

ANNUAL REPORT 2016/2017



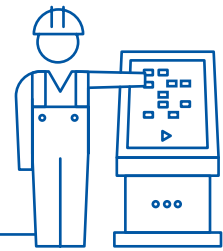
FoodBev SETA



Food and Beverage Manufacturing Sector Education and Training Authority



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FoodBev SETA's function is to **promote, facilitate and incentivise skills development** in the food and beverage manufacturing sector.

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**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

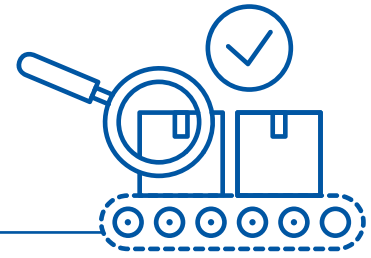
Part A

General Information



In order to afford the wider society access to the economy of the country, FoodBev SETA focuses its training programmes on both employed and unemployed learners to improve their employability and mobility.

General Information

**Registered name**

Food and Beverage Manufacturing Sector Education and Training Authority (FoodBev SETA)

Registration number*

09/FOODBEV1104111

Physical address

13 Autumn Street, Rivonia, Gauteng

Postal address

PO Box 245, Gallo Manor

Telephone number

+27 11 253 7300

Fax number

+27 11 253 7333

Email address

info@foodbev.co.za

Website address

www.foodbev.co.za

External auditors

Auditor-General South Africa
300 Middel Street, New Muckleneuk, Pretoria

Internal auditors

Rakoma and Associates Inc.

Bankers

First National Bank

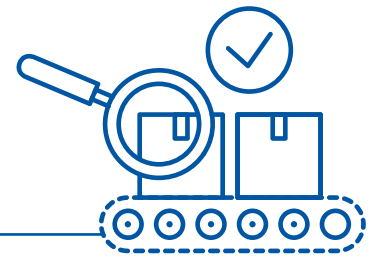
* Food and Beverage Manufacturing Sector Education and Training Authority (FoodBev SETA) is a schedule 3A public entity established in terms of the Skills Development Act No. 97 of 1998.

List of Abbreviations



AA	Accounting Authority (Board)
AET	Adult Education and Training
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
ARC	Audit and Risk Committee
ATR	Annual Training Reports
CBO	Community-based organisation
DHET	Department of Higher Education and Training
DQP	Development Quality Partner
ETQA	Education Training Quality Assurer
FoodBev SETA	Food And Beverage Manufacturing Sector Education and Training Authority
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
HACCP	Hazard analysis and critical control points
ICT	Information and communication technology
IPAP	Industrial Policy Action Plan
IT	Information technology
MTEF	Medium term expenditure framework
MTSF	Medium term strategic framework
NAMB	National Artisan Moderation Body
NDP	National Development Plan
NGO	Non-governmental organisation
NGP	New Growth Plan
NLPE	Non-levy-paying entities
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
NSF	National Skills Fund
PFMA	Public Finance Management Act of 1999 (Act No. 1 of 1999)
PIVOTAL	Professional, internship, vocational, technical, academic learning programmes that result in occupational qualifications that are quality assured by the QCTO and may include a knowledge component that is normally delivered at Further Education and Training College or a university
QCTO	Quality Council for Trades And Occupations
RPL	Recognition Of Prior Learning
SAQA	South African Qualifications Authority
SCM	Supply Chain Management
SDA	Skills Development Act of 1998 (Act No. 97 of 1998)
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SME	Small and Micro Enterprise
SMME	Small, Medium and Micro Enterprise
SSP	Sector Skills Plan
TVET	Technical and Vocational Education Training
WSP	Workplace Skills Plan

Chairperson's Foreword



THULANI TSHABALALA
Acting Chairperson of the Accounting Authority

The FoodBev SETA Board continues to give support to management and to play its oversight role to ensure that FoodBev SETA delivers on its primary mandate of developing skills in line with the priorities of government and the needs of the sector.

It gives me great pleasure to present the 31 March 2017 Food and Beverage Manufacturing Sector Education Training Authority (FoodBev SETA) Annual Report on behalf of the Accounting Authority. FoodBev SETA has marked yet another milestone in the skills development arena. FoodBev SETA's skills development efforts are realised by the establishment of the skills needs of the sector and their supply and demand. This allows the organisation to focus resources on areas that are critical.

During the year under review, FoodBev SETA entered into partnerships with different organisations from both the public and private sector in order to strengthen its role in the post-school education and training platform in order to contribute towards skills development. In an effort to support learners still in the basic education level and provide awareness of careers and programmes offered in the sector, FoodBev SETA hosted career guidance exhibitions that were aimed at providing clear career pathways into the sector.

FoodBev SETA established a culture of good corporate governance through exemplary leadership by management and the Accounting Authority, and also through the inculcation of human resources policies.

In order to strengthen the gains of good corporate governance, the Board approved the establishment of a risk, governance and compliance unit that will assist management with all compliance and risk management strategies.

The FoodBev SETA Board continues to give support to management and to play its oversight role to ensure that FoodBev SETA delivers on its primary mandate of developing skills in line with the priorities of government and the needs of the sector.

The Accounting Authority is also responsible for providing strategic direction and leadership to the organisation.

Chairperson's Foreword



In performing its duties, the Accounting Authority is supported by four different committees, which are charged with meeting the strategic outcome goals of the FoodBev SETA. These key committees are: the Executive Committee, Finance and Remuneration Committee, Audit and Risk Committee and the Governance and Strategy Committee.

All Board committees are functioning effectively in their roles of providing oversight in the control environment to ensure that the FoodBev SETA continues to receive a favourable audit opinion. However, the FoodBev SETA, like all other SETAs, is greatly affected by its inability to attract and retain talent due to the changes in the legislation and policy environment that are foreseen in the future.

These changes affect the cohesion and collegiality between both internal and external stakeholders and ultimately hamper efforts of developing the skills of deserving South Africans.

Strategic relationships

In the execution of its mandate, which includes the support of post-school education, FoodBev SETA entered into partnerships with TVET colleges and companies within the sector in order to capacitate TVET colleges and assist with their curriculum reform by exposing TVET college lecturers to industry knowledge and skills.

National strategies

The FoodBev SETA programmes are geared to link with the National Development Plans, which aim to reduce inequality and eliminate poverty in South Africa by 2030. In order to afford the wider society access to the economy of the country, FoodBev SETA focuses its training programmes on both employed and unemployed learners to improve their employability and mobility.

The scarce and critical skills offered by higher education institutions, but identified as a need within the sector are addressed, through the FoodBev SETA comprehensive bursary project for both undergraduates and postgraduates. The bursary project also addresses the country's need for the accelerated production of postgraduates and doctoral graduates through special financial support for research and innovation.

Over and above this, FoodBev SETA put more resources towards supporting the National Student Financial Assistance Scheme (NSFAS) in order to support more students in need.

Appreciation

I wish to thank the Honourable Minister of Higher Education and Training and his team for giving us support in our 2016/2017 skills development journey.

Our sincere thanks go to all the critical role players such as organised labour in the sector, our five Chambers representatives, the institutions of higher learning and the college sector.

All these partners created an enabling environment for the FoodBev SETA to make its impact in fulfilling the government's aspiration of developing skills in South Africa.

The Annual Report is a representation of the tireless work of a team that is made up of my fellow Board members, the Acting Chief Executive Officer, the managers and all members of the staff. Our collective effort and support made it possible for FoodBev SETA to perform consistently throughout the year.

A special thank you goes to the Acting CEO and her team who worked hard to produce this Annual Report and deliver on the skills development mandate. My sincere gratitude also goes to the Board committees and the office of the Auditor-General.

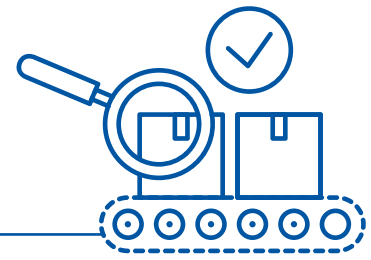


Mr Thulani Tshabalala

Acting Chairperson

31 July 2017

Chief Executive Officer's Report



NOKUTHULA SELAMOLELA
Acting Chief Executive Officer

I am pleased to present **FoodBev SETA's Annual Report for 2016/2017** containing an overview of key activities in terms of the **operations, financial performance and developments across all performance targets**, as set out in the predetermined objectives of the NSDS III.

Overall performance

During the year under review, FoodBev SETA has partnered with constituents in the sector organisations and industry stakeholders in order to build an integrated, high-quality, post-school education and training platform that will contribute towards skills development.

FoodBev SETA has hosted career guidance exhibitions and school talks in order to support learners from high-school level and provide awareness of careers and programmes available in the sector that will enhance their education all the way to employment opportunities.

The global economic crisis has created challenges that include, amongst others, high levels of unemployment and inequality, which directly impacts our sector.

The direct impact of this has been experienced through the increased number of cancellations of training programmes by the sector due to retrenchments and job losses.

Despite these challenges, FoodBev SETA endeavoured to deliver on its mandate and adhere to and/or exceed set delivery targets in the Annual Performance Plan.

Quality assurance

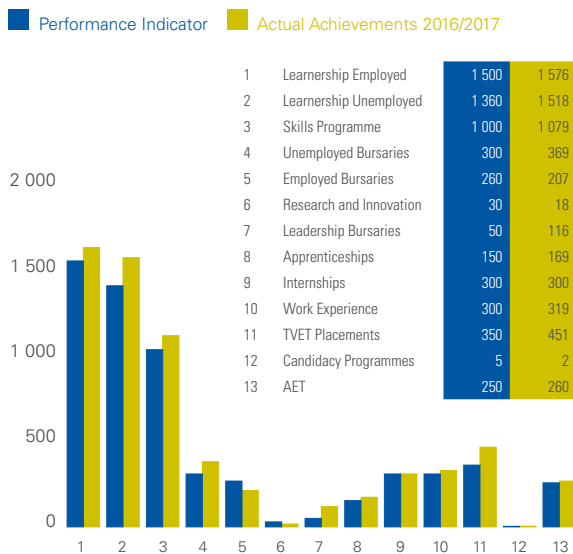
The quality assurance function continues to monitor the accredited companies in order to ensure that industry standards are maintained at all times. The quality assurance team assists in developmental issues where necessary in order to improve the quality of learning delivery. The Accounting Authority approved the increase of a panel of external moderators in order to accelerate the backlog of moderations that were outstanding, certify learners and effect payments.

In addition to the currently available registered FoodBev SETA qualifications, FoodBev SETA has been given Development Quality Partner (DQP) status by the Quality Council for Trades and Occupations (QCTO) to develop four qualifications for the sector.

Chief Executive Officer's Report



Performance 2016/2017



One of the four qualifications has already been approved by the QCTO and is awaiting registration by SAQA.

In consultation with the National Artisan Moderation Body (NAMB) and the QCTO, the challenges that were experienced with learner trade testing and certification are being addressed and are slowly improving. In order to improve service delivery to our stakeholders, the FoodBev SETA is now dealing directly with NAMB and managing this process in-house.

Good corporate governance

The organisation has established a culture of good corporate governance through the review and update of the Code of Conduct, which is signed by all the employees of the organisation, and the implementing of approved policies and procedures.

There are certain risk areas that still need attention, hence the suggestion of establishing a risk, governance and compliance unit that will assist management with the implementation of risk management strategies per division.

In the meantime, management has implemented practical interventions to alleviate potential risks that could adversely affect efficiencies in service delivery.

General financial review of the organisation

The financial performance of the FoodBev SETA has improved steadily, with improved financial and administrative controls. Adherence to generally recognise practices and National Treasury regulations have been made a priority.

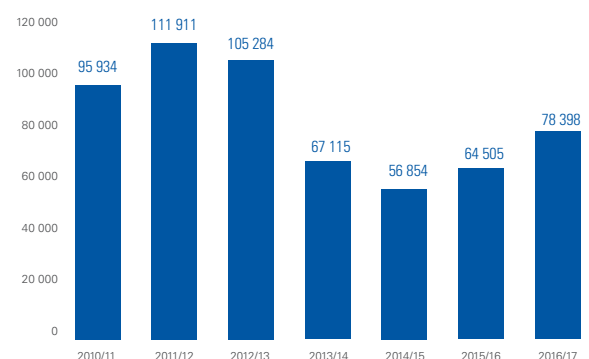
FoodBev SETA received levy income totalling R341m (2015/2016: R307m) for the financial year under review.

This represents an 11 % increase from the prior year and this can be attributed to general increases paid by employers and a once-off payment received from the transaction that involved one of the sector's bigger stakeholders.

The Skills Development Levy income was allocated in line with SETA grant regulations.

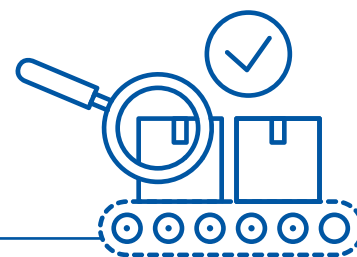
Total expenditure on grants was R261m (compared to R229m in 2015/2016) and R78m (compared to R64m in 2015/2016) was spent on mandatory grant payments.

Mandatory Grant Expenditure (R'000)

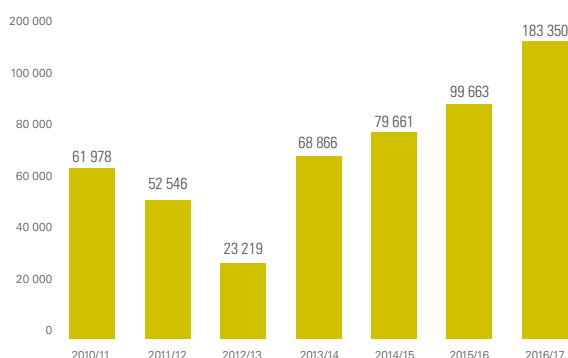


R183m (compared to R100m in 2015/2016) was spent on discretionary grant payments.

Chief Executive Officer's Report



Discretionary Grant Expenditure (R'000)



Total discretionary grants allocated towards a variety of learning programmes and partnerships amounted to R292m.

Discretionary grants are disbursed in tranches, and subsequent tranches are dependent on receipt of progress reports or results from employers in line with the approved learning programmes.

There was a general challenge with regards to employers submitting supporting documents, progress reports, and declarations of results, which resulted in delays in payments. Moderations proved to be a challenge as well, especially moderations that relate to qualifications offered by other SETAs.

In response to the crisis experienced by higher education and training institutions in the past two years, FoodBev SETA allocated additional funding of R6m to the National Student Financial Aid Scheme to assist learners to complete their studies. Over and above that, in support of financially disadvantaged students studying towards qualifications aligned to the scope of our sector, FoodBev SETA has committed an additional R20m in the current year with R50m already disbursed in the current year.

In addition, FoodBev SETA has established direct bursary partnerships with higher education and training institutions. In the year under review, FoodBev SETA partnered with Nestle to bring bursary opportunities to one hundred needy students for the duration of their studies and to provide work experience to these learners after the completion of their studies.

Administration expenses have risen with inflation and these are controlled through monthly variance reports and the implementation of cost containment measures by FoodBev SETA. The spending is in line with budgets that are approved by the Accounting Authority and where necessary amendments to the budgets are done with the approval of the Finance and Remuneration Committee.

The total administrative expenditure was R39m compared to (2015/2016: R40m), which is inclusive of project implementation administration expenditure.

Capacity constraints and challenges facing the organisation

Human Capital and Leadership

The delay in finalising the appointment of the CEO has resulted in a strain in the organisation as the CFO continues to act as the CEO.

The Accounting Authority approved a new organogram in July 2017 in order to address capacity constraints in the organisation. Some employees were deployed to other units in order to ensure that all employees are fully utilised in delivering the mandate of the organisation.

During the process of approving the organogram and HR plan, it was apparent that there are challenges that have not been addressed. The Accounting Authority therefore approved that there should be an appointment of an entity that will conduct an organisational review in order to ensure that the organisation delivers on its mandate.

During the year under review and post reporting date, a Board member reached her retirement age. Sadly, we also saw the passing of two board members, one of whom had just resigned.

Operating Systems

The biggest challenge facing the organisation is the unreliability and incompleteness of the migrated data from the old system, exacerbated by the poor, system-generated reports such as the quarterly management report, which serves as the main reporting template to the Department of Higher Education and Training (DHET) and other stakeholders.

Chief Executive Officer's Report



Discontinued activities

There has been no discontinuation, nor is there any planned discontinuation, of any major part of FoodBev SETA operations.

New or proposed activities

In the year under review as set out in the 2016/2017 Annual Performance Plan (APP), FoodBev SETA conducted a sector skills profile which, indicated that employment status in the food and beverage sector is based on the lower-skilled labour base and dominated by previously disadvantaged individuals.

The study also showed that the majority of the training interventions are geared towards scarce skills and the filling of vacant posts.

In an effort to address these sectoral and government initiatives the FoodBev SETA has retained funds for the following projects:

- Partnerships with government entities to train young women, youth and co-operatives
- Partnerships with the sector with regards to training people with disabilities and providing workplaces for them
- Funding of rural universities
- Capacity building of entrepreneurs with an emphasis on historically disadvantaged individuals
- Trade test preparation for unemployed learners who have completed their workplace experience but have not qualified as artisans due to the outstanding completion of their trade tests

In an effort to address the economic challenges and the pressure that the food and beverage manufacturing sector is under in order to survive and sustain itself, and to address current imminent retrenchments in the country, funds have been retained towards a training lay-off scheme.

