2016 '000
(Deficit) surplus	(3,039)	30,365
Adjustments for:		
Depreciation and amortisation	1,416	1,304
Gain on sale of assets and liabilities	18	78
Debt impairment	1,325	557
Movements in provisions	565	285
Changes in working capital:		
Inventories	(33)	7
Receivables from exchange transactions	152	(389)
Sundry debtors	(1,325)	(557)
Other receivables from non-exchange transactions	3,933	27,005
Trade and other payables - exchange transactions	(1,432)	211
Taxes and transfers payable (non-exchange)	7,789	(87,648)
Government grants and Donor funding received in advance	(80)	(3,419)
	9,289	(32,201)

27. Allocation of Net Surplus

2016/17	Administration reserve	Employer reserve mandatory grants	Discretionary reserve	DG: Special projects	Total per statement of performance
Total income					
Government grants and donor Funding	-	-	-	80	80
SDL revenue	42,095	79,697	198,174	-	319,966
SDL penalties and interest received	-	-	8,512	-	8,512
Other revenue	-	-	94	-	94
Finance income	-	-	38,942	-	38,942
Total income	42,095	79,697	245,722	80	367,594
Total expenses					
Administration expenses	(41,640)	-	-	-	(41,640)
Expenditure on conditional grants	-	-	-	(80)	(80)
Employer grants and project expenses	-	(61,687)	(267,226)	-	(328,913)
	455	18,010	(21,504)	-	(3,039)

2015/16	Administration reserve	Employer reserve mandatory grants	Discretionary reserve	DG: Special projects	Total per statement of performance
Total income					
Government grants and donor Funding	-	-	-	3,442	3,442
SDL revenue	42,689	81,041	200,593	-	324,323
SDL penalties and interest received	-	-	10,203	-	10,203
Other revenue	-	-	364	-	364
Finance income	-	-	33,622	-	33,622
Subtotal	42,689	81,041	244,782	3,442	371,954
Total expenses					
Administration expenses	(41,164)	-	-	-	(41,164)
Expenditure on conditional grants	-	-	-	(2,642)	(2,642)
Employer grants and project expenses	-	(66,101)	(231,682)	-	(297,783)
	1,525	14,940	13,100	800	30,365

28. Surplus Funds Transferable to National Treasury

	2017 '000	2016 '000
Transfers of excess funds from:		
Discretionary Grant Reserve	508,656	510,795
Administration Grant Reserve	1,620	2,520
Application for approval	(510,276)	(513,315)
	-	-
Surplus funds due to National Treasury		
Cash and cash equivalents	561,772	553,019
Receivables from non-exchange transactions	794	4,577
Receivables from exchange transactions	858	1,158
less current liabilities	(54,954)	(48,111)
less closing balance of commitments	(498,986)	(504,978)
	9,484	5,665
Reserves before NSF	9,484	5,665
5% Retention of total discretionary reserves	(25,433)	(25,540)
	(15,949)	(19,875)

In the previous year Inventory amounting to R152,000.00 was incorrectly included in the calculation of surplus. This has now been rectified.

The 5% percent retention of discretionary grant reserves for 2015/16 amounting to R25,665,000.00 was incorrectly shown. This has now been rectified.

29. Financial Instruments Disclosure

Categories of financial instruments

	2017 '000	2016 '000
Financial assets	At amortised cost	At amortised cost
Trade and other receivables from exchange transactions	858	1,158
Trade and other receivables from non-exchange transactions	794	4,577
Cash and cash equivalents	561,772	553,019
	563,424	558,754
Financial liabilities		
Trade and other payables from exchange transactions	(1,629)	(3,060)
Trade and other payable (non-exchange)	(34,211)	(26,422)
	(35,840)	(29,482)

	2017 '000	2016 '000
Financial instruments in statement of financial performance 2017	At amortised cost	At amortised cost
Interest income (calculated using effective interest method) for financial instruments at amortised cost.	38,942	33,622

30. Risk Management

Financial risk management

In the course of the SETA operations it is exposed to interest rate, credit, liquidity and market risk. The SETA has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks.