This will assist in the retraining of employees affected by the lay-offs in the sector and provide access to decent jobs in the future. Constant communication with stakeholders and capacity-building initiatives:

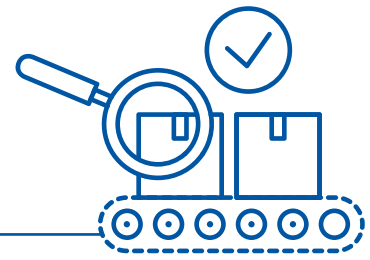
- In the 2017/2018 financial year, plans are in place to create awareness and educate stakeholders within the sector on the following:
 - Implementation of the QCTO-aligned qualification
 - Career pathing for employees
 - Sensitising the workplace to be more accommodating towards people with disabilities in the workplace
 - FoodBev SETA will partner with the Small Enterprise Development Agency (SEDA) to gain access to their SME database in order to identify, register and support the training needs of those that fall within the food and beverage manufacturing scope

As we progress towards the end of NSDS III it is imperative to strengthen the FoodBev SETA's monitoring and evaluation to assess the impact of the programmes delivered. In order to fulfil this, continued efforts have been made to capacitate the Monitoring and Evaluation unit within the Education Training Quality Assurer (ETQA) team.

- The following will be the focus of the unit in 2017/2018:
 - Monthly monitoring of progress of the achievement of targets
 - Developing mechanisms to accelerate target achievement where needed
 - Conducting impact studies in areas where performance indicators in the APP require such research

In our quest to improve research capacity and expertise within the FoodBev manufacturing sector, we will enter into partnerships with higher education institutions and other research-based institutions. In order to address transformation, a considerable amount has been set aside to fund the development of black academic researchers at Masters and PhD levels to address the high-level skills shortage in the research space.

Chief Executive Officer's Report



Request for rollover of funds

FoodBev SETA has submitted a detailed request to the DHET and National Treasury for the retention of surplus. The National Treasury subsequently approved the retention of surplus funds.

Supply Chain Management (SCM)

The Accounting Authority has implemented effective and efficient SCM systems through policies and procedures that are aligned to the Public Finance Management Act of 1999 (Act No. 1 of 1999) (PFMA), National Treasury regulations and other related legislation.

All relevant bid committees are in place. As a result, to the best of our knowledge, there were no identified irregular expenditures in the year under review that were caused by non-compliance to the supply chain policies and procedures of the organisation, however, there was irregular expenditure that resulted from contracts from prior years that are still in existence.

No unsolicited bid proposals were received for the year under review. The department was strengthened through the placement of an intern from a TVET who gained work experience at the FoodBev SETA.

Audit report matters in the previous year and how they will be addressed

Management developed and monitored action plans to address the previously reported findings of external audit and internal audit, as a result, most audit findings in the year under review were resolved and a plan is in place to resolve the remaining findings.

The internal audit team ensures that mechanisms are in place to conduct risk assessments and monitor the implementation of action plans to address previous audit findings. FoodBev SETA has received an unqualified audit report and the control environment of FoodBev SETA has significantly improved, which is evidenced by a drastic reduction in the number of audit findings.

Events after the reporting date

The National Treasury approved FoodBev SETA's request to retain surplus funds. The Accounting Authority approved the disposal list of old furniture and fittings to staff, institutions of higher learning and charitable organisations.

Acknowledgements

I would like to thank the FoodBev SETA Accounting Authority for their strategic guidance and leadership. I wish to recognise and thank all our stakeholders for their continued contributions and the trust placed on FoodBev SETA staff and management in the delivery of our mandate to deliver quality while increasing the number of beneficiaries. I encourage our member companies to continue turning the workplace into a training space.

A handwritten signature in blue ink, appearing to read 'N. Ngob', with a stylized flourish at the end.

Ms Nokuthula Selamolela

Acting Chief Executive Officer

31 July 2017

Statement of responsibility and confirmation of the accuracy of the annual report



To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the annual financial statements audited by the Auditor-General South Africa (AGSA).

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

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

The annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the FoodBev SETA.

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 information and the annual financial statements.

The AGSA has been 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 human resources information and the financial affairs of the FoodBev SETA for the financial year ended 31 March 2017.

Yours faithfully

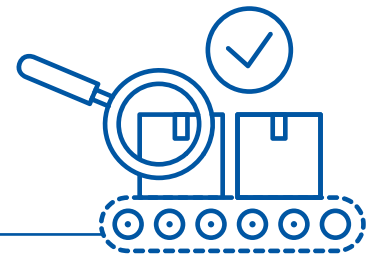
A handwritten signature in black ink, appearing to read 'Tshabalala'.

Mr Thulani Tshabalala
Acting Chairperson of FoodBev SETA

A handwritten signature in black ink, appearing to read 'N. N. Selamolela'.

Ms Nokuthula Selamolela
Acting Chief Executive Officer

Strategic Overview



Our vision statement

To have sufficient and appropriate knowledge and skills available in the food and beverage manufacturing sector in order to contribute to:

- The growth and development of the sector;
- A safe, healthy, productive and competitive industry;
- The promotion of access to quality education and training;
- The redress of past inequalities in education and training.

Our mission statement

The stakeholders of the food and beverage manufacturing sector are committed to ensuring that:

- relevant and quality learning standards and qualifications are available in this sector;
- a high quality of learning provision is maintained in this sector;
- access to knowledge and skills is improved for all in the sector.

Our values

FoodBev SETA is committed to:

- Service excellence
- Accountability
- Integrity
- Respect
- Performance
- People
- Stakeholder orientation

Legislative and Other Mandates



Legislative mandate

The FoodBev SETA falls under Schedule 3A of the PFMA (as amended). FoodBev SETA's mandate is derived from the Constitution of the Republic of South Africa, which gives everyone the right to education. This constitutional mandate is strengthened by the following key pieces of legislation, which are directly applicable to the FoodBev SETA:

- The Skills Development Act of 1998 (Act No. 97 of 1998) (SDA) (as amended in 2008)
- The Skills Development Levies Act of 1999 (Act No. 9 of 1999)
- The National Qualifications Framework Act of 2008 (Act No. 67 of 2008) (as amended in August 2010)
- The South African Qualifications Authority Act of 1995 (Act No. 58 of 1995)
- The Sector Education and Training Authorities (SETAs) Grant Regulations regarding monies received by a SETA and related matters
- The PFMA (as amended)
- The National Treasury Regulations governing public entities

Other policy mandates

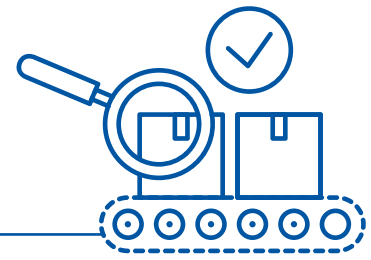
- National Skills Development Strategy III (NSDS III)
- Medium Term Strategic Framework (MTSF)
- Medium Term Expenditure Framework (MTEF)
- New Growth Path (NGP)
- Industrial Policy Action Plan (IPAP)
- National Development Plan (NDP)
- National Skills Accord
- Integrated Growth and Development Plan

Scope of coverage

SIC CODE/MAIN BUSINESS

SIC CODE	DESCRIPTION
30100	Production, processing & preservation of meat, fish, fruit, vegetables, oils and fats
30110	Production, processing & preserving of meat, and meat products
30112	Manufacture of prepared and preserved meat, including sausage
30113	Production of lard and other edible fats
30120	Processing and preserving of fish and fish products
30121	Manufacture of canned, preserved & processed fish, crustaceans and similar foods
30130	Processing & preserving of fruit & vegetables
30131	Manufacture of canned, preserved, processed and dehydrated fruit and vegetables (except soups)
30140	Manufacture of vegetable & animal oils & fats
30141	Manufacture of crude oil and oil seed cake and meal
30142	Manufacture of compound cooking fats, margarine and edible oils
30200	Manufacture of dairy products
30201	Processing of fresh milk
30202	Manufacture of butter and cheese
30203	Manufacture of ice cream and other edible ice
30204	Manufacture of milk powder, condensed milk and other edible milk products
30312	Manufacture of breakfast foods
30401	Manufacture of food preparation products
30410	Manufacture of bakery products
30430	Manufacture of cocoa, chocolate & sugar confectionery
30440	Manufacture of macaroni, noodles and similar farinaceous products
30490	Manufacture of other food products n.e.c.
30491	Manufacture of coffee, coffee substitutes and tea
30492	Manufacture of nut food
30499	Manufacture of spices, condiments, vinegar, yeast, egg products, soups and other food products
30500	Manufacture of beverages
30510	Distilling, rectifying and blending of spirits, alcohol production from fermented materials and manufacture of wine
30520	Manufacture of beer and other malt liquors and malt
30521	Breweries (except sorghum)
30522	Sorghum beer breweries
30523	Manufacture of malt
30530	Manufacture of soft drinks, production of mineral waters
30600	Manufacture of tobacco products

Organisational Structure

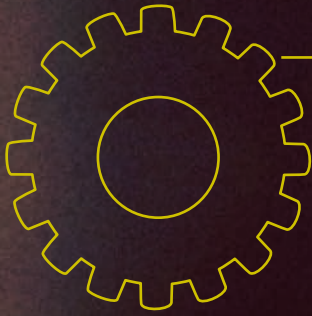


The FoodBev SETA high-level organisational structure is composed as follows:



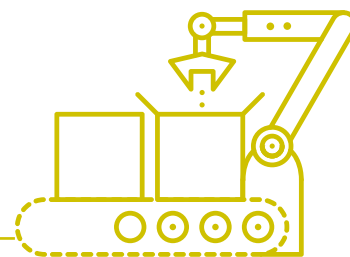
Part B

Performance Information



In its role in the post-school education and training environment, FoodBev SETA juggles national priorities and the needs of the sector and uses its strategic plan to harmonise implementation.

Predetermined Objectives



Auditor-General's Report – Predetermined objectives

The Auditor General South Africa currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. This is reported under 'Predetermined Objectives' heading in the 'Report on other Legal and Regulatory Requirements' section of the Auditor's report.

Situation analysis

The FoodBev SETA was established in 1999 in accordance with the SDA. It is one of the 21 SETAs whose licence was extended by the Department of Higher Education and Training (DHET) in 2016 for a period of four years ending on 31 March 2020. The Strategic Plan of 2016/2017-2020/2021 is aligned to key government strategic imperatives, and documents the NSDS III, White Paper on Post-School Education and Training, NDP and the National Skills Accord, amongst others.

Service delivery environment

Depressed economic conditions in SA in the first quarter of 2017 are reflected in a 0.9% decline in contribution by the food sector to national GDP, when compared to 2016.

The negative economic growth between the 2016/2017 and 2015/2016 financial years can be attributed to the depressed economic environment. This means that the decrease in the consumption of manufactured goods in these tertiary sectors affected the supply and demand of the manufactured goods. This has led to a decline in employment and uptake of trainees in different learning programmes.

The decline is partly attributed to a drought which had a debilitating impact on the sector, particularly in the food processing industry, i.e. meat, maize processing and dairy. Despite these challenges, FoodBev SETA performance increased in the current year as compared to the past year. The overall performance of the FoodBev SETA was at 72% in the current year. The improved performance by FoodBev SETA can be attributable to more efficient processes implemented at the organisation as well as improved engagements with our stakeholders.

The earlier allocation of discretionary grants and opening of more funding windows when necessary, also contributed to the improved performance. In the year under review, 80 companies were visited by the monitoring team and these site visits assisted us to identify and assist employers who required assistance in order to ensure that they remained on track in delivering quality learning programmes within the agreed timelines. A total of 40 moderators were appointed to a panel in order to accelerate the moderation of learning programmes offered by FoodBev SETA.

During the year under review, FoodBev SETA registered approximately 6 000 learners on different learning programmes (e.g. learnerships, apprenticeships, skills programmes, work experience, internships, bursaries, AET for both employed and unemployed learners. There were approximately 3 800 learners that completed their training courses and were certified. FoodBev SETA's unemployed learners bursary programme started in 2012 and has since funded over 1 500 students who are studying a variety of programmes relating to scarce and critical skills. FoodBev SETA funds these students for all their needs, which include tuition, accommodation, books and meals.

Over and above this, FoodBev SETA formed a partnership with Nestle to fund 100 learners with the aim of offering work experience after the completion of their studies. Another notable partnership from the previous financial year was the youth development project initiated by Sea Harvest in a quest to upskill unemployed youth in Saldanha.

In its role in the post-school education and training environment, FoodBev SETA juggles national priorities and the needs of the sector and uses its strategic plan to harmonise implementation. In order to align its budgeting processes with government plans and budgeting, the FoodBev SETA takes into account the MTSP goals such as "decent employment through inclusive growth", "vibrant, equitable, sustainable rural communities contributing towards food security for all" and a bigger emphasis is placed on outcome 5, namely, "A skilled and capable workforce to support an inclusive growth path".

Key policy instruments such as the NGP and the IPAP are also used as drivers of the strategy within the context of the NDP.

Predetermined Objectives



As a response to MTSF outcome 4, “decent employment through inclusive growth”, among other initiatives, FoodBev SETA entered into a partnership with an artisan college to train 100 artisans with RPL and obtain employment for more than 50%. In order to fulfil outcome 7, “vibrant, equitable, sustainable rural communities contribute towards food security for all”, different special projects are being put in place to enable SME’s and co-operatives in rural areas help transform and improve the rural economy.

In its endeavours towards the achievement of outcome 5, namely, “A skilled and capable workforce to support an inclusive growth path”, FoodBev SETA has increased its collaborations with public and private entities such as TVET colleges, government departments and employers, in the year under review.

Although most planned targets were met, more effort was needed to implement programmes such as TVET placement, artisan development, work experience and internships.

Furthermore, FoodBev SETA has supported an additional 399 unemployed learners on bursaries over and above the current approved 1 200 learners receiving financial support. FoodBev SETA has brought career guidance services and information to 6 697 young people in the year under review.

Furthermore, 104 learners from NGOs and co-operatives participated in skills programme training within their entities and were supported by FoodBev SETA.

However, performance is still thwarted by myriad of challenges which include, amongst others:

- Grant disbursement;
- Migration of data;
- Timeous registration of learners on learning programmes;
- Late cancellation of learners from learning programmes;
- Termination of learners’ places on learning programmes;
- Submission of accurate information by employers and/or training providers; and
- Accurate, system-generated learner reports.

Through engagements with the MIS service provider, FoodBev SETA continues to improve against these identified challenges. In the midst of all these challenges FoodBev SETA was able to effectively serve all its stakeholders.

Organisational environment

FoodBev SETA created an organisational capability and environment that facilitates effective execution of NSDS III dictates, legislative compliance and agility to respond to emergent imperatives and priorities. These have been achieved as follows:

- FoodBev SETA ensured proper execution of its mandate by restructuring and optimising its functions and resources so that it remained aligned to NSDS III and other national transformational priorities;
- The organogram was reviewed in order to enhance performance and capacitate different units within the organisation.

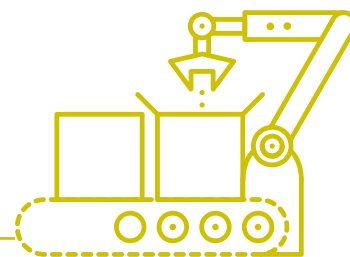
The FoodBev SETA’s current staff complement is as follow:

Positions	Number of Permanent Positions	Number of Temporary Positions	Total	%
Filled	42	5	47	77%
Vacant	14	0	14	23%
Total	56	5	61	100%

In the year under review the organisation experienced the following challenges:

- The prolonged recruitment process for a CEO has continued to create a strain in the finance department and the entire organisation, as the CFO is currently the Acting CEO;
- The recruitment of some key positions within the organisation has been a challenge due to the uncertainty of the SETA licence; and
- The staff turnover for the year under review was largely due to resignations of staff who had found other opportunities.

Predetermined Objectives



In past years food and beverage manufacturing companies have complained about not having the ability to trace or track their discretionary grant applications made to the SETA. In the year under review, FoodBev SETA designed an online application tool for the submission of discretionary grant applications and it plans to implement this system in the new financial year.

In order to effectively manage employee leave, FoodBev SETA deployed an online leave application during the fourth quarter of the year under review. Full implementation of this system will take place in the new financial year. The interaction between the learner registration and the financial systems were picked up as a challenge, due to system integration.

FoodBev SETA management and the service provider are working on the solution.

FoodBev SETA has complied with the National Treasury instruction of sourcing all suppliers for goods and services from the central supplier database. The challenge with this system of sourcing is that it does not have a comprehensive list of suppliers as yet.

The SCM department is in the process of developing an electronic online tender process and online asset management system. It is anticipated that these systems will go live in the new financial year.

Key policy developments and legislative changes

In the year under review, there were no policy or legislative changes, however, the FoodBev SETA operations have been extended until 31 March 2020.

Strategic outcome-oriented goals

GOAL 1

An effective, efficient and optimally functioning SETA

In the year under review, the FoodBev SETA approved and adopted a larger human resource structure in order to support delivery of NSDS III. All financial and risk systems were reviewed quarterly and internal controls remained in place. Timeous communication of FoodBev SETA programmes led to an increase in the uptake of discretionary grants and a better submission rate of mandatory grants. Although the participation is low in the SME sector, large and medium companies increased participation in both grants. The IT environment remained stable throughout the year, even though there are challenges that are experienced with data migration, which lead to delays in effecting payments. The strategic risk register and the HR plan were approved by the Accounting Authority.

Predetermined Objectives



GOAL 2

Establish a credible institutional mechanism for skills planning and delivery in the food and beverage sector

The Research unit in the Skills Planning Division was tasked with updating and compiling the FoodBev SETA Sector Skills Plan (SSP), which was approved by the DHET. The Research unit undertook research work and is in the process of finalising research reports on the following topics:

- Sector Skills Profile
- Skills Needs Assessment of People with Disabilities in the Food and Beverage Manufacturing Sector
- Drivers of Change in the Food and Beverage Manufacturing Sector and its Implications for Skills Development

GOAL 3

Increase access to occupationally directed programmes

Employed learners entering learnerships

FoodBev SETA annually sets aside a portion of the discretionary budget for the training of employed people in the food and beverage manufacturing sector. The main aim is to upskill the current labour force in the sector to improve productivity. The target for employees on learnerships was set at 1 500, which increased by 10% from the past financial year to accommodate the demand from the sector.

The target was exceeded by 76. The additional numbers were funded from the current reserves.

Unemployed entering learnerships

Companies within the food and beverage manufacturing sector assist the FoodBev SETA in training unemployed people to prepare them for the labour market and improve their employability by hosting them at their companies.

Other companies use the training of unemployed people as part of their recruitment strategy to ensure that the competence of the individuals meets their requirements. Learners who excel during these are then recruited and placed in the companies, while others are offered the opportunity to get a qualification. The target for this indicator was set at 1 360 and was exceeded by 158.

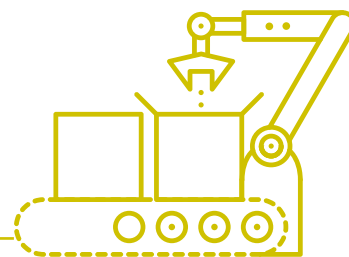
Employed entering skills programmes

This target was set at 1 000; it was exceeded and an additional 79 learners were funded from reserves. This is a result of company skills development imperatives and company compliance imperatives, such as food safety training.

HET students entering internships and work experience opportunities

For students just finishing their diplomas and degrees, gaining the appropriate work experience and becoming more employable in their chosen fields remains a huge challenge. In line with the call from the Minister of Higher Education and Training, the target for this indicator was 600 including placement of learners in internship programmes in order to obtain a qualification. The target was achieved and the collaboration with the South African Council for Graduates Cooperative (SACGC), an entity that assisted with learners that were placed in different companies in order to obtain work experience or internships, assisted a great deal.

Predetermined Objectives



GOAL 3 (continued...)

Increase access to occupationally directed programmes

TVET students placed into workplaces

The target for TVET placement was set at 350. The FoodBev SETA is actively working with companies and the public sector to place learners in order to gain work experience and increase the chances of employability within the sector. 451 learners were placed in different companies in order to gain work experience.

Other learning programmes

Artisan development: The Ministry has declared the period 2014-2024 as the decade of the artisan. In areas of work such as artisan trades, apprenticeships have traditionally been the pathway to qualifications. In this regard, FoodBev SETA allocated R22.5m to develop 150 artisans over a three-year period, compared to the 81 apprentices trained in the previous year.

Bursaries: FoodBev SETA has allocated R15m over a three-year period for 300 undergraduate learners through partnerships with the following institutions:

- University of Limpopo
- University of Venda
- Cape Peninsula University of Technology
- Durban University of Technology
- University of Johannesburg
- Nelson Mandela Metropolitan University

Priority was given to learners who study towards qualifications that address scarce and critical skills in the sector. In addition, a partnership was established with Nestle to support 100 unemployed learners for bursaries and these learners will have opportunities to get work experience. Together, the achievement for the year under review is 369.

Recognising the need for, and emphasis on, research and innovation articulated in the NDP, a further R1.5m was allocated to fund 30 learners in the year under review.

In order to address the progressing of employees to managerial positions, R9.1m was allocated to assist companies to provide bursaries for their employees and R2.25m to train 50 employees on management development programmes.

GOAL 4

Addressing the low level of youth and adult language and numeracy skills to enable additional training

The FoodBev SETA was able to address the low level of youth and adult language and numeracy skills through the implementation of the AET learning programme. The set target of this indicator was 250 and actual achievement is 260.

Research conducted by FoodBev SETA in the financial year 2016/2017 indicates a need to train and develop people with disabilities in numeracy and literacy levels. FoodBev SETA will identify organisations that employ people with disabilities in the food and beverage manufacturing sector and partner with them to run programmes in basic literacy and numeracy.

Predetermined Objectives



GOAL 5

Encourage better use of workplace-based skills development

In order to promote skills development in workplaces, the FoodBev SETA has addressed the training of employed and unemployed workers aligned to the scarce and critical skills needs as identified in the SSP. This ensures improved productivity and economic growth and promotes career paths for the workforce.

Sustained stakeholder engagements and training assisted companies to comply with mandatory grants' application requirements. Applications were received from 205 large companies and 187 medium companies. This is a notable increase in the number of companies complying with mandatory grants compared to the previous year. The target for SMEs was set at 270 for the year under review, however, it could not be achieved due to many factors affecting small businesses (such as mergers and acquisitions of companies).

GOAL 6

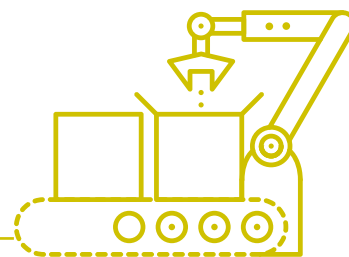
Encouraging and supporting co-operative, non-levy-paying small enterprises, NGOs, and community-based training initiatives

Non-levy-paying enterprises were supported through discretionary grants to expand, and contribute to, the economic and employment growth of non-levy-paying entities. This was done through interventions that addressed the entities' priority skills development needs that impact on the efficacy and sustainability of these ventures. The Accounting Authority approved the appointment of training providers to deliver the following training interventions:

- AET
- Good Manufacturing Practice
- HACCP
- Trade Union Practice
- Trustee Training

Funding was allocated to train 100 learners within NLPs, 100 NGOs/CBOs and 100 trade union members, however, only 204 learners participated.

Predetermined Objectives



GOAL 7

Promoting the growth of a public TVET college system that is responsive to sector, local, regional and national skills needs and priorities

The FoodBev SETA is actively working with companies and the public sector to place learners in order to gain work experience and increase the chances of employability within the sector. This year the FoodBev SETA has placed 451 learners from various TVET colleges with employers in the private sector as well as public sector. In addition to this, the FoodBev SETA is implementing a lecturer-capacitation-building project which provides TVET lecturers with workplace exposure so as to keep them abreast of new sector developments in order to improve the TVET curriculum. By doing this the FoodBev SETA hopes to bridge the gap between the colleges and the sector.

The main aim of the partnerships was to achieve the following objectives:

- Provide exposure to, and transfer of, industry knowledge to students and lecturers at public TVET colleges;
- Enhance delivery of education and training programmes of public TVET colleges in an effort to contribute to the employability of learners through increased relevance of programmes; and
- Identify and place suitably qualified and experienced industry representatives at public TVET colleges to offer guest lectures pertaining to programmes offered by the TVET colleges.

The following TVET colleges and companies have signed Memoranda of Understanding (MOU) with the FoodBev SETA to implement the project:

NAME OF TVET COLLEGE	HOSTING COMPANY
Tshwane North TVET College	Richester Foods (Pty) Ltd
Sedibeng TVET College	Heineken
Central Johannesburg TVET College	Fournos Bakery
South West Gauteng TVET College	Clover SA (Pty) Ltd
Ekurhuleni West TVET College	Kees Beyers Chocolates

Predetermined Objectives



GOAL 8

Establish and maintain effective quality assurance mechanisms

Quality assurance mechanisms:

Established quality assurance mechanisms are maintained through policy developments and ETQA Quality Management System that are aligned to QCTO and SAQA for the implementation of training provider accreditation, external moderations, registration of internal moderators and assessors development of qualification and review of old qualifications.

Qualification development:

In addition to the currently available registered FoodBev SETA Qualifications on the National Qualifications Framework (NQF), the FoodBev SETA ETQA has been given Development Quality Partner (DQP) status by the Quality Council for Trades and Occupations (QCTO) to develop four qualifications for the sector. The qualifications that have been developed by FoodBev SETA and submitted for registration to QCTO are as follows:

- Wine Makers Assistant
- Confectionery Baker
- Food and Related Products Process Machine Operator
- Dairyman

One of the four qualifications has already been approved by QCTO and is awaiting registration by SAQA.

Accreditation:

FoodBev SETA has accredited 20 training providers against its programmes. There is still a challenge with receiving applications from historically disadvantaged groups applying for accreditation. FoodBev SETA has set aside funding in order to address this challenge in the new financial year.

Moderations:

The FoodBev SETA external moderation process is an important activity in the quality assurance endeavours. It is the process that guarantees accuracy of the number of learners trained, reliability and validity of the certification of learners and quality of the training process. It also guarantees the reliability, validity, and accuracy of the learners loaded in National Learner Record Database (NLRD). In the year under review, 87 external moderations were conducted for the training that was conducted within the food and beverage manufacturing sector.

As part of strengthening training by different training providers, FoodBev SETA has registered 20 internal moderators and 40 assessors.

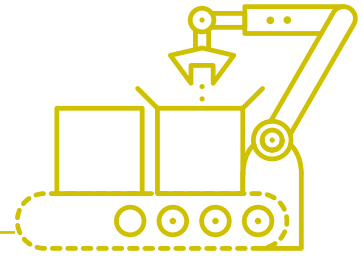
Monitoring and evaluation:

As part of quality assurance of FoodBev SETA projects monitoring and evaluation is conducted, to ensure compliance, completions and to evaluate the performance of funded and non-funded training projects for enhancement of skills development initiatives in the sector. In the year under review, 80 companies were visited.

Certification of learners:

In the year under review, FoodBev SETA produced 1 775 certificates for both employed and unemployed learnerships on FoodBev SETA qualifications. Letters of endorsement were issued for a total of 1 241 learners on unit standard based skills programmes.

Predetermined Objectives



GOAL 9

Building career and vocational guidance

The FoodBev SETA hosted and attended 25 career events at which 6 697 career guides were distributed. These interventions create awareness about the sector and careers in demand and how to pursue them through formal and workplace training. In this financial year, the focus was given to Grades 7-12 and unemployed youth.

Performance Information

Per Programme/Activity/Objective



PROGRAMME 1 – ADMINISTRATION AND SUPPORT

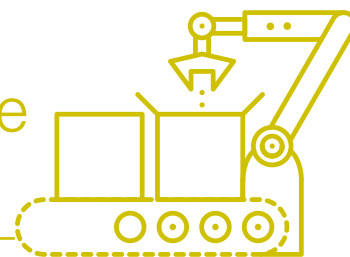
OBJECTIVE 1.1	To improve financial and human resource management of FoodBev SETA including the IT environment
PERFORMANCE INDICATOR	An approved and implemented HR plan that enables the measurement of organisation efficiency and staff development
ACTUAL ACHIEVEMENTS 2015/2016	Target was not a reporting indicator in this financial year
PLANNED TARGETS 2016/2017	Approved HR plan
ACTUAL ACHIEVEMENTS 2016/2017	1 x approved HR plan
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	0
COMMENT/DEVIATION	Target achieved

OBJECTIVE 1.1	To improve financial and human resource management of FoodBev SETA including the IT environment
PERFORMANCE INDICATOR	An updated and approved Marketing and Communication strategy and policy that lead to enhanced customer satisfaction
ACTUAL ACHIEVEMENTS 2015/2016	Target was not a reporting indicator in this financial year
PLANNED TARGETS 2016/2017	Approved customer survey conducted, leading to improved customer satisfaction
ACTUAL ACHIEVEMENTS 2016/2017	0
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	-1
COMMENT/DEVIATION	Target not achieved due to reprioritisation of financial resources

OBJECTIVE 1.1	To improve financial and human resource management of FoodBev SETA including the IT environment
PERFORMANCE INDICATOR	Programmes and initiatives communicated to stakeholders through awareness and road shows, leading to an increase in stakeholder participation in FoodBev SETA programmes
ACTUAL ACHIEVEMENTS 2015/2016	Target was not a reporting indicator under the financial year
PLANNED TARGETS 2016/2017	An increase in application for grants
ACTUAL ACHIEVEMENTS 2016/2017	Mandatory grants applications increased by 8.5%
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	0
COMMENT/DEVIATION	Target achieved

Performance Information

Per Programme/Activity/Objective



OBJECTIVE 1.1	To improve financial and human resource management of FoodBev SETA including the IT environment
PERFORMANCE INDICATOR	Approved financial systems and processes that support the administration and operations of FoodBev SETA, resulting in an unqualified audit report
ACTUAL ACHIEVEMENTS 2015/2016	Target was not a reporting indicator in this financial year
PLANNED TARGETS 2016/2017	Review and update strategic risk register quarterly to ensure that internal controls remain in place and are addressed
ACTUAL ACHIEVEMENTS 2016/2017	1 x approved strategic risk register
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	0
COMMENT/DEVIATION	Target achieved

OBJECTIVE 1.1	To improve financial and human resource management of FoodBev SETA including the IT environment
PERFORMANCE INDICATOR	Efficient and functional ICT system that supports business process, resulting in accurate, up-to-date learner database and accurate grant payments
ACTUAL ACHIEVEMENTS 2015/2016	Target was not a reporting indicator in this financial year
PLANNED TARGETS 2016/2017	Approved and implemented disaster recovery plan
ACTUAL ACHIEVEMENTS 2016/2017	1 x approved disaster recovery plan
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	0
COMMENT/DEVIATION	Target achieved

PROGRAMME 2 – SKILLS PLANNING, DEVELOPMENT AND RESEARCH

OBJECTIVE 1.2	To have a credible and well-researched SSP
PERFORMANCE INDICATOR	1 x SSP developed and approved by DHET including a research report that addresses the employment needs in the sector
ACTUAL ACHIEVEMENTS 2015/2016	1
PLANNED TARGETS 2016/2017	1 x updated SSP
ACTUAL ACHIEVEMENTS 2016/2017	1 x updated SSP
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	0
COMMENT/DEVIATION	Target achieved

Performance Information

Per Programme/Activity/Objective



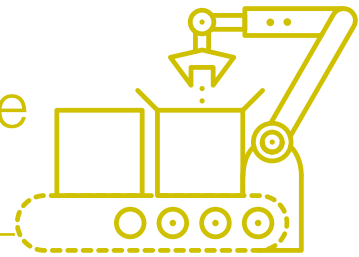
PROGRAMME 2 – SKILLS PLANNING, DEVELOPMENT AND RESEARCH	
OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	1 500 x employed learners entering learnerships
ACTUAL ACHIEVEMENTS 2015/2016	1 058
PLANNED TARGETS 2016/2017	1 500 @ R20 000 per learner
ACTUAL ACHIEVEMENTS 2016/2017	1 576
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	76
COMMENT/DEVIATION	Target exceeded. More applications were received for grant funding than planned. There was no adverse effect on the budget

OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	1 360 x unemployed learners entering learnerships
ACTUAL ACHIEVEMENTS 2015/2016	1 199
PLANNED TARGETS 2016/2017	1 360 @ R38 000 per learner
ACTUAL ACHIEVEMENTS 2016/2017	1 518
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	158
COMMENT/DEVIATION	Target exceeded. More applications were received for grant funding than planned. There was no adverse effect on the budget

OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	1 000 x employed learners entering skills programmes
ACTUAL ACHIEVEMENTS 2015/2016	648
PLANNED TARGETS 2016/2017	1 000 @ R150 per credit
ACTUAL ACHIEVEMENTS 2016/2017	1 079
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	79
COMMENT/DEVIATION	Target exceeded. More applications were received for grant funding than planned. There was no adverse effect on the budget

Performance Information

Per Programme/Activity/Objective



OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	300 x bursaries awarded to unemployed per annum
ACTUAL ACHIEVEMENTS 2015/2016	443 x bursaries awarded to unemployed over three years
PLANNED TARGETS 2016/2017	300 x bursaries awarded to unemployed per annum
ACTUAL ACHIEVEMENTS 2016/2017	369
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	69
COMMENT/DEVIATION	Target exceeded. More applications were received for grant funding than planned. There was no adverse effect on the budget

OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	260 x bursaries awarded to employees
ACTUAL ACHIEVEMENTS 2015/2016	244
PLANNED TARGETS 2016/2017	260 x bursaries awarded to employees at a maximum of R35 000 per learner
ACTUAL ACHIEVEMENTS 2016/2017	207
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	-53
COMMENT/DEVIATION	Target was affected by cancellations due to learners not providing the documentation. Some learners withdrew from the bursary programme

OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	30 x bursaries awarded for postgraduate programmes with focus on research and innovation
ACTUAL ACHIEVEMENTS 2015/2016	50
PLANNED TARGETS 2016/2017	30 x bursaries awarded for postgraduate programmes with focus on research and innovation @ R50 000 per learner
ACTUAL ACHIEVEMENTS 2016/2017	18
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	-12
COMMENT/DEVIATION	Target not achieved. Non-submission of documentation by learners and cancellations received in the last quarter of the financial year