The risk management process relating to each of these risks is discussed under the headings below.

Liquidity risk

The SETA manages liquidity risk through proper management of working capital, capital expenditure. Adequate reserves and liquid resources are maintained.

2016/17	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years
Trade and other trade payables from exchange transactions	(1,629)	(1,629)	(1,629)	-	-
Trade and other payables: Non-exchange	(34,211)	(34,211)	(34,211)	-	-
	(35,840)	(35,840)	(35,840)	-	-

2015/16	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years
Trade and other trade payables from exchange transactions	(3,060)	(3,060)	(3,060)	-	-
Trade and other payables: Non-exchange	(26,422)	(26,422)	(26,422)	-	-
	(29,482)	(29,482)	(29,482)	-	-

PART E: FINANCIAL INFORMATION

Credit risk

Financial assets, which potentially subject the SETA to the risk of non-performance by counter parties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents, investments and accounts receivable. The maximum exposure to credit risk is equal to the carrying amount of the financial instruments. Trade receivables have been adequately assessed for impairment.

Financial assets exposed to credit risk at year-end were as follows:

Financial instrument	2017 '000	2016 '000
Receivables from exchange transaction	858	1,158
Cash and Cash equivalents	561,772	553,019
Receivables from non - exchange transaction	794	4,577

2016/17 Age Analysis	Current	30 to 60 days	60 to 90 days	90 to 120 days	More than 120 days	Carrying amount
Receivables from exchange transactions	475	-	14	-	519	1,008
Cash and cash equivalents	561,772	-	-	-	-	561,772
Receivables from nonexchange transactions	804	-	-	-	1,729	2,533
Gross before impairment	563,051	-	14	-	2,248	565,313
Impairment loss	-	-	-	-	(1,889)	(1,889)
	563,051	-	14	-	359	563,424

2015/16 Age Analysis	Current	30 to 60 days	60 to 90 days	90 to 120 days	More than 120 days	Carrying amount
Receivables from exchange transactions	214	-	-	-	944	1,158
Cash and cash equivalents	553,019	-	-	-	-	553,019
Receivables from nonexchange transactions	2,684	-	-	-	1,893	4,577
Gross before impairment	555,917	-	-	-	2,837	558,754
Impairment loss	-	-	-	-	(721)	(721)
	555,917	-	-	-	2,116	558,033

The SETA limits its Treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulation. The SETA's exposure is continuously monitored by the Executive Committee. Credit risk with respect to SDL paying employers is limited due to the nature of the income received. The SETA does not have any material exposure to any individual or counter-party. The SETA's concentration of credit risk is limited to the industry in which the SETA operates. No significant events occurred in the industry during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debt. No receivables are held as security for SETA liabilities and also no collateral is held by the seta as security for receivables.

Long outstanding receivables from non-exchange and impaired amounts to R1,176,000.00 (more than 120 days).

Interest rate risk

The SETA manages its interest rate risk by investing in the financial institutions approved by National Treasury.

The SETA's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

2016/17	Interest bearing amount	Effective interest rate	Non-interest-bearing amount
Financial assets			
- Receivables from exchange transactions	-	-	858
- Cash and cash equivalents	561,772	7.36%	-
- Receivables from non-exchange transactions	-	-	794
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	-	(1,629)
- Trade and other payables (non-exchange)	-	-	(34,211)
	561,772	7.36%	(34,188)

2015/16	Interest bearing amount	Effective interest rate	Non-interest-bearing amount
Financial assets			
- Receivables from exchange transactions	-	-	1,158
- Cash and cash equivalents	553,019	5.89%	-
- Receivables from non-exchange transactions	-	-	4,577
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	-	(3,060)
- Trade and other payables (non-exchange)	-	-	(26,422)
	553,019	5.89%	(23,747)

Fair Value and Market risk

Market risk

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

Fair values

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

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments.

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

Cash and cash equivalents

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

Accounts receivable

The carrying amount of accounts receivable, net of allowance for impairment, approximates fair value due to the relatively short-term maturity of these financial assets. Interest is levied at the prescribed rate as determined by the Act should employers pay SDL late. This interest is then transferred to the SETA via DHET.