Performance Information

Per Programme/Activity/Objective



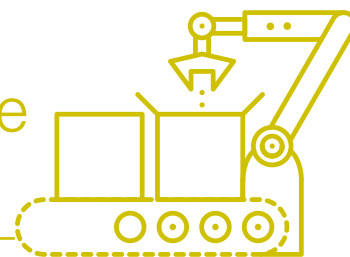
PROGRAMME 2 – SKILLS PLANNING, DEVELOPMENT AND RESEARCH	
OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	50 x bursaries awarded for leadership programmes
ACTUAL ACHIEVEMENTS 2015/2016	50
PLANNED TARGETS 2016/2017	50 x bursaries awarded for leadership programmes @ R45 000 per learner
ACTUAL ACHIEVEMENTS 2016/2017	116
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	66
COMMENT/DEVIATION	Target exceeded. More applications were received for grant funding than planned. There was no adverse effect on the budget

OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	150 x apprentices entered and registered on apprenticeship programmes to qualify as artisans
ACTUAL ACHIEVEMENTS 2015/2016	81
PLANNED TARGETS 2016/2017	150 @ R150 000 per learner
ACTUAL ACHIEVEMENTS 2016/2017	169
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	19
COMMENT/DEVIATION	Target exceeded. More applications were received for grant funding than expected. There was no adverse effect on the budget

OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	300 x university of technology students entering internships of work experience opportunities
ACTUAL ACHIEVEMENTS 2015/2016	Target was reported with WE and Graduate Programme
PLANNED TARGETS 2016/2017	300 @ R60 000 per learner for a period of 12 months
ACTUAL ACHIEVEMENTS 2016/2017	300
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	0
COMMENT/DEVIATION	Target achieved

Performance Information

Per Programme/Activity/Objective



OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	300 x registered HET students to gain work experience at companies in the sector
ACTUAL ACHIEVEMENTS 2015/2016	439
PLANNED TARGETS 2016/2017	300 @ R60 000 per learner for a period of 12 months
ACTUAL ACHIEVEMENTS 2016/2017	319
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	19
COMMENT/DEVIATION	Target exceeded. More applications were received for grant funding than expected. There was no adverse effect on the budget

OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	350 x N6 TVET students placed into workplaces
ACTUAL ACHIEVEMENTS 2015/2016	182
PLANNED TARGETS 2016/2017	350 @ R36 000 per learner over 18 months
ACTUAL ACHIEVEMENTS 2016/2017	451
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	101
COMMENT/DEVIATION	Target exceeded. More applications were received for grant funding than expected. There was no adverse effect on the budget

OBJECTIVE 1.3	To develop middle- and high-level priority skills supported through a FoodBev SETA grant system. To develop artisans in the sector and ensure that they are assisted so as to qualify with the relevant skills
PERFORMANCE INDICATOR	5 x persons entering training so as to gain experience through employment with the intention of attaining competency required for professional registration in category (candidacy programmes)
ACTUAL ACHIEVEMENTS 2015/2016	No reporting indicator set for this year
PLANNED TARGETS 2016/2017	5 x learners @ R120 000 per learner
ACTUAL ACHIEVEMENTS 2016/2017	2
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	-3
COMMENT/DEVIATION	Target not achieved due to non-submission of documentation by employers and cancellations received in the last quarter of the financial year

Performance Information

Per Programme/Activity/Objective

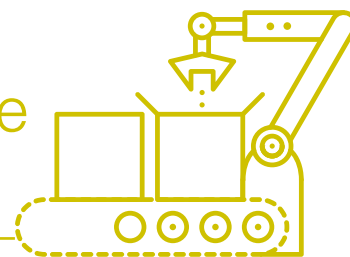


PROGRAMME 2 – SKILLS PLANNING, DEVELOPMENT AND RESEARCH	
OBJECTIVE 1.4	To support the AET training intervention that enables intermediate- and high-level learning
PERFORMANCE INDICATOR	250 x employees entering AET programmes
ACTUAL ACHIEVEMENTS 2015/2016	407
PLANNED TARGETS 2016/2017	250 @ R5 000 per learner
ACTUAL ACHIEVEMENTS 2016/2017	260
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	10
COMMENT/DEVIATION	Target exceeded. More applications were received for grant funding than planned. There was no adverse effect on the budget

OBJECTIVE 1.5	Critical and scarce skills analysed and identified to enable proper skills planning and update of the SSP
PERFORMANCE INDICATOR	630 x levy-paying companies supported and providing training to learners in the workplace
ACTUAL ACHIEVEMENTS 2015/2016	Approved WSPs, ATRs and PIVOTAL plans: 185 x large companies 181 x medium companies 220 x small companies
PLANNED TARGETS 2016/2017	Approved WSPs, ATRs and PIVOTAL plans: 180 x large companies 180 x medium companies 270 x small companies
ACTUAL ACHIEVEMENTS 2016/2017	Approved WSPs, ATRs and PIVOTAL plans: 185 x large companies 181 x medium companies 220 x small companies*
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	Approved WSPs, ATRs and PIVOTAL plans: 25 x large companies 7 x medium companies -26 x small companies
COMMENT/DEVIATION	Target exceeded for large and medium companies due to improved stakeholder engagement, while target not achieved for SMEs due to lower submission to WSPs.

Performance Information

Per Programme/Activity/Objective



OBJECTIVE 1.6	To increase participation of NLPes, NGOs, co-operatives and CBOs in the food and beverage sector by developing sustainable programmes
PERFORMANCE INDICATOR	300 x employees provided with training within the NLPes, NGOs, CBOs, co-ops, and trade union sector
ACTUAL ACHIEVEMENTS 2015/2016	-330
PLANNED TARGETS 2016/2017	100 x NGOs, CBOs and co-ops
ACTUAL ACHIEVEMENTS 2016/2017	53
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	-47
COMMENT/DEVIATION	Target not achieved due to entities cancelling training in the last quarter indicating that they do not require such training anymore

OBJECTIVE 1.6	To increase participation of NLPes, NGOs, co-operatives and CBOs in the food and beverage sector by developing sustainable programmes
PERFORMANCE INDICATOR	300 x employees provided with training within the NLPes, NGOs, CBOs, co-ops, and trade union sector
ACTUAL ACHIEVEMENTS 2015/2016	-330
PLANNED TARGETS 2016/2017	100 x NLPes
ACTUAL ACHIEVEMENTS 2016/2017	51
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	-49
COMMENT/DEVIATION	Target not achieved. FoodBev SETA funding for training was approved and allocated however some entities cancelled training in the last quarter

OBJECTIVE 1.6	To increase participation of NLPes, NGOs, co-operatives and CBOs in the food and beverage sector by developing sustainable programmes
PERFORMANCE INDICATOR	300 x employees provided with training within the NLPes, NGOs, CBOs, co-ops, and trade union sector
ACTUAL ACHIEVEMENTS 2015/2016	-330
PLANNED TARGETS 2016/2017	100 x trade union
ACTUAL ACHIEVEMENTS 2016/2017	0
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	-100
COMMENT/DEVIATION	Target not achieved due to existing trade union training commitments and members not having leave days to go on training

Performance Information

Per Programme/Activity/Objective



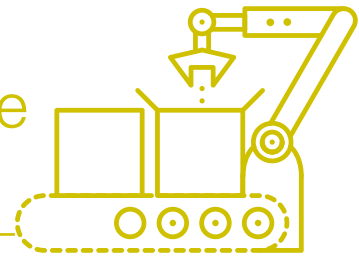
PROGRAMME 3 – PROMOTE PARTNERSHIPS	
OBJECTIVE 1.7	Partnership between the FoodBev SETA, employers and public TVET colleges are formed to increase capacity of the lecturers and curriculum to meet industry needs
PERFORMANCE INDICATOR	5 x MOUs signed with TVET colleges and companies with regards to capacity building of lecturers
ACTUAL ACHIEVEMENTS 2015/2016	8
PLANNED TARGETS 2016/2017	5
ACTUAL ACHIEVEMENTS 2016/2017	5
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	0
COMMENT/DEVIATION	Target achieved

OBJECTIVE 1.7	Partnership between the FoodBev SETA employers and public TVET colleges are formed to increase capacity of the lecturers and curriculum to meet industry needs
PERFORMANCE INDICATOR	10 x lecturers to be capacitated by companies
ACTUAL ACHIEVEMENTS 2015/2016	12
PLANNED TARGETS 2016/2017	10 @ R24 000
ACTUAL ACHIEVEMENTS 2016/2017	0
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	-10
COMMENT/DEVIATION	Target not achieved. MOUs between employers and colleges were signed in the last quarter of the financial year impacting ability to implement in the current year

OBJECTIVE 1.7	Partnership between the FoodBev SETA employers and public TVET colleges are formed to increase capacity of the lecturers and curriculum to meet industry needs
PERFORMANCE INDICATOR	5 x companies to host TVET lecturers to provide exposure to industry
ACTUAL ACHIEVEMENTS 2015/2016	8
PLANNED TARGETS 2016/2017	5 @ R15 000
ACTUAL ACHIEVEMENTS 2016/2017	5
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	0
COMMENT/DEVIATION	Target achieved

Performance Information

Per Programme/Activity/Objective



OBJECTIVE 1.7	Partnership between the FoodBev SETA employers and public TVET colleges are formed to increase capacity of the lecturers and curriculum to meet industry needs
PERFORMANCE INDICATOR	5 x guest lecturers at TVET colleges conducting lectures
ACTUAL ACHIEVEMENTS 2015/2016	Target was not a reporting indicator in this financial year
PLANNED TARGETS 2016/2017	5 @ R25 000
ACTUAL ACHIEVEMENTS 2016/2017	0
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	-5
COMMENT/DEVIATION	Target not achieved. MOUs between employers and colleges were signed in the last quarter of the financial year impacting ability to implement in the current year

PROGRAMME 4 – QUALITY ASSURANCE	
OBJECTIVE 1.8	To ensure the establishment of necessary capacity for effective quality assurance, monitoring, evaluation and support to the entire skills development system and all its intervention strategies. To create a clear framework and organisational mechanism that will be used to undertake effective quality management, monitoring, evaluation and support
PERFORMANCE INDICATOR	50% of companies visited annually to conduct site visits to verify that training is conducted according to quality assurance standards
ACTUAL ACHIEVEMENTS 2015/2016	No reporting indicator set for this year
PLANNED TARGETS 2016/2017	76
ACTUAL ACHIEVEMENTS 2016/2017	80
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	4
COMMENT/DEVIATION	Target exceeded due to accelerated site visits and closer monitoring of companies with challenges

Performance Information

Per Programme/Activity/Objective



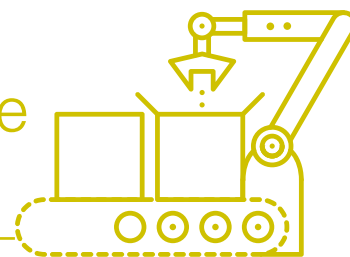
PROGRAMME 5 – CAREER AND VOCATIONAL GUIDANCE	
OBJECTIVE 1.9	To increase youth participation in the food and beverage sector by developing and distributing career guides that will contain sustainable programmes that will build capacity of youth
PERFORMANCE INDICATOR	20 x events to be hosted to achieve distribution of career guidance to learners
ACTUAL ACHIEVEMENTS 2015/2016	6 139 guides distributed
PLANNED TARGETS 2016/2017	6 500
ACTUAL ACHIEVEMENTS 2016/2017	6 697
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	197
COMMENT/DEVIATION	Target exceeded due to FoodBev SETA participating in more events than planned

OBJECTIVE 1.9	To increase youth participation in the food and beverage sector by developing and distributing career guides that will contain sustainable programmes that will build capacity of youth
PERFORMANCE INDICATOR	20 x career guidance exhibitions and school talks conducted in various provinces targeting previously disadvantaged and rural communities
ACTUAL ACHIEVEMENTS 2015/2016	Target was not a reporting indicator in this financial year
PLANNED TARGETS 2016/2017	20 x events to be hosted
ACTUAL ACHIEVEMENTS 2016/2017	25
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	5
COMMENT/DEVIATION	Target exceeded due to FoodBev SETA participating in more events than planned

COMPLETION TARGET FOR STRATEGIC OBJECTIVE 1.3					
PERFORMANCE INDICATOR	750 x employed learners certified on learnership	680 x unemployed learners certified on learnership	500 x employed learners certified on skills programme	150 x unemployed bursars certified	130 x employed bursars certified
ACTUAL ACHIEVEMENTS 2015/2016	732	821	505	78	92
PLANNED TARGETS 2016/2017	750	680	500	150	130
ACTUAL ACHIEVEMENTS 2016/2017	822	953	1 214	139	162
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	72	273	714	-11	32
COMMENT/DEVIATION	Target exceeded due to improved completion rate by learners	Target exceeded due to improved completion rate by learners	Target exceeded due to improved completion rate by learners	Target not achieved due to low submission of results from learners as some have outstanding modules	Target exceeded due to a combination of current and previous financial year learners completing in the new year

Performance Information

Per Programme/Activity/Objective



COMPLETION TARGET FOR STRATEGIC OBJECTIVE 1.3					
PERFORMANCE INDICATOR	25 x employed bursars certified on leadership development programme	15 x bursars certified for postgraduate programmes with focus on research and innovation	250 x students from universities of technology completing an internship in companies	50 x students from universities of technology completing an internship and finding employment	150 x graduate students completing work experience programmes in companies
ACTUAL ACHIEVEMENTS 2015/2016	0	18	31	0	0
PLANNED TARGETS 2016/2017	25	15	150	50	150
ACTUAL ACHIEVEMENTS 2016/2017	40	0	204	15	53
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	15	-15	54	-35	-97
COMMENT/DEVIATION	Target exceeded due to a combination of current and previous financial year learners completing in the new year	Target not achieved; a learner could be in the process of doing something, or studies could be in progress	Target exceeded due to a combination of current and previous financial year learners completing in the new year	Target not achieved; companies were unable to absorb learners who completed their internship	Target not achieved; companies were unable to absorb learners who completed their internship

COMPLETION TARGET FOR STRATEGIC OBJECTIVE 1.3				
PERFORMANCE INDICATOR	50 x graduate students completing work experience programmes and finding employment	175 x students from TVET colleges completing an internship in companies (TVET placement)	60 x apprentices completing an apprenticeship programme to qualify as artisans	2 x persons completing candidacy programme
ACTUAL ACHIEVEMENTS 2015/2016	0	62	31	Target was not a reporting indicator in this financial year
PLANNED TARGETS 2016/2017	50	175	60	2
ACTUAL ACHIEVEMENTS 2016/2017	0	62	77	0
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	-50	-113	17	-2
COMMENT/DEVIATION	Target not achieved; companies were unable to absorb learners who completed their internship	Target not achieved; companies were unable to absorb learners who completed their internship	Target exceeded; learners from prior years underwent trade tests and succeeded	Target not achieved; learners are still in the process of completing their studies

Performance Information

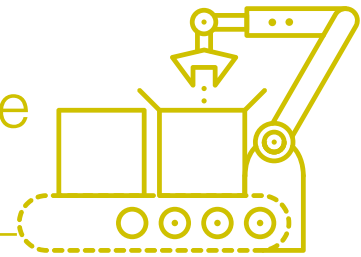
Per Programme/Activity/Objective



COMPLETION TARGET FOR STRATEGIC OBJECTIVE 1.3		
PERFORMANCE INDICATOR	1 x person completing candidacy programme and finding employment	125 x employees certified on AET programme
ACTUAL ACHIEVEMENTS 2015/2016	Target was not a reporting indicator in this financial year	253
PLANNED TARGETS 2016/2017	1	125
ACTUAL ACHIEVEMENTS 2016/2017	0	128
DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	-1	3
COMMENT/DEVIATION	Target not achieved; learners are still in the process of completing their studies	Target exceeded; companies submitted exit reports and there was an accelerated moderation drive to finalise exit reports

Performance Information

Per Programme/Activity/Objective



LINKING PERFORMANCE WITH BUDGETS

Programme/Activity/ Objective	2015/2016			2016/2017		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	36 729	31 387	4 892	39 117	28 454	10 663
Mandatory grants	59 466	64 505	(5 039)	63 331	78 398	(15 067)
Discretionary grants	179 496	99 663	84 383	267 854	183 350	84 806
Project administration	14 149	9 599	4 550	27 855	11 002	16 551
Transfer to NSF	–	70 059	(70 059)	–	–	–
Total	289 840	275 213	14 627	398 157	301 204	96 953

REVENUE COLLECTION

Source of Revenue	2015/2016			2016/2017		
	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
Fines and penalties	–	10 958	10 958	–	10 930	10 930
Skills Development Levy	279 840	307 017	27 177	298 030	341 435	434 405
Interest received – investment	10 000	26 756	16 756	24 000	35 102	11 102
Transfer from retained income	–	–	–	76 127	–	(76 127)
Other income	–	31	31	–	–	–
Total	279 840	344 762	54 922	398 157	387 467	(10 690)

CAPITAL INVESTMENT

Capital investment consists of the following:

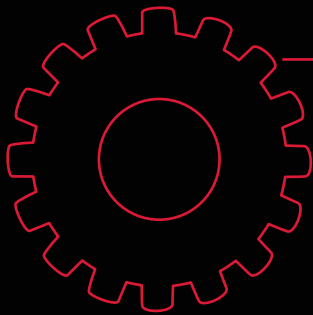
- Fixed assets required for administration of the FoodBev SETA, and
- All excess funds not immediately required for operations, are transferred to the CPD account that is held with the Reserve Bank

The acquisition, implementation and management of the above is achieved through the sound policies and procedures of the FoodBev SETA. Where fixed assets are deemed not to result in an inflow of economic benefits to the FoodBev SETA, these are assessed for impairment and donated to different entities upon approval by the Accounting Authority.

The asset register is reviewed and updated regularly and redundant assets are included in the disposal list and stolen assets are written off. During the year under review, the Accounting Authority approved the project to refurbish offices and purchase new furniture for the entity. The majority of the assets of FoodBev SETA have reached their economic life and will be disposed of. The disposal plan of the old furniture and fittings and equipment is underway.

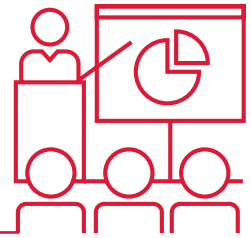
Part C

Governance



The Accounting Authority has delegated the quality, integrity and reliability of the organisation's risk management function to the Audit and Risk Committee. Strategic risks are confirmed, amended and added by the Accounting Authority and Management during risk workshops.

Introduction



Portfolio Committee

The FoodBev SETA was not requested to appear before the Portfolio Committee in the 2016/2017 financial year.

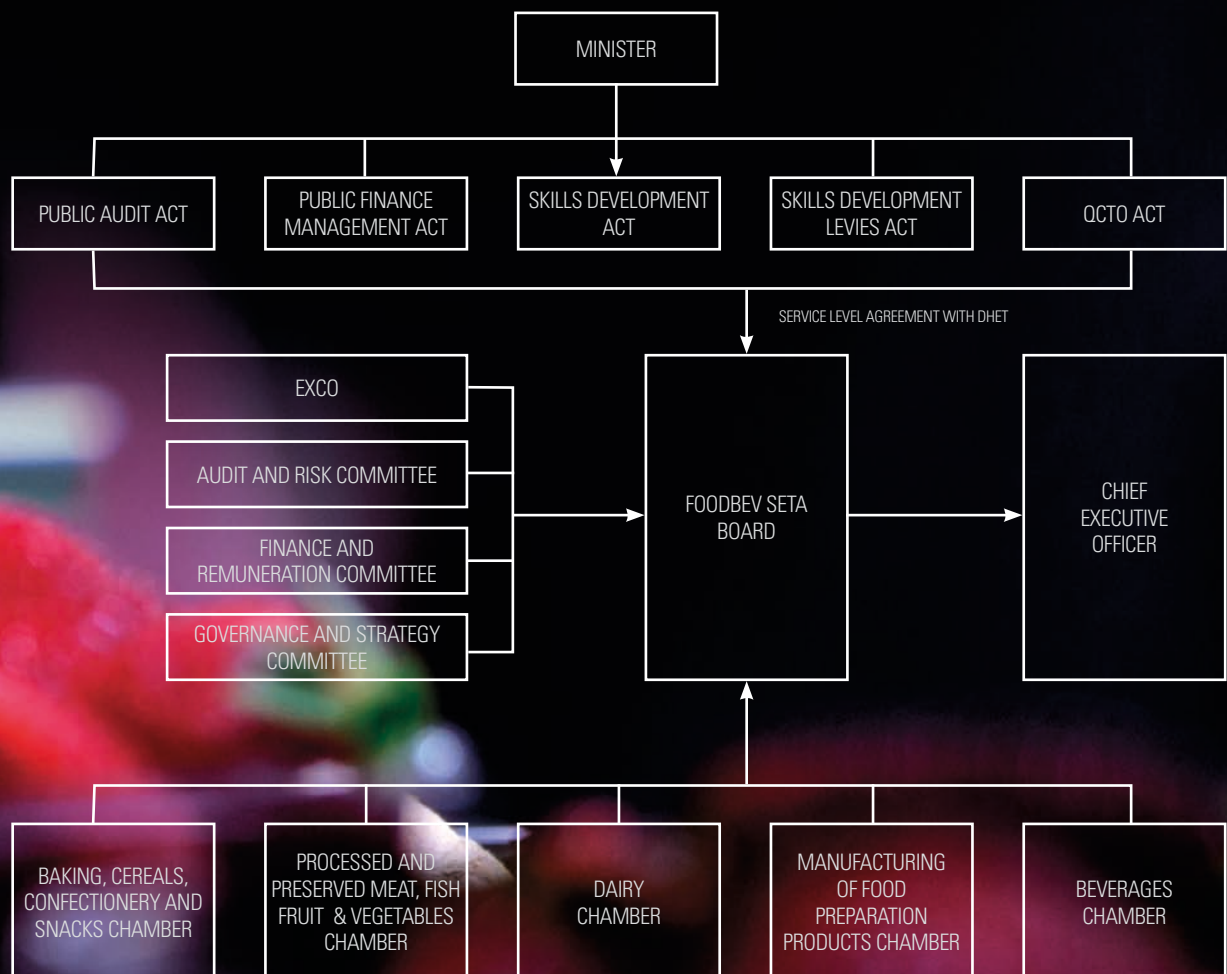
Executive Authority

Executive Authority in the SETA environment rests with the Minister of Higher Education and Training. It is the Minister who appoints members of the Accounting Authority. Furthermore, the Minister determines its remuneration as per the tariffs of the National Treasury. All compliance documents required by the Executive Authority were submitted on time.

The Accounting Authority

The role of the Accounting Authority/Board

The role of the Accounting Authority is to provide strategic leadership to the FoodBev SETA and to ensure that it fulfils its mandate and obligations in terms of the FoodBev SETA Constitution and the SDA.



Board Members



Ministerial Appointees



THULANI TSHABALALA
Acting Chairperson
of FoodBev SETA



SHAHRZAD HONE
Board member

Executive



NOKUTHULA SELAMOLELA
Acting CEO
of FoodBev SETA

Organised Employers



EZAAN DE LANGE
Beverages Chamber



GEOFF PENNY
Baking, Cereals, Confectionery
and Snacks (BCCS) Chamber



GERHARDUS HAMMAN
Food Preparation
Products Chamber



LESLIE THOMAS
Beverages Chamber

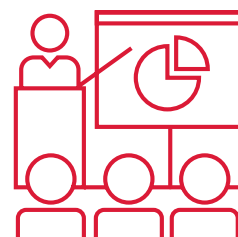


KEITH SMITH
Processed Foods, Meat, Fish
and Vegetables Chamber



WILLIE PRINSLOO
Dairy Chamber





Organised Labour



LANCELOT GIBA
FAWU



ANDILE NKOSIBOMVU
FEDCRAW



RAYMOND MNGUNI
FAWU



DICK KHUMALO
FAWU



NQOBILE TSHABANGU
NAFBUSAW

Composition of the Accounting Authority

Accounting Authority and Sub-Committee Structure:



Governance



The Accounting Authority and sub-committee structure

The structure of the FoodBev SETA Accounting Authority, as outlined in the Constitution, is as follows:

- One independent Chairperson;
- Two independent members;
- Six employer representatives; and
- Six labour representatives.

The following Committees have been established by the Accounting Authority in terms of the Constitution:

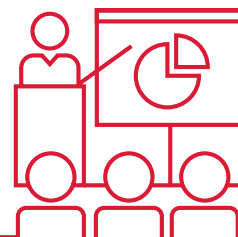
- Executive Committee
- Finance and Remuneration Committee
- Governance and Strategy Committee
- Audit and Risk Committee (ARC)
- Chamber Committees

Accounting Authority and Committee Meeting Attendance

Board meeting attendance

Number of meetings held	Scheduled	Special
	4	8

Committee member	No. of scheduled meetings attended	No. of special meetings attended	Constituency represented	Designation	Date joined/resigned
Jan Matsobane Komape	1	2	Ministerial appointee	Chairperson	Joined 1 April 2011; term ended 4 June 2016
Thulani Tshabalala	4	8	Ministerial appointee	Acting Chairperson	Joined 1 April 2011; appointed Acting Chairperson on 10 June 2016
Andile Nkosibomvu	4	8	Organised labour	Accounting Authority member	Joined 1 April 2011
Dick Khumalo	4	8	Organised labour	Accounting Authority member	Joined 1 April 2011
Elizabeth Manoto	1	0	Organised labour	Accounting Authority member	Joined 1 April 2011; retired 5 May 2016
Ezaan de Lange	1	0	Organised employer	Accounting Authority member	Joined 22 January 2017
Geoff Penny	4	8	Organised employer	Accounting Authority member	Joined 24 April 2014
Gerhardus Hamman	4	5	Organised employer	Accounting Authority member	Joined 1 April 2011
Lancelot Giba	4	7	Organised labour	Accounting Authority member	Joined 1 April 2011
Leslie Thomas	3	7	Organised employer	Accounting Authority member	Joined 24 April 2014
Keith Smith	1	1	Organised employer	Accounting Authority member	Joined 1 April 2011; resigned 9 February 2017
Nqobile Tshabangu	3	7	Organised labour	Accounting Authority member	Joined 31 August 2015
Raymond Mnguni	4	6	Organised labour	Accounting Authority member	Joined 7 September 2012
Shahrazad Hone	4	8	Ministerial appointee	Accounting Authority member	Joined 1 April 2011
Willie Prinsloo	4	7	Organised employer	Accounting Authority member	Joined 1 April 2011



Executive Committee meeting attendance

Number of meetings held	Scheduled	Special
	8	0

Committee member	No. of scheduled meetings attended	No. of special meetings attended	Constituency represented	Designation	Date reshuffled and appointed from/to another committee
Jan Matsobane Komape	1	0	Ministerial appointee	Chairperson	Term ended 4 June 2016
Thulani Tshabalala	8	0	Ministerial appointee	Acting Chairperson	Appointed Acting Chairperson on 10 June 2016
Geoff Penny	6	0	Organised employer	Member	–
Lancelot Giba	8	0	Organised labour	Member	–
Raymond Mnguni	8	0	Organised labour	Member	–
Gerhardus Hamman	7	0	Organised employer	Member	–

Finance and Remuneration Committee meeting attendance

Number of meetings held	Scheduled	Special
	4	4

Committee member	No. of scheduled meetings attended	No. of special meetings attended	Constituency represented	Designation	Date reshuffled and appointed from/to another committee
Dick Khumalo	4	3	Organised labour	Member	–
Leslie Thomas	4	4	Organised employer	Chairperson	–
Nqobile Tshabangu	3	4	Organised labour	Member	–
Shahzad Hone	4	4	Ministerial appointee	Member	–

Governance



Governance and Strategy meeting attendance

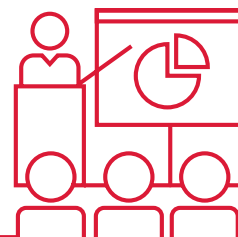
Number of meetings held	Scheduled	Special
	3	1

Committee member	No. of scheduled meetings attended	No. of special meetings attended	Constituency represented	Designation	Date reshuffled and appointed from/to another committee
Thulani Tshabalala	3	1	Ministerial appointee	Chairperson	–
Andile Nkosibomvu	3	1	Organised labour	Member	–
Elizabeth Manoto	0	0	Organised labour	Member	Retired 5 May 2016
Keith Smith	1	0	Organised employer	Member	Resigned 9 February 2017
Willie Prinsloo	3	1	Organised employer	Member	–

Remuneration of Accounting Authority members

Member	Accounting Authority remuneration fees R'000	Travel R'000	Total R'000
Jan Matsobane Komape (Chairperson: term ended 4 June 2016)	94	3	97
Thulani Tshabalala (Acting Chairperson: appointed 10 June 2016)	360	14	374
Andile Nkosibomvu	261	15	276
Dick Khumalo	227	24	251
Elizabeth Manoto (retired: 5 May 2016)	8	2	10
Ezaan De Lange (appointed: 22 January 2017)	27	1	28
Geoff Penny	225	6	231
Gerhardus Hamman	179	7	186
Keith Smith (resigned: 9 February 2017)	23	4	27
Lancelot Giba	279	4	283
Leslie Thomas	235	5	240
Nqobile Tshabangu	168	13	181
Raymond Mnguni	225	15	240
Shahrazad Hone	181	55	236
Willie Prinsloo	149	3	152
Total	2 641	171	2 812

Governance



Risk management

The Accounting Authority has delegated the quality, integrity and reliability of the organisation's risk management function to the Audit and Risk Committee. Strategic risks are confirmed, amended and added by the Accounting Authority and management during risk workshops. The identified risks and current controls are rated in terms of impact and likelihood and in terms of perceived control effectiveness. The Audit and Risk Committee is accountable for the process of risk management and the system of internal control, which are regularly reviewed for effectiveness and for establishing appropriate risk and control policies, which are communicated throughout the FoodBev SETA. Management updates the risk register quarterly.

Internal controls

The implementation of internal controls is ultimately the responsibility of the Accounting Authority, however, this is delegated to the Chief Executive Officer who exercises an oversight role through management, internal auditors and the Audit and Risk Committee to ensure the effectiveness of the internal controls.

Reporting at FoodBev SETA is structured so that key issues are escalated through the management team and ultimately to the Board where appropriate. The Accounting Authority has delegated to the Audit and Risk Committee responsibility for reviewing, in detail, the effectiveness of the FoodBev SETA's system of internal controls. After completing these reviews, the Audit and Risk Committee reports its findings to the Board so that the Board can take a view on the reported findings. The Audit and Risk Committee has noted and reported all key matters to the Board.

One of the key features of the control environment is people who are key in ensuring segregation of incompatible functions and the general running of the FoodBev SETA. Key positions remained unfilled or run by people in an acting capacity. This has some impact on the control environment and has been highlighted as such to the external auditors. This remains a concern to the Audit and Risk Committee.

The Chief Audit Executive has completed a report to the Audit and Risk Committee on the effectiveness of governance, risk management and internal controls. In this report, he concluded that he is satisfied that the governance, risk management and internal controls are adequate and effective to identify any breakdowns that would result in material loss to the FoodBev SETA. He confirmed that nothing has come to his attention to cause him to believe that the FoodBev SETAs' system of internal control is not generally effective to sufficiently mitigate key risks. He also concluded that he was not aware of anything that would cause him to believe that controls over financial processes do not provide a sound basis for preparing reliable financial statements.

IT governance

The FoodBev SETA has made appropriate investments to ensure its information technology (IT) systems and governance processes comply with required practice.

Specific development during the financial year included:

- The IT charter and policy were reviewed and approved by the Audit and Risk Committee and implemented
- The IT strategy was approved by the Board and is in the process of alignment to business strategy and objectives by focusing on the smooth running of the systems to support operations
- Strengthening the information security management system to ensure the integrity, confidentiality and availability of information.

Governance



Compliance with laws and regulations

FoodBev SETA complies with all legislation and regulations governing 3A public entities.

These include amongst others:

- The Constitution
- SDA, as amended
- Skills Development Levies Act, as amended
- The PFMA
- Treasury regulations
- National Skills Development Strategy III
- Labour Relations Act
- Basic Conditions of Employment Act.

Fraud and corruption

FoodBev SETA has a Fraud Prevention Policy, which is reviewed every three years or if there is a change in legislation. An anonymous fraud hotline (whistleblowing) is available to all staff and outside parties. In the year under review, we received several incidents relating to student stipends, which were all resolved satisfactorily.

Minimising conflict of interest

FoodBev SETA employees annually complete a declaration of interest form declaring any potential conflict of interest and this is approved by the Chief Executive Officer. A record is kept of all disclosures. All bid committees complete a declaration form.

The Accounting Authority completes a declaration of interest in all their meetings. Segregation of duties is in place to avoid potential conflicts of interest. FoodBev SETA maintains a gift register where staff record gifts received.

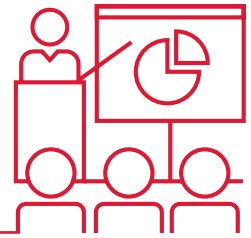
Code of conduct

The Code provides a guideline as to what is expected from employees in performing their daily tasks, in their relationships with other similar organisations and the public, as well as providing a common ethical basis for individual conduct.

All employees of the FoodBev SETA are subject to this Code of Conduct and are required to comply with both the letter and spirit of the Code.

Employees of the FoodBev SETA are committed to conducting themselves in accordance with the highest standards of integrity and ethics and in compliance with relevant legislation related to objectivity, independence and an avoidance of any conflicts of interest.

Compliance with the Code is expected to enhance professionalism and help to ensure service confidence in the sector.



Health, safety and environmental issues

FoodBev SETA augmented its staffing in order to capacitate delivery. This resulted in the restructuring of the office space in order to accommodate the increase in staff complement and to comply with health and safety regulations.

FoodBev SETA has adopted an Occupational Health and Safety (OHS) Policy in which management and employees recognise and accept legislative responsibilities, and are committed to establishing and maintaining an environment in which employees continuously improve safety and health.

The organisation is committed to ensuring that the requirements of the Occupational Health and Safety Act of 1993 (Act No. 85 of 1993) and regulations are fully met. The following structures have been established in terms of the OHS Policy:

- Health and Safety Officer;
- Health & Safety Representative; and
- Health and Safety Committee.

FoodBev SETA has adopted an HIV/AIDS Policy intended to promote awareness among employees and prevent discrimination of those infected and/or affected by HIV/AIDS. Due consideration is given to the environment in all decision making.

Audit and Risk Committee Report



Audit and Risk Committee Report

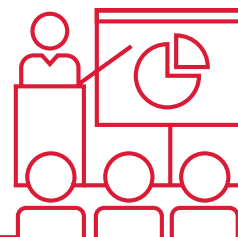
The Audit and Risk Committee is an independent committee constituted to review the control, governance and risk management of the organisation in terms of regulation 27(1) and section 51(1) (a) (ii) of the Public Finance Management Act 1999 (PFMA), as amended. The committee has adopted a formal charter that has been approved by the Accounting Authority, and has executed its duties in the year under review, in line with the charter.