Accounts payable

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

31. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Minister of Higher Education and Training has approved the SETA license until 31 March 2020.

32. Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure

	2017 '000	2016 '000
Opening Balance	218	179
Incurred in the year	-	39
Amount written off	(182)	-
	36	218

Fruitless and wasteful expenditure consist of the following: Amount was previously reported as R182,000.00 instead of R218,000.00 due to a casting error.

The matter relating to the R36,000.00 is still under investigation.

The Board approved a write off of R182,000.00 taking into consideration that the amounts are old, no person could be held liable in law, there was no malice on the part of any employee nor any gross negligence. The amounts were therefore considered irrecoverable.

Details	Disciplinary or other actions taken	2016/17	2015/16
SARS penalty for PAYE	This amount was considered irrecoverable and therefore written off	-	3
Cancelled tender advertisement	The issue of recoverability of the amount is still under investigation and appropriate steps will be taken	-	36
		-	39

33. Irregular Expenditure

	2017 '000	2016 '000
Opening Balance	7,034	6,216
Add: Irregular Expenditure - current year	1,204	818
Less: Amounts written off	(8,238)	-
	-	7,034

Details of Irregular Expenditure Not Recoverable

	2016/17	2015/16	2014/15	Before 2014/15
SCM non-compliance: 3 quotes not requested	-	-	-	186
SCM non-compliance: Evaluation/ functionality criteria not included in the specification document	1,189	818	1,250	3,928
SCM non-compliance: Deviation from competitive bidding process in contravention of National Treasury Regulations	-	-	-	852
Grant Regulation non - compliance: Approval of WSP not in line with grant regulation	15	-	-	-
	1,204	818	1,250	4,966

The services were delivered and the internal controls have been modified to prevent re-occurrence of irregular expenditure.

The current year's expenditure relates to long term contracts that have been found to be irregular in the prior financial years.

All amounts were condoned and approved for write off by Board.

The write off was approved taking into account that there was value for money for the expenditure. Services were delivered in return for the money paid and there was no actual loss to the SETA.

34. Contingencies

Surplus funds

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury. The amended grant regulations define surplus as a favourable residual balance in the statement of financial performance for the financial year ending on 31 March less commitments to training of learners in programmes funded from discretionary funds; 'commitments' in this context mean that contractual obligations exist at the end of the financial year that will oblige the SETA to make a payment or agreement (written with specific terms between a SETA and third party whereby the third party undertakes to perform something in relation to a discretionary project for which a SETA will be obliged to make payment against the discretionary grants should an application for retention of surplus funds be denied. We have on 31 May 2017 submitted an application to the DHET for retention of surplus funds and to retain funds used for internal projects. Reserves carried over from the previous financial year outside of the definition of surplus have been disclosed as a contingent liability and request for approval for these funds has been submitted to National Treasury. As in the previous year FP&M SETA expects that National Treasury will approve the retention of surplus funds.

	2017 '000	2016 '000
Administrative reserve	1,620	2,520
Discretionary reserve	508,656	510,795
	510,276	513,315

In terms of Section 53 (3) of the PFMA, public entities listed in Schedule 3A and 3C to the PFMA may not retain cash surpluses that were realised in the previous financial year without obtaining the prior written approval of National Treasury.

National Treasury issued Instruction No.6 of 2017/2018 to repeal the National Treasury Instruction No.3 of 2015/2016 on the retention of cash surpluses. This new Treasury Instruction takes effect from the date of issue for surpluses realised in the previous financial year and subsequent financial years whichever is applicable. According to this Treasury Instruction the surplus is based on cash and cash equivalents plus receivables less current liabilities and commitments at the end of the financial year.

As at 31 March 2017 FP&M SETA had a surplus of R9,484,000.00 to surrender to National Treasury. Refer to Note 28 for the detailed calculation of the surplus.

35. Commitments

Of the balance of R508.6 million available in the discretionary reserves at the end of March 2017, R499 million has been approved and contractually committed. Amounts for expenses that have already been contracted or incurred and therefore included in grant expenses in the statement of financial performance, are also indicated. A request for the accumulation of these funds has been submitted to National Treasury on 31 May 2017.

At the time of compiling the annual financial statements, no reply had been received.

Commitment Note 2016-17

Intervention	Opening balance as per audited AFS	Cumulative restatements	Restated Opening Balance 1 April 2016	Expenditure	Sweepings	Project savings	Adjustments	Additions	Closing Balance
AET	3,920,100.00	201,000.00	4,121,100.00	(2,380,500.00)	(873,000.00)	(471,000.00)		2,508,000.00	2,904,600.00
Apprenticeships	148,592,145.50	210,000.00	148,802,145.50	(274,38,968.25)	(21,131,700.00)	(2,404,000.00)	(576,000.00)	50,710,000.00	147,961,477.25
Bursaries	71,542,923.72	50,000.00	71,592,923.72	(22,947,060.39)	(5,000,166.00)	(487,122.43)		37,608,600.00	80,767,174.90
FET Infrastructure Project (2013\2014)	-	-	-	-	-	-	-	-	-
FET Infrastructure Project (2014\2015)	-	-	-	-	-	-	-	-	-
Learnerships	76,400,228.30	479,800.00	76,880,028.30	(59,654,800.00)	(5,739,896.30)	(4,544,100.00)	476,000.00	80,030,000.00	87,447,232.00
Prior SETAS	4,174,500.00		4,174,500.00	(1,051,250.00)	(3,123,250.00)	-	-	-	-
Qualifications Development	38,775,000.00	(400,000.00)	38,375,000.00	(9,300,000.00)	-	-	-	8,800,000.00	37,875,000.00
Skills Programmes	22,327,574.40	(172,800.00)	22,154,774.40	(25,505,560.00)	(4,168,240.00)	(1,126,154.40)		31,824,400.00	23,179,220.00
Special Project	98,634,184.35		98,634,184.35	(66,651,686.89)	(3,172,910.65)	(3,147,380.60)	100,000.00	49,010,430.00	74,772,636.21
Training Layoff Scheme	3,288,256.78		3,288,256.78	-	(3,288,256.78)	-	-	-	-
TVET	5,735,200.00		5,735,200.00	(2,558,900.00)	(42,000.00)	-	-	-	3,134,300.00
Work Integrated Learning	10,063,100.00		10,063,100.00	(11,302,976.92)	(871,500.00)	(129,000.00)		19,893,000.00	17,652,623.08
Workplace Experience / Internship	21,525,000.00	15,000.00	21,540,000.00	(18,873,500.00)	(2,507,300.00)	(467,500.00)	900,000.00	16,960,000.00	17,551,700.00
	504,978,213.05	383,000.00	505,361,213.05	(247,665,202.45)	(49,918,219.73)	(12,776,257.43)	900,000.00	297,344,430.00	493,245,963.44
DG Administration									
Project Administration			18,428,000.00	(12,688,297.93)					5,739,702.07
Capacity Building and Stakeholder Relations			5,750,000.00	(4,858,464.59)		(891,535.41)			-
DG Funding Promotion			1,000,000.00	(629,354.19)		(370,645.81)			-
WSP Promotion			1,500,000.00	(328,851.04)		(1,171,148.96)			-
SSP			1,500,000.00	(1,035,094.19)		(464,905.81)			-
	504,978,213.05	383,000.00	533,539,213.05	(267,205,264.39)	(49,918,219.73)	(15,674,493.42)	900,000.00	297,344,430.00	498,985,665.51