The committee comprises of Mr Phuti Semanya (Independent Chairperson), Ms Tracy Randal (independent member), Mr Tom Tshitangano (independent member), Mr Leslie Thomas (Non-Executive Director) and Mr Andile Nkosibomvu (Non-Executive Director). The Audit and Risk committee was in place for the period 2016/17. The term of the previous audit committee members came to an end in August 2016 and new independent members were appointed with effect from September 2016.

The Audit and Risk Committee meets at least four (4) times per annum and has the authority to convene additional meetings as and when necessary. There were six (6) meetings held during the financial year ended 2016/17. Critical issues were discussed and minutes were recorded and these were made available to the Executive Authority on request.

Audit and Risk Committee meetings attendance

Committee member	No. of scheduled meetings attended	No. of special meetings attended	Constituency represented	Date reshuffled and appointed from/to another committee
Andile Nkosibomvu	4	2	Accounting Authority member	–
Fezile Makaula	1	2	Independent member	Term ended 30 August 2016
Janice Meissner	2	1	Independent member	Term ended 30 August 2016
Leslie Thomas	4	2	Accounting Authority member	–
Phuti Semanya	2	0	Independent incoming Chairperson	Appointed 1 September 2016
Sibusiso Majola	2	2	Independent member	Term ended 30 August 2016
Thandi Sihlabha	2	2	Independent outgoing Chairperson	Term ended 30 August 2016
Tom Tshitangano	2	0	Independent member	Appointed 1 September 2016
Tracy Randall	2	0	Independent member	Appointed 1 September 2016



During the 2016/17 financial year, the Audit and Risk Committee:

- Reviewed the effectiveness of internal control systems by approving the internal audit plan, internal audit charter and reviewed quarterly internal audit reports submitted;
- Assessed the adequacy, reliability and accuracy of financial information provided by management;
- Reviewed the effectiveness of internal audit function, through the assessments of the quality of reports submit to the committee;
- Reviewed and discussed the audit Annual Financial Statements to be included in the Annual Report with AGSA and the Accounting Authority and confirmed that accounting policies used are appropriate;
- Reviewed the AGSA's Management Report and Management's response thereto;
- Reviewed accounting policies and practices as reported in the Annual Financial Statements;
- Reviewed the Seta's processes for compliance, legal and regulatory provisions;
- Reviewed the information of the predetermined objectives as reported in the annual report;
- Reviewed adjustments resulting from the audit of the Seta;
- Reviewed, and where appropriate, recommend changes to the Annual Financial Statements as presented by the Seta for the year ended 31 March 2017;
- Reviewed the expertise, resources and experience of the organization's finance function;
- Provide a channel of communication between the Accounting Authority and management, internal auditors, and external auditors;
- Ensured that a combined assurance model was applied to provide a coordinated approach to all assurance activities and ensured that it was appropriate to address all significant risks faced by the organisation.

The Audit and Risk Committee ensured that the organisation's internal audit function is independent and had the necessary resources, and authority to discharge its duties.

Having considered, analysed and reviewed the information provided by management. Internal audit, external auditors and risk committee of management, the Audit and Risk Committee confirms that:

- The internal controls of the organisation were effective in most material aspects throughout the period under review;
- Appropriate policies, supported by reasonable and prudent judgement and statements were applied;
- The adequacy and effectiveness of controls are in place to safeguard the assets;
- The financial statements comply, in all material respects, with the relevant provisions of the PFMA and GRAP;
- The skills, independence, audit plan reporting and overall performance of the external auditors was acceptable; and
- That, there are adequate skills, knowledge and experience in the finance function of the organisation.

The Audit and Risk Committee notes the paragraph 20 of the external auditors report relating to material misstatements and perceived inadequate management review. The committee is satisfied that management was reviewing the financial information reports on a monthly basis.

The Audit and Risk Committee concurs and accepts the conclusion of the Auditor General on the annual financial statements and is of the opinion that the annual financial statements be accepted and read together with the report of the Auditor General.

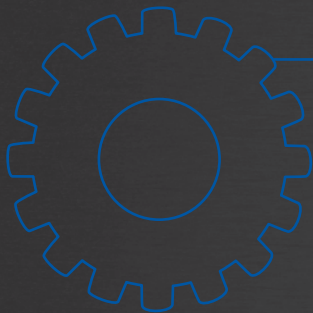
Phuti Semanya

Chairperson of the Audit and Risk Committee

31 July 2017

Part D

Human Resources Report



Fair and equitable principles inform the recruitment and selection process of the FoodBev SETA. The basis on which employees are recruited, selected, trained and developed relates to the inherent requirements of the job and the ability of the employee to perform adequately.



Overview of Human Resources

The overall mandate of FoodBev SETA is to provide skills development advice and facilitation to a diverse range of stakeholders. The FoodBev SETA has taken great care during the year under review to manage its staff, in order to ensure excellent customer care and maximum productivity. At the end of the reporting period, the staff complement totalled 42.

HR priorities and the impact of these priorities

During the year under review, the focus in HR was on assessing and determining the adequacy of resource requirements, which culminated in a new structure that was approved by the Board.

FoodBev SETA embarked on an organisation design project, the objectives of the project was:

- To assess the current approved organisational structure taking into account the mandate and strategy of the organisation;
- Identify options and make recommendations designed to improve the efficiency and effectiveness of the organisational structure;
- Benchmark the structure and remuneration packages against comparable organisations to identify best practices and make recommendations on whether best practice can and should be integrated into the organisational structure;
- To review and identify whether staffing levels are appropriate to meet workloads in each division; and
- Develop job and competency profiles for all jobs and evaluate all jobs using a recognised system. It is envisaged that the organisation design project will be concluded in the first quarter of the new financial year (2017/2018).

Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

Fair and equitable principles inform the recruitment and selection process of the FoodBev SETA. The basis on which employees are recruited, selected, trained and developed relates to the inherent requirements of the job and the ability of the employee to perform adequately.

Employee performance management framework

As a high performance-driven organisation, the FoodBev SETA management team sets measurable objectives in terms of performance management and these are approved by the Board. All staff and management signed off their performance agreements during the first quarter of the financial year. The biannual performance appraisal process was conducted in September 2016 and the final review will be done in April 2017. In a constant effort to improve the performance of the FoodBev SETA, a new performance management template was created and consulted. The establishment of the template was to ensure that FoodBev SETA's objectives are aligned to each employee's key performance indicators.

Employee wellness programmes

Two employee wellness initiatives were held, the first one was a team-building exercise, which was held on 25 October 2016 where all employees went on a team-building intervention. This initiative was to improve employee morale and productivity. The second intervention was held on 2 December 2016, the aim was to increase HIV/AIDS awareness in the organisation.

Policy development

Policies and procedures are in place and reviewed every three years or when there is a change in legislation. The Executive Committee reviews and makes recommendations to the Accounting Authority for approval to ensure alignment to legislation.

Challenges faced by FoodBev SETA

During the 2016/2017 financial year, a high attrition rate was reported by the organisation. The high attrition rate can be attributed to the licence of the FoodBev SETA as most employees who resigned commented that job security was one of the reasons they decided to be on the job market. The Minister has announced the extension of the FoodBev SETA licence to 31 March 2020 and a notice to this effect was communicated to all employees.

As the announcement was made during the last quarter of the financial year, the impact on the attrition rate could not be measured. Another challenge that the FoodBev SETA faces is the filling of senior positions.

Human Resources Management



At the end of the financial year, the CEO, General Manager Operations and Risk and Compliance Manager roles were still vacant. This poses a risk for the organisation and will have an impact on the key deliverables of the organisation should the positions stay vacant for a prolonged period.

Future Human Resources plans

- Review HR policies in order to keep abreast of changes in legislation;
- Perform a skills audit to ensure that there's an employee to job match; and
- Review the performance management system and policy.

Personnel cost by salary band

Level	Personnel cost (R'000)	% to total personnel cost (R'000)	No. of employees	Personnel cost per employee (R'000)
Top management	1 933	14%	1	1 933
Senior management	4 284	30%	4	856
Professional qualified	2 996	21%	7	428
Skilled	2 183	15%	11	198
Semi-skilled	2 576	18%	17	152
Unskilled	210	2%	2	105
TOTAL	14 182	100%	42	3 672

*This amount excludes internships and contractors and therefore will differ from the amount reflected in the AFS.

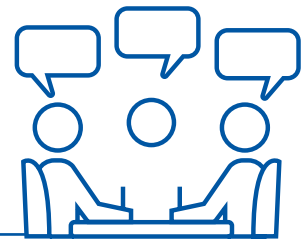
Performance rewards

Level	Performance rewards (R'000)	Personnel cost (R'000)	Performance rewards as a % of personnel cost
Top management	214	1 933	11%
Senior management	359	4 284	8%
Professional qualified	230	2 996	8%
Skilled	209	2 183	10%
Semi-skilled	224	2 576	9%
Unskilled	21	210	10%
Total	1 257	14 182	9%

Training and development

Staff training and development remains one of the key retention strategies of the organisation. During the financial year, all FoodBev SETA employees were trained according to their Individual Development Plans (IDPs) and soft skills identified by management and Human Resources. The total amount spent on staff training was R219 000, which represents 1.4% of payroll expenditure.

Human Resources Management



As a skills development agency, FoodBev SETA remains at the core of developing required skills in the Food and Beverages Manufacturing sector through allocation of bursaries to students and employed staff. In a continuous effort to increase the skills in the sector, the Accounting Authority approved the employment of more interns. The internship programme remains a fundamental drive for entry-level recruitment for the FoodBev SETA.

In September 2016, FoodBev SETA and NEHAWU signed a recognition agreement. The first consultation with the Union was held in quarter four of the financial year when the process of salary negotiations was initiated.

Employment and vacancies as at 31 March 2017 per occupational level

Level	Number of employees 31 March 2016	Approved posts 31 March 2017	Number of employees 31 March 2017	Vacancies 31 March 2017	Vacancy rate %
Top management	2	3	1	2	67%
Senior management	5	5	4	1	20%
Professional qualified	8	11	7	4	36%
Skilled	6	15	11	4	27%
Semi-skilled	18	20	17	3	15%
Unskilled	2	2	2	0	0%
Total	41	56	42	14	25%

Employment changes

Level	Employment at the beginning of the period	External appointments 2016/2017	Internal appointments 2016/2017	Terminations 2016/2017	Internal movements 2016/2017	Employment at end of the period	Turnover rate %
Top management	1	0	0	0	0	1	0%
Senior management	4	1	0	1	0	4	25%
Professional qualified	8	2	2	5	0	7	63%
Skilled	6	5	2	0	-2	11	0%
Semi-skilled	18	4	0	3	-2	17	17%
Unskilled	2	0	0	0	0	2	0%
Total	39	12	4	9	-4	42	23%

Human Resources Management



Terminations are inclusive of four internal staff members who applied for, and were appointed in, higher occupational levels. These movements were within the semi-skilled, skilled and professional qualified occupational levels.

At the end of the 2016/2017 financial year, the key positions that were vacant were namely: CEO, GM Operations and Risk, Compliance and Governance Manager. The CFO continues to act as CEO until the vacancy is filled.

The GM Operations vacancy is on hold until the formal organisational review is finalised. HR is still in the process of filling vacant positions.

FoodBev SETA provided five unemployed youth with internships. Some of the vacant positions were filled by the interns who were absorbed into the organisation.

One staff member was deployed to another position at the same level.

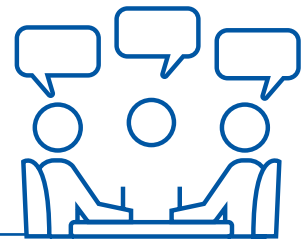
Reasons for staff leaving

Reasons for leaving were due to lack of job security, career progressions and dismissal.

Reason	Number	% of total number of staff leaving
Death	0	0%
Resignation	8	89%
Dismissal	1	11%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Total	9	100%

Employees who resigned found alternative employment with higher remuneration packages than what FoodBev SETA offered.

One employee absconded from work, which resulted in the employee's dismissal.



Labour relations: misconduct and disciplinary actions

Nature of disciplinary action	Number of cases
Verbal	1
Written warning	2
Final written warning	0
Dismissal	1
Total	4

Employment equity profile as at 31 March 2017

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	1	0	0	0	0	0	1
Senior management	3	0	0	0	1	0	0	0	0	0	4
Professional qualified	2	0	0	1	4	0	0	0	0	0	7
Skilled	4	0	0	0	6	0	0	0	0	1	11
Semi-skilled	5	0	0	0	12	0	0	0	0	0	17
Unskilled	0	0	0	0	1	0	0	0	0	1	2
Total permanent	14	0	1	1	25	0	0	0	0	2	42

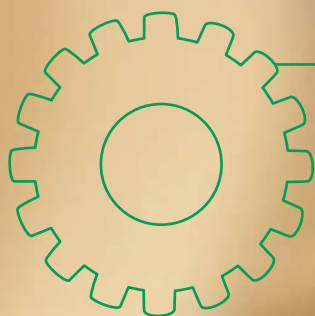
The Annual Employment Equity Report was consulted at the Employment Equity (EE) Forum. The EE Forum consists of representatives from all departments and labour representatives. It was presented at Executive Committee on 17 November and was submitted to the Department of Labour thereafter.

Employment equity profile relating to persons with disabilities as at 31 March 2017

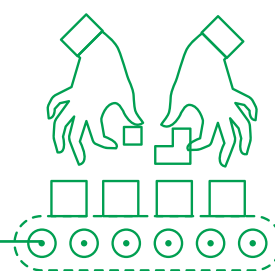
Level	Male	Female
Top management	–	–
Senior management	–	1
Professional qualified	–	–
Skilled	–	1
Semi-skilled	1	–
Unskilled	–	–
Total	1	2

Part E

Annual Financial Statements



All Board committees are functioning effectively in their roles of providing assurance in the control environment to ensure that the FoodBev SETA continues to receive a favourable audit opinion.



We are pleased to present the Food and Beverage Manufacturing Sector
Education and Training Authority annual financial statements
for the year ended 31 March 2017

Index

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

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The financial statements set out on pages 58 to 98 have been prepared on the going concern basis.

Report of the Auditor-General to Parliament



Auditor's report

**FOOD AND BEVERAGE MANUFACTURING
SECTOR EDUCATION AND TRAINING AUTHORITY
(FOODBEV SETA) 31 JULY 2017**

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Food and Beverage Manufacturing Sector Education Training Authority (FoodBev SETA) set out on pages 58 to 98 which comprise the statement of financial position as at 31 March 2017, and 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 FoodBev SETA 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 (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.

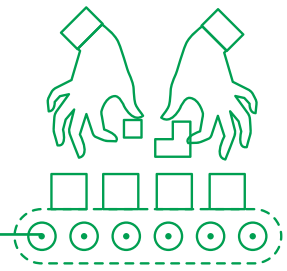
Responsibilities of the Accounting Authority for the financial statements

6. 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.
7. In preparing the financial statements, the Accounting Authority is responsible for assessing the FoodBev SETA's ability to continue as a going concern, disclosing, as applicable, matters relating to a going concern and using the going concern basis of accounting unless there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the financial statements

8. 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report of the Auditor-General to Parliament



Report on the audit of the annual performance report

Introduction and scope

10. 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.
11. 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.
12. 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

Goal 3: Increase access to occupationally directed programmes. Refer to pages 18 – 19.

Goal 5: Encourage better use of workplace-based skills development. Refer to page 20.

Goal 6: Encouraging and supporting cooperatives, non-levy paying small enterprises, NGO's and community based training initiatives skills development. Refer to page 20.

13. 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.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
 - Goal 3 – Increase access to occupationally directed programmes
 - Goal 5 – Encourage better use of workplace-based skills development
 - Goal 6 – Encourage and supporting cooperatives, non-levy paying small enterprises, NGOs and community-based training initiatives.

Other matters

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the performance information on page 24 to 26 for information on the achievement of planned targets for the year and explanations provided for the under and overachievement of a number of targets.

Adjustment of material misstatements

17. I identified material misstatements in the performance information submitted for auditing. These material misstatements were on the reported performance information of Goal 3 – Increase access to occupationally directed programmes. As management subsequently corrected misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report of the Auditor-General to Parliament



Introduction and scope

18. In accordance with the PAA 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.
19. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements on commitments identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information

21. The FoodBev 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 thereon and those selected programmes or goals presented in the performance information that have been specifically reported on in the auditor's report.
22. 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.
23. 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 performance information, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
24. 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

25. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Financial and performance management

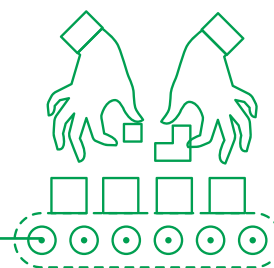
26. Management did not ensure adequate reviews of the annual financial statements, which resulted in material misstatements being identified and corrected through the audit process.

Auditor-General

Pretoria
31 July 2017



Report of the Auditor-General to Parliament



Annexure – Auditor-General’s responsibility for the audit

1. As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional skepticism 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 misstatements 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 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 FoodBev 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 to continue 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.

Statement of Financial Performance

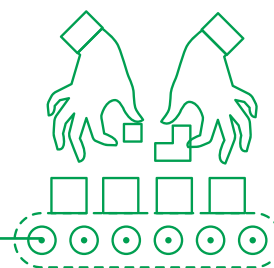
For the year ended 31 March 2017



	Note(s)	2016/2017 R '000	2015/2016 R '000
Revenue			
Non-exchange revenue			
Skills development levy: income	3	341 435	307 017
Fines, penalties and forfeits	4	10 930	10 958
Total revenue from non-exchange transactions		352 365	317 975
Exchange revenue			
Other income	5	–	31
Interest received – investment		35 102	26 756
Total revenue from exchange transactions		35 102	26 787
Total revenue		387 467	344 762
Expenditure			
Employer grant and project expenses	6	(272 750)	(173 767)
Transfer to NSF: Grant regulation		–	(70 059)
Administration expenses	7	(28 454)	(31 387)
Total expenditure		(301 204)	(275 213)
Surplus for the year		86 263	69 549

Statement of Financial Position

as at 31 March 2017



	Note(s)	2016/2017 R '000	2015/2016 R '000
Assets			
Current assets			
Prepayments and advances	10	–	285
Trade and other receivables from non-exchange transactions	11	1 337	1 029
Trade and other receivables from exchange transactions	12	484	459
Inventory	13	54	55
Cash and cash equivalents	14	545 330	447 131
		547 205	448 959
Non-current assets			
Property, plant and equipment	8	766	898
Intangible assets	9	306	372
		1 072	1 270
Total assets		548 277	450 229
Liabilities			
Current liabilities			
Trade and other payables from non-exchange transactions	15	14 872	7 427
Trade and other payables from exchange transactions	16	7 078	2 583
Provisions	17	4 388	4 543
		26 338	14 553
Non-current liabilities			
Total liabilities		26 338	14 553
Net assets		521 939	435 676
Reserves			
Administration reserve		1 072	1 270
Discretionary grant reserve		520 867	434 406
Total net assets		521 939	435 676

Statement of Changes in Net Assets

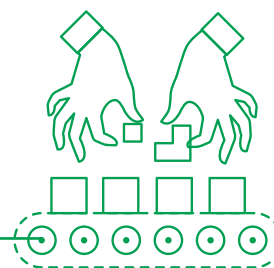
For the year ended 31 March 2017



	Administration reserve R '000	Discretionary grant reserve R '000	Employer grant reserve R '000	Accumulated surplus R '000	Total net assets R '000
Balance at 1 April 2015	1 432	364 695	–	–	366 127
Changes in net assets					
Surplus for the year	–	–	–	69 549	69 549
Allocation of unappropriated surplus	8 854	47 916	12 779	(69 549)	–
Excess reserves transferred to Discretionary reserve	(9 016)	21 795	(12 779)	–	–
Opening balance as previously reported	1 270	434 406	–	–	435 676
Balance at 1 April 2016	1 270	434 406	–	–	435 676
Surplus for the year	–	–	–	86 263	86 263
Allocation of unappropriated surplus	16 348	63 011	6 904	(86 263)	–
Excess reserves transferred to Discretionary reserve	(16 546)	23 450	(6 904)	–	–
Balance at 31 March 2017	1 072	520 867	–	–	521 939

Cash Flow Statement

For the year ended 31 March 2017



	Note(s)	2016/2017 R '000	2015/2016 R '000
Cash flows from operating activities			
Cash receipts from stakeholders			
Levies, interest and penalties received		352 317	317 518
Interest income		35 102	26 756
Other cash receipts from stakeholders		–	31
		<u>387 419</u>	<u>344 305</u>
Cash paid to stakeholders, suppliers and employees			
Grants and project payments		(257 968)	(204 439)
Uncommitted funds, government grants and other donor funding: expenditure		–	(70 059)
Compensation of employees		(16 879)	(18 451)
Payments to suppliers and other		(14 113)	(15 532)
		<u>(288 960)</u>	<u>(308 481)</u>
Net cash flows from operating activities	18	98 459	35 824
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(158)	(204)
Purchase of other intangible assets	9	(102)	(73)
Net cash flows from investing activities		(260)	(277)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		447 131	411 584
Cash and cash equivalents at the end of the year	14	545 330	447 131

Statement of Comparison of Budget and Actual Amounts



Budget on Cash Basis

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

Statement of Financial Performance – Note 28

Revenue

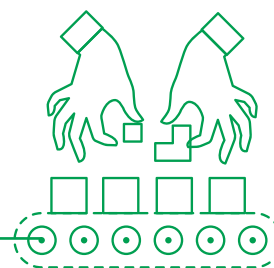
Fines and penalties	–	–	–	10 930	10 930	28.1
Skills development levies: income	298 030	–	298 030	341 435	43 405	28.2
Interest received – investment	10 650	13 350	24 000	35 102	11 102	28.3
Retained funds	–	76 127	76 127	–	(76 127)	28.4
Total revenue	308 680	89 477	398 157	387 467	(10 690)	

Expenses

Administration expenses	(39 117)	–	(39 117)	(28 454)	10 663	28.5
Employer grant and project expenses	(269 563)	(89 477)	(359 040)	(272 750)	86 290	28.6
Total expenditure	(308 680)	(89 477)	(398 157)	(301 204)	96 953	
Revenue	308 680	89 477	398 157	387 467	(10 690)	
Expenditure	(308 680)	(89 477)	(398 157)	(301 204)	96 953	
Surplus for the year	–	–	–	86 263	86 263	

Accounting Policies

For the year ended 31 March 2017



1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with, and comply with, effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The implementation of the new GRAP standards has not resulted in any change in accounting policy.

The principal accounting policies adopted in the preparation of these financial statements are set out below and are, in all material respects, consistent with those of the previous year, except as otherwise indicated.

1.1 Basis of preparation

The annual financial statements (AFS) have been prepared on the historical cost basis except where adjusted for fair value as required by the respective accounting standards; all figures presented are rounded off to the nearest thousand.

1.2 Functional and presentation currency

These financial statements are presented in South African Rands which is FoodBev SETA's functional currency.

1.3 Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably.

1.4 Non-exchange revenue

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 (employers) of the FoodBev SETA pay a skills development levy of 1% of the total payroll cost to the South African Revenue Service (SARS). Companies with an annual payroll of less than R500,000 are exempted in accordance with section 4(b) of the Skills Development Levy Act (1999) as amended, effective 1 August 2005.

Eighty per cent of skills development levies are paid over to the FoodBev SETA (net of the 20% contribution to the National Skills Fund).

Skills development levies transfers are recognised when it is probable that the future economic benefits will flow to the FoodBev SETA and these benefits can be measured reliably. This occurs when the Department of Higher Education and Training (DHET) either makes an allocation or a payment, whichever comes first, to FoodBev SETA.

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 Procedure issued by DHET.

When a new employer is transferred to the FoodBev SETA, the levies transferred by the former SETA are recognised as revenue and allocated to the respective category to maintain its original identity.

A net receivable/payable is recognised for SARS adjustments. An estimate as a result of retrospective adjustments by SARS due at year end is based on historical trends and actual data where these amounts are available subsequent to year end.

Accounting Policies

For the year ended 31 March 2017



FoodBev SETA refunds an amount to the employer in the form of grants, based on information received from SARS. Where SARS retrospectively amends the information on levies collected, it may result in grants that have been paid to certain employers that are in excess of the amount the FoodBev SETA is permitted to have granted to employers.

A receivable relating to the overpayment to the employer in earlier periods is raised as the amount of such grant overpayment, net of bad debts and provisions for irrecoverable amounts. FoodBev SETA recognises a payable in respect of Skills Development Levy refunds due to levy-exempt employers. This payable is a provision based on levies received from possible levy-exempt entities.

Levy-exempt income is monies received from employers who are exempt from paying skills development levies, as per the Skills Development Circular 09/2013. FoodBev SETA recognises a payable in respect of SDL levy refunds due to levy-exempt employers. This payable is a provision based on the levies received from possible levy-exempt entities. FoodBev SETA transfers all monies received from levy-exempt employers to discretionary grant income after the expiry date of five years from date of receipt of the funds, if not refunded to the respective employer through the SARS system.

Interest and penalties

Interest and penalties on the Skills Development Levy is recognised when it accrues based on the amount received or allocation made by DHET.

Government grants and other donor funding

Funds transferred by the government and other donor funding are accounted for in the financial statements of the FoodBev SETA as a liability until the related eligible expenses are incurred; when the liability is utilised the revenue is recognised as other income in the statement of financial performance.

Conditional government grants and other conditional donor funds received are recorded as deferred income when they are receivable and then recognised as income when the conditions attached to the grant are met. Unconditional grants are recognised as other income when the amounts have been received.

1.5 Exchange revenue

Exchange revenue is measured at fair value of the consideration received or receivable.

Investment income

Investment income is accrued on a time proportion basis, taking into account the principal outstanding, the effective interest rate over the period to maturity, comprises of interest income on funds invested and is accrued using the effective interest method. Interest from investments is recognised when the bank has credited the investment with interest due in line with the maturity date of the investment.

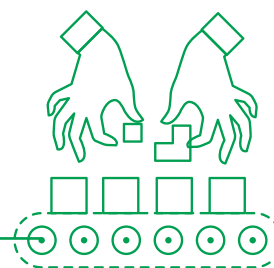
1.6 Grants and project expenditure

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 time frame before the cut-off date and the application has been approved, as the payment then becomes probable. The grant is equivalent to 20% of the total levies paid by the employer during the corresponding financial period.

Accounting Policies

For the year ended 31 March 2017



Discretionary grants & project expenditure

A SETA may, out of any surplus funds, determine and allocate discretionary grants to employers, public education and training institutions and other legal persons as stipulated by the gazetted grant regulations, who have submitted an application for a discretionary grant in the prescribed form, within the agreed upon time frame and before the cut-off date. The grant payable and the related expenditure are recognised when the application has been approved and conditions have been met.

Project expenditure comprises:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the project; and
- such other costs as are specifically chargeable to the FoodBev SETA under the terms of the contract.

Discretionary grants and project costs are recognised as expenses in the period in which they are incurred. A receivable is recognised net of provision for irrecoverable amounts for payments made to the extent of expenses not yet incurred in terms of the contracts. Where a contract for a project has been entered into, but has not been accrued for, it is disclosed as a commitment in the notes to the financial statements.

Grant payments

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act, (Act No.97 of 1998) have been adhered to by the employer and it is probable that the FoodBev SETA will make the relevant payments. The measurement of the obligation is based on the levies received.

Projects

No provision is made for projects approved at year end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a contract has been approved, but has not been accrued for or provided for, it is disclosed as a commitment in the notes to the financial statements.

Commitments

Commitments are disclosed where FoodBev SETA, in the normal course of operations, entered into contractual agreements with entities relating to grants or where there is a contractual letter of award. Commitments are measured at the amount the entity would pay to settle the obligation to a third party at reporting date. Commitments are included in the disclosure note to the financial statements.

1.7 Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA
- The Skills Development Act

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Irregular, fruitless and wasteful expenditure is recognised against the respective class of expense and disclosed in a note in the financial statements when it has been identified. Where instances of irregular expenditure are identified, the incident is investigated, assessed as to whether it should be condoned in terms of Practice Note 4 of 2008/2009 issued by National Treasury and, where appropriate, funds are recovered from the party/parties involved. Where instances of possible fruitless and wasteful expenditure are identified, the incident is investigated and, where appropriate, funds are recovered from the party involved.

Accounting Policies

For the year ended 31 March 2017



1.8 Property, plant and equipment

Property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software, which is integral to the functionality of the related equipment, is capitalised as part of that equipment. Property, plant and equipment are subsequently measured at cost less any subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line method for each item of property, plant and equipment, to allocate the cost of each item of asset to estimated residual value over its estimated useful life.

The estimated useful lives for the current and comparative periods are as follows:

Item	Average useful life
Office furniture	8 – 11 years
Office equipment	7 – 11 years
Computer equipment	5 – 9 years

The useful lives and residual values of items of property, plant and equipment are reviewed annually and adjusted prospectively at the end of each reporting period. The depreciation charge is recognised in the surplus or deficit.

Derecognition

FoodBev SETA derecognises its item of property, plant equipment and/or significant part of an asset upon disposal or when no future economic benefits or service potential can be derived from the asset.

1.9 Intangible assets

Intangible assets that are separately acquired are initially measured at cost and subsequently carried at cost less any accumulated amortisation and impairment losses. Amortisation is recognised in surplus or deficit on a straight-line method over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful life for the current and comparative periods is as follows:

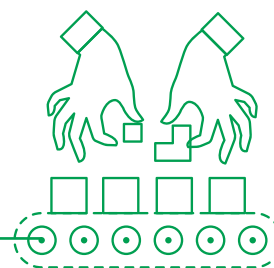
Item	Average useful life
Computer software	5 – 12 years
Licence fees	12 months

The amortisation method and rated life of items of intangible assets are reviewed annually. The carrying amount of the intangible asset is reviewed regularly to assess whether there is an indication that the carrying amount exceeds the recoverable amount.

Gains and losses on disposal of intangible assets are determined by comparing the proceeds from disposal with the carrying amount of intangible assets and are recognised in surplus or deficit.

Accounting Policies

For the year ended 31 March 2017



1.10 Impairment of non-financial assets

Impairment is the loss in the future economic benefits or service potential of an asset over and above the systematic recognition of the loss through depreciation or amortisation. All FoodBev SETA assets are non-cash generating.

Non-financial assets are annually assessed, by considering internal and external factors where there is an indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated at the higher of fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

In assessing value in use, the FoodBev SETA has adopted the depreciation replacement cost approach. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

In determining fair value less cost to sell, the price of the assets in a binding agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributed to the disposal of the asset is used. If there is no binding agreement, but the asset is traded on an active market, fair value less cost to sell is the asset's market price less cost of disposal. If there is no binding sale agreement or active market for an asset, the FoodBev SETA determines fair value less cost to sell based on the best available information.

For each asset, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist, the FoodBev SETA estimates the asset's recoverable service amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable service amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

1.11 Leasing

Finance leases – lessee

A finance lease is classified as a finance lease when there is a lease agreement that transfers substantially all the risks and rewards incidental to the ownership of an asset to a leasee.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance-lease obligation. FoodBev SETA does not have any finance leases.

Operating leases – lessee

An operating lease is a lease other than a finance lease. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the FoodBev SETA.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

Accounting Policies

For the year ended 31 March 2017



1.12 Provisions and contingencies

Provisions are recognised when the FoodBev SETA has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits or service potential will be required or can be made to settle the obligation.

Provisions are measured as management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the amount of the provision is material.

Contingent liabilities are possible obligations whose existence will be confirmed by the occurrence or non-occurrence of an uncertain future event not wholly within the control of FoodBev SETA. Contingent liabilities are not recognised, but are disclosed in the notes to the AFS, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

1.13 Employee benefits

The cost of employee benefits is recognised as an example during the period in which the employee renders the related service. If the benefit is unpaid, a liability is recognised.

Leave

FoodBev SETA recognises a liability and an expense for accumulating leave as and when employees render services that entitle them to leave days. The amount of the liability and expense is determined as the additional amount payable as a result of unused leave days owing to employees at the end of the period.

Medical benefits

The FoodBev SETA provides medical benefits as part of the cost-to-company package given to its employees. Payments are charged as a salary expenses as they fall due.

Provident fund benefits

The FoodBev SETA provides for a provident fund for all its employees through a defined-contribution plan. Payments to the fund are charged as part of salary expense as they fall due.

Performance bonus

These are recognised when the entity has a constructive obligation to pay bonuses and when a reliable estimate can be made.

1.14 Financial instruments

Initial recognition

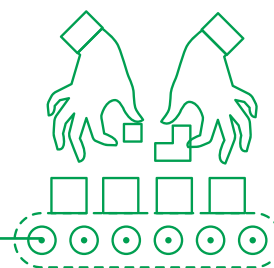
FoodBev SETA recognises the financial instruments using trade date accounting when FoodBev SETA becomes a party to the contractual provision of the instrument.

Initial measurement

Financial assets and financial liabilities are measured at fair value plus, in case of a financial asset or financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of a financial instrument.

Accounting Policies

For the year ended 31 March 2017



Financial assets

FoodBev SETA's principal financial assets are account receivables, other receivables and cash and cash equivalents, prepayments and advances.

Accounts and other receivables

Accounts and other receivables are measured at amortised costs using the effective interest method less provision of impairment. A provision for impairment of accounts receivable is established when there is objective evidence that FoodBev SETA will not be able to collect all amounts due according to the original terms. The amount of the provision is a difference between the receivable carrying amount and the present value of future cash flows discounted at the effective interest rate. Movement in the provision is recognised in the statement of financial performance.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, investments and deposits held by FoodBev SETA, CPD and domestic banks. Cash and cash equivalents are measured at amortised costs. Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are held with registered banking institutions with a period maturity of three months or less and that are subject to insignificant risk of change.

Derecognition

A financial asset shall be derecognised when FoodBev SETA realises the contractual rights to benefits specified in the contract, the rights expire and FoodBev SETA surrenders those rights, or loses control of the contractual rights that comprise a financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds received shall be recognised in the net surplus or deficit for the period.

Financial liabilities

The FoodBev SETA's principal financial liabilities are accounts and other payables. All financial liabilities are subsequently measured at amortised cost, using the effective rate method comprising original debts less principal payments and amortisations.

Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability and the amount paid is included in the net surplus or deficit for the period.

Fair value considerations

The fair values at which financial instruments are carried at the reporting date have been determined using available market values. Where market values are not available, fair values will be calculated by discounting expected future cash flows at prevailing interest rates. The fair values will be estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the FoodBev SETA could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are based on cost as fair value due to the short-term trading cycle of these items.

Offsetting financial instruments

Financial assets and financial liabilities are offset if there is any intention to either settle on a net basis or realise the asset and settle the liability simultaneously, and a legally enforceable right to set off exists.