Commitment Note 2015-16	Opening Balance 15-16	Opening Balance Adjustment	Restated Opening Balance	Expenditure	Additions	Sweepings	Closing Balance 15-16	15-16 Adjustments	Restated Closing Balance 15-16
Intervention									
AET	4,225,049.80	21,000.00	4,246,049.80	(1,959,600.00)	2,826,000.00	(1,172,100.00)	3,940,349.80	180,000.00	4,120,349.80
Apprenticeships	122,358,745.50	(25,000.00)	122,333,745.50	(19,236,850.00)	58,145,000.00	(12,674,750.00)	148,567,145.50	235,000.00	148,802,145.50
Bursaries	39,442,624.40		39,442,624.40	(23,088,168.18)	59,127,150.00	(3,938,682.50)	71,542,923.72	50,000.00	71,592,923.72
FET Infrastructure Project (2013\2014)	-		-	-		-	-		-
FET Infrastructure Project (2014\2015)	-		-	-		-	-		-
Learnerships	80,572,931.81	227,800.00	80,800,731.81	(49,730,671.70)	62,475,000.00	(16,917,031.81)	76,628,028.30	252,000.00	76,880,028.30
Prior SETAS	16,522,750.20		16,522,750.20	(1,347,500.00)		(11,000,000.00)	4,175,250.20		4,175,250.20
Qualifications Development	39,275,000.00		39,275,000.00				39,275,000.00	(400,000.00)	38,875,000.00
Skills Programmes	22,986,515.50	(172,800.00)	22,813,715.50	(22,827,470.00)	27,396,000.00	(5,727,471.10)	21,654,774.40		21,654,774.40
Special Project	98,419,766.20		98,419,766.20	(75,710,790.85)	83,288,509.79	(7,363,300.79)	98,634,184.35		98,634,184.35
Training Layoff Scheme			-	-	3,288,256.78	-	3,288,256.78		3,288,256.78
TVET	5,022,000.00		5,022,000.00	(3,705,800.00)	4,509,000.00	(90,000.00)	5,735,200.00		5,735,200.00
Work Integrated Learning	11,714,575.00		11,714,575.00	(10,808,575.00)	9,463,100.00	(306,000.00)	10,063,100.00		10,063,100.00
Workplace Experience / Internship	9,722,500.00		9,722,500.00	(5,548,000.00)	21,047,000.00	(3,696,500.00)	21,525,000.00	15,000.00	21,540,000.00
	450,262,458.41	51,000.00	450,313,458.41	(213,963,425.73)	331,565,016.57	(62,885,836.20)	505,029,213.05	332,000.00	505,361,213.05

36. Budget Differences

Variances between the approved budget amounts and actual amounts can be analysed as follows:

36.1. Interest Income (Favourable)

Finance income realised is R20m higher than budget to higher cash average cash balances that were invested during the year. Furthermore, the effective interest rate was higher in the current year. There is also an element on underbudgeting.

36.2 SDL Income (Un-favourable)

SDL revenue realised is R63m lower than budget mainly due to the fact that the budget was set too high and not realistic in relation to the actual levy revenue received.

36.3 SDL Penalties and Interest Received

Income from penalties and interest arise when employers fail to submit their returns as required by legislation. These amounts typically vary significantly year-on-year. The full balance is made available for projects and the FP&M SETA received more income in this regard than was budgeted.

36.4 Employer Grant and Project Expenses

These expenses are lower than budget by R55m, this is in line with the lower SDL revenue received compared to budget.

36.5 Personnel Expenses

We realised savings in personnel costs mainly due to certain key positions being vacant during the year, and also lower levy income compared to budget.

36.6 Bad Debts

Certain receivables were considered irrecoverable / doubtful and were therefore impaired.

36.7 General Expenses

General expenses were lower than budget due to savings on certain line items such as, consultants, advertising, audit fees, legal fees, insurance and travel expenses. Admin budget was also estimated higher than actual admin levies received. Admin budget was estimated higher due to higher levies that were budgeted for.

37. Segment Information

Segment surplus or deficit, assets and liabilities

FP&M SETA reports to management on the basis of three functional segments namely; administration, mandatory and discretionary. Management uses these segments in determining strategic objectives and allocating resources.

The reporting of these segments is also appropriate for external reporting purposes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The geographical segments have not been disclosed as the necessary information required is not readily available and the cost to develop would be excessive.

2017	Administration	Mandatory	Discretionary	Unallocated	Total
Revenue					
Revenue from non-exchange transactions					
SDL: Income	42,095	79,697	198,174	-	319,966
SDL: Penalties and interest	-	-	8,512	-	8,512
Government grant and donor funding	-	-	-	80	80
Revenue from exchange transactions					
Other income	-	-	94	-	94
Interest revenue	-	-	38,942	-	38,942
Total segment revenue	42,095	79,697	245,722	80	367,594
Entity's revenue					367,594
Expenditure					
Employee cost	21,128	-	-	-	21,128
Depreciation and amortisation	1,416	-	-	-	1,416
Other administration expenses	19,096	-	-	-	19,096
Employer grant and project expenditure	-	61,687	267,226	-	328,913
Government grants and donor funding	-	-	-	80	80
Total segment expenditure	41,640	61,687	267,226	80	370,633
Total segmental surplus/(deficit)					(3,039)
Assets					
Non-current assets	1,620	-	-	-	1,620
Inventory	186	-	-	-	186
Account receivables from exchange transactions	858	-	-	-	858
Account receivables from non-exchange transactions	25	648	121	-	794
Cash and cash equivalents (unallocated asset)	-	-	-	561,772	561,772
Total segment assets	2,689	648	121	561,772	565,230
Total assets as per statement of financial Position					565,230
Liabilities					
Trade and other payables from non-exchange	-	5,724	28,487	-	34,211
Trade and other payables from exchange transactions	1,629	-	-	-	1,629
Provisions	2,271	-	6,102	-	8,373
Government grants and donor funding received in advance	-	-	-	10,741	10,741
Total segment liabilities	3,900	5,724	34,589	10,741	54,954
Total liabilities as per statement of financial position					54,954

PART E: FINANCIAL INFORMATION

2016	Administration	Mandatory	Discretionary	Unallocated	Total
Revenue					
Revenue from non-exchange transactions					
SDL: Income	42,651	81,041	200,631	-	324,323
SDL: Penalties and interest	-	-	10,203	-	10,203
Government grant and donor funding	-	-	-	3,442	3,442
Revenue from exchange transactions					
Other income	-	-	364	-	364
Interest revenue	-	-	33,622	-	33,622
Total segment revenue	42,651	81,041	244,820	3,442	371,954
Entity's revenue					371,954
Expenditure					
Employee cost	20,312	-	-	-	20,312
Depreciation and amortisation	1,304	-	-	-	1,304
Other administration expenses	19,548	-	-	-	19,548
Employer grant and project expenditure	-	66,100	230,883	-	296,983
Government grants and donor funding	-	-	-	3,442	3,442
Total segment expenditure	41,164	66,100	230,883	3,442	341,589
Total segmental surplus/(deficit)					30,365
Assets					
Non-current assets	2,520	-	-	-	2,520
Inventory	152	-	-	-	152
Account receivables from exchange transactions	1,158	-	-	-	1,158
Account receivables from non-exchange transactions	-	1,473	3,104	-	4,577
Cash and cash equivalents (unallocated asset)	-	-	-	553,019	553,019
Total segment assets	3,830	1,473	3,104	553,019	561,426
Total assets as per statement of financial Position					561,426
Liabilities					
Trade and other payables from non-exchange	-	11,657	14,765	-	26,422
Trade and other payables from exchange transactions	3,060	-	-	-	3,060
Provisions	2,139	-	5,669	-	7,808
Government grants and donor funding received in advance	-	-	-	10,821	10,821
Total segment liabilities	5,199	11,657	20,434	10,821	48,111
Total liabilities as per statement of financial position					48,111

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

38. Events After Reporting Date

On 18 April 2017, a massive fire destroyed the fifth floor at Braampark Forum 1B. Our offices are located on the second floor of this building. Firefighters responded and extinguished the fire, however the entire fifth floor was destroyed.

However, the water that was used to extinguish the fire flowed through to the floors below. This has caused significant damage to ceiling, carpet and furniture and equipment. The ceiling is not an asset of the SETA.

At the time of writing we could not yet quantify or estimate extent of the damage.



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