Accounting Policies

For the year ended 31 March 2017



1.15 Net assets

Net assets are sub-classified in the statement of financial position between the following reserves:

Administration reserve

This is the reserve maintained for the operational and running costs of FoodBev SETA.

Employer grant reserve

This is a reserve maintained for the paying back to employers of a percentage of the contributed levies after they satisfy the specific criteria set out in the SDA.

Discretionary grant reserve

This is a reserve set out of surplus funds for use on special projects that FoodBev SETA deems suitable in fulfilling its objectives as set out in the SDA.

Accumulated surplus/deficit

This is a reserve arising out of operations and is reallocated at the end of the year to other reserves. Net assets are sub-classified in the statement of financial position between the following reserves:

This sub-classification is based on the restrictions placed on the distribution of funds received in accordance with the Regulations issued in terms of the SDA. Accrual basis accounting is used to calculate reserves and thus reserves are not an indication of cash used or available at the end of the year.

Employer's levy payments are set aside in terms of the SDA and the regulations issued in terms of the SDA, for the purpose:

	2016/2017	2015/2016
Administration costs of the SETA	10.50%	10.50%
Employer grant fund levy	20.00%	20.00%
Discretionary grants and projects	49.50%	49.50%
Total	80.00%	80.00%

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

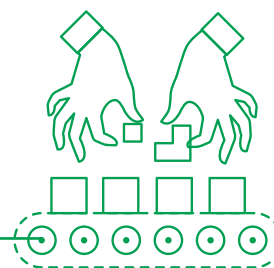
The amount retained in the administration reserves equates to the net book value of non-current assets.

The surplus/deficit is allocated to the administration reserve, the mandatory grant reserve and the discretionary funds reserve.

The transfer between reserves is as per the stipulation in the SDA, which requires surplus fund from administration reserves and any unclaimed mandatory grants to be transferred to the discretionary grant reserve at the end of the financial year.

Accounting Policies

For the year ended 31 March 2017



1.16 Inventory

Inventory consists of consumables on hand at reporting date and is measured at the lower of cost or net replacement value. Cost is determined on a first-in first-out basis. Current replacement cost is the cost that the entity would incur to acquire the asset at reporting date.

1.17 Related-party transactions

An entity or individual is considered to be a related party to FoodBev SETA when the party has the ability to control FoodBev SETA or can exercise significant influence over FoodBev SETA in making financial and operating decisions or if the party and FoodBev SETA are subject to common control.

All departments and public entities in the national sphere of government are related parties as they are ultimately under common control. Where such a situation exists, the nature and type of transactions and relationship between parties are disclosed in the notes to the annual financial statements.

1.18 Events after reporting date

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

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

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

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

1.19 Comparative figures

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

1.20 Budget information

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

Comparative information is not required. The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the FoodBev SETA. As a result of the adoption of accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the AFS; the reasons for overall growth or decline in the budget are stated, followed by the details of overspending or underspending on line items.

The budget covers the period 1 April 2016 to 31 March 2017.

Notes to the Annual Financial Statements

For the year ended 31 March 2017

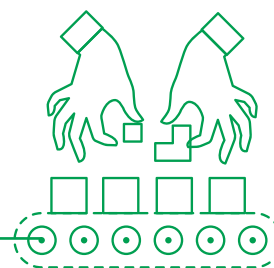


2. Allocation of surplus for the year to reserves

2016/2017	Total per statement of financial performance	Administration reserve	Employer grants reserve	Discretionary reserve	
		Administration	Mandatory skills planning grant	Discretionary grants	Total discretionary
Skills Development Levy: Income					
Admin levy income (10.5%)	44 698	44 698	–	–	–
Grant levy income (69.5%)	296 737	–	85 302	211 435	211 435
Skills Development Levy:	10 930	–	–	10 930	10 930
Investment income	35 102	–	–	35 102	35 102
Total revenue	387 467	44 698	85 302	257 467	257 467
Administration expenses	(28 454)	(28 454)	–	–	–
Employer grants and project expenses	(272 750)	–	(78 398)	(194 352)	(194 352)
Total expenses	(301 204)	(28 454)	(78 398)	(194 352)	(194 352)
Net surplus per statement of financial performance allocated	86 263	16 244	6 904	63 115	63 115

Notes to the Annual Financial Statements

For the year ended 31 March 2017



2. Allocation of surplus for the year to reserves *continued*

2015/2016	Total per statement of financial performance	Administration reserve	Employer grants reserve	Discretionary reserve	
		Administration	Mandatory skills planning grant	Discretionary grants	Total discretionary
Skills Development Levy: income					
Admin levy income (10.5%)	40 158	40 158	–	–	–
Grant levy income (69.5%)	266 859	–	77 284	189 575	189 575
Skills Development Levy:	10 958	–	–	10 958	10 958
Investment income	26 756	–	–	26 756	26 756
Other income	31	–	–	31	31
Total revenue	344 762	40 158	77 284	227 320	227 320
Administration expenses	(31 387)	(31 387)	–	–	–
National Skills fund income/infrastructure	(70 059)	–	–	(70 059)	(70 059)
Employer grants and project expenses	(173 767)	–	(64 505)	(109 262)	(109 262)
Total expenses	(275 213)	(31 387)	(64 505)	(179 321)	(179 321)
Net surplus per statement of financial performance allocated	69 549	8 771	12 779	47 999	47 999

Notes to the Annual Financial Statements

For the year ended 31 March 2017



3. Skills Development Levy: income

The total levy income per the statement of financial performance is as follows:

	2016/2017 R '000	2015/2016 R '000
Levy income: Administration		
Levies received from SARS	44 697	40 158
Inter-SETA transfers in	1	4
Total levy income: Administration	44 698	40 162
Levy income transfer: Employer Grants		
Levies received	85 301	77 274
Inter-SETA transfers in	1	7
Total levy income transfer: Employer Grants	85 302	77 281
Levy income transfer: Discretionary Grants		
Levies received	210 845	189 021
Inter-SETA transfers in	2	17
Exempt employer: transfer to/from discretionary	588	536
Total levy income transfer: Discretionary Grants	211 435	189 574
	341 435	307 017

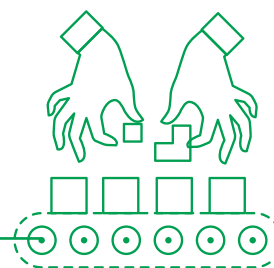
4. Skills Development Levy: interest and penalties

Interest	4 960	3 367
Penalties	5 970	7 591
Total	10 930	10 958

Penalties are levied by SARS on employers who pay their Skills Development Levy after the due date as legislated at a rate of 10% of the amount due. Interest accrues at the prescribed rate of 10.5% per annum.

Notes to the Annual Financial Statements

For the year ended 31 March 2017



5. Other income – exchange revenue

	2016/2017 R '000	2015/2016 R '000
Mandatory grants received	–	31

6. Employer grant and project expenses

Mandatory grants

Expenditure	78 398	64 505
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Discretionary grants

Expenditure	183 350	99 663
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Project administration

6.1

Expenditure	11 002	9 599
Total	272 750	173 767

6.1 Project expenditure consists of:

Direct salaries and wages	7 492	6 116
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Direct project administration expenses:

Scarce skills guide	115	345
Advertising promotions & publicity material	210	378
Catering and event hosting	21	11
External moderation	1 596	942
Travel and accommodation	1 369	1 529
Project management – TVET offices	91	249
Other administration expenses	108	29
Total	11 002	9 599

A prior year amount of mandatory grants expenditure has been restated to include movement in the provision of mandatory grants of R575k that was disclosed separately. The amount has been added to the mandatory grants expenditure.

Notes to the Annual Financial Statements

For the year ended 31 March 2017



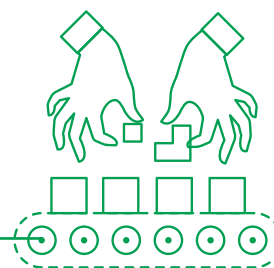
7. Administration expenses

	2016/2017 R '000	2015/2016 R '000
Amortisation	168	129
Depreciation	290	310
Cost of employment	9 387	12 596
Operating lease rentals		
Property & buildings	2 071	1 898
Equipment rental	557	235
Maintenance repairs and running costs		
Property and buildings	28	89
Electricity & water	268	224
Rates & taxes	179	186
Advertising and promotional items	436	767
Communication – telephones	39	291
Marketing	267	149
Workshops	77	–
Legal fees	383	810
Consumables	147	104
Printing and stationery	150	130
Postage and courier	226	276
Board remuneration	2 641	2 993
Audit committee remuneration	296	206
Auditor's remuneration		
External audit fees	1 827	1 755
Internal audit fees	571	935
Bank charges	51	48
Insurance	91	91
Computer expenses	2 999	3 710
Licence fees	1	25
Security	318	292
Travel & accommodation – local	1 180	834
Catering and refreshments	94	83
Cleaning	80	111
Conference and seminars	593	211
Debt impairment	207	55
Consultancy fees	229	–
Quality council for trades and occupations (QCTO)	1 555	1 010
Travel & accommodation – overseas	351	–
Staff welfare	55	–
Recruitment costs	210	54
Ministerial initiatives	213	334
Training	219	446
Total	28 454	31 387

* A prior year amount of R54k, relating to recruitment costs was reclassified from cost of employment to recruitment costs.

Notes to the Annual Financial Statements

For the year ended 31 March 2017



7. Administration expenses *continued*

	2016/2017 R '000	2015/2016 R '000
Cost of employment		
Salaries and wages		
Salaries	15 564	17 019
Social contributions		
Medical aid contributions	–	112
Pension contributions: defined-contribution plans	1 315	1 581
	16 879	18 712
Allocation of cost of employment		
Administrative expenses	9 387	12 596
Project salaries	7 492	6 116
Total	16 879	18 712

Number of employees as at year end

42

38

Included in the cost of employment is a once-off gratuity payment, approved by the Accounting Authority, made to employees totalling R455k. Previous year's employees were based on average.

8. Property, plant and equipment

	2017			2016		
	Cost/ valuation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost/ valuation R'000	Accumulated depreciation R'000	Carrying value R'000
Office furniture and fittings	914	(808)	106	914	(753)	161
Office equipment	896	(706)	190	896	(621)	275
Computer equipment	1 842	(1 372)	470	1 685	(1 222)	463
Total	3 652	(2 886)	766	3 495	(2 596)	899

Reconciliation of property, plant and equipment – 2017

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Office furniture and fittings	161	–	(55)	106
Office equipment	275	–	(85)	190
Computer equipment	462	158	(150)	470
	898	158	(290)	766

Reconciliation of property, plant and equipment – 2016

Office furniture and fittings	237	–	(76)	161
Office equipment	370	–	(96)	274
Computer equipment	398	204	(139)	463
Total	1 005	204	(311)	898

Notes to the Annual Financial Statements

For the year ended 31 March 2017



9. Intangible assets

	2017			2016		
	Cost/ valuation R'000	Accumulated amortisation R'000	Carrying value R'000	Cost/ valuation R'000	Accumulated amortisation R'000	Carrying value R'000
Licences	175	(93)	82	73	(6)	67
Computer software	1 993	(1 769)	224	1 993	(1 688)	305
Total	2 168	(1 862)	306	2 066	(1 694)	372

Reconciliation of intangible assets – 2017

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Licences	67	102	(87)	82
Computer software	305	–	(81)	224
Total	372	102	(168)	306

Reconciliation of intangible assets – 2016

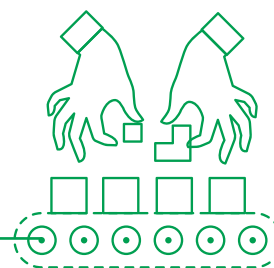
	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Licences	–	73	(6)	67
Computer software	428	–	(123)	305
Total	428	73	(129)	372

10. Prepayments and advances

	2016/2017 R '000	2015/2016 R '000
Discretionary grants prepaid	–	285
Closing balance	–	285

Notes to the Annual Financial Statements

For the year ended 31 March 2017



11. Trade & other receivables from non-exchange transactions

	2016/2017 R '000	2015/2016 R '000
Mandatory grant receivables	1 256	456
Discretionary grants recoveries	323	607
Less: debtors allowance	(242)	(34)
Total	1 337	1 029

12. Trade and other receivables from exchange transactions

	2016/2017 R '000	2015/2016 R '000
Sundry debtors	40	4
Deposit – Growthpoint	444	444
Deposit – Eskom	–	11
Total	484	459

13. Inventory

	2016/2017 R '000	2015/2016 R '000
Consumable stores	54	55
Total	54	55

Notes to the Annual Financial Statements

For the year ended 31 March 2017



14. Cash and cash equivalents

	2016/2017 R '000	2015/2016 R '000
Cash on hand	3	4
Cash – bank deposit	8 161	45 641
Cash at bank and in hand	8 164	45 645
Cash – Corporate for Public Deposits	537 166	401 486
Cash and cash equivalents at end of year	545 330	447 131

As required by Treasury regulation 31.3.3, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short-term bank deposits was 6.2% (2016: 5.9%).

The weighted average interest rate on funds held at South African Reserve Bank Corporation for Public Deposit was 7.3% (2016: 6.2%)

First National Bank has an A-3 rating for short-term deposits and a BBB rating for long-term deposits as rated by Standard and Poor. There is no rating for Corporate for Public Deposits.

15. Trade & other payables from non-exchange transactions

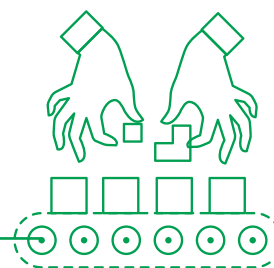
	2016/2017 R '000	2015/2016 R '000
Skills Development Grants: mandatory	8 429	5 619
Skills Development Grants: discretionary	6 443	1 808
Total	14 872	7 427

16. Trade & other payables from exchange transactions

	2016/2017 R '000	2015/2016 R '000
Accrued expenses – payables	6 180	1 407
Accrued leave pay	898	1 176
Total	7 078	2 583

Notes to the Annual Financial Statements

For the year ended 31 March 2017



17. Provisions

	2016/2017 R '000	2015/2016 R '000
Exempt-employers provision	2 839	2 796
Bonus provision	1 549	1 747
Total	4 388	4 543

Exempt-employers provision

The amount of R2 839m (2016: R2 796m) relates to levies incorrectly contributed by employers, and paid over to SARS and DHET, after being exempted from contributing skills development levies.

In terms of the Skills Development Circular No. 09/2013, FoodBev SETA transfers all monies received from levy-exempt companies to discretionary grant income after the expiry of 5 years from date of receipt of funds. SARS collects the levies on behalf of DHET, the responsibility to refund the employers remains with SARS.

Bonus provision

Employees sign performance contracts as part of their conditions of service at the beginning of each financial year. Employees are assessed biannually and bonuses are paid in the month of December; the amount is dependent on the outcome of individual performance evaluations.

Reconciliation of provisions – 2016/2017

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Exempt-employers provision	2 796	631	–	(588)	2 839
Bonus provision	1 747	1 549	(910)	(837)	1 549
Total	4 543	2 180	(910)	(1 425)	4 388

Reconciliation of provisions – 2015/2016

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Exempt-employers provision	2 790	541	–	(535)	2 796
Bonus provision	1 518	1 747	(965)	(553)	1 747
Total	4 308	2 288	(965)	(1 088)	4 543

Notes to the Annual Financial Statements

For the year ended 31 March 2017



18. Reconciliation of net cash flow from operating activities to net surplus

	2016/2017 R '000	2015/2016 R '000
Net surplus as per statement of financial performance	86 263	69 549
Adjusted for non-cash items:		
Depreciation	290	311
Amortisation	168	128
Movements in provisions	(155)	235
Changes in working capital:		
Decrease/(increase) in inventory	1	(17)
Decrease in receivables – exchange transactions	(25)	(445)
Decrease in receivables – non-exchange transactions	(308)	(662)
Decrease in prepayments	285	648
Decrease/(increase) in payables – exchange transactions	4 495	(30 907)
Decrease/(increase) in payables – non-exchange transactions	7 445	(3 016)
Total	98 459	35 824

19. Contingent liabilities

19.1

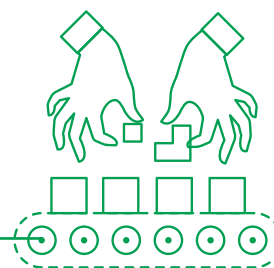
There is a possible litigation against the entity relating to a dispute with training providers who allege that the entity owes them for providing services to SMMEs to the value of R1.5m. The SETA lawyers and management consider the likelihood of the action against the entity being successful as unlikely, and the case should be resolved within the next year.

19.2

There is an unfair dismissal case at the Labour Court by one of FoodBev SETA's ex-employees. The outcome of the case is uncertain and possible financial outflow cannot be reliably estimated.

Notes to the Annual Financial Statements

For the year ended 31 March 2017



20. Commitments

20.1 Discretionary grant reserve

Of the balance of R521.0m available in the Discretionary Grant Reserve at the end of March 2017, R443m has been approved and allocated for future projects and skills priorities as set out below:

Description of grant R'000	Total closing balance 2014/2015 R'000	Adjustment	Adjusted closing balance 2015/2016	Termination adjustment R'000	Approved by Accounting Authority and contracted 2016/2017	Utilised 2016/2017 R'000	Closing balance 2016/2017 R'000
Unemployed learnerships 18.2	80 978	(1 767)	79 211	(1 847)	65 398	(42 623)	100 139
Employed learnerships 18.1	44 305	936	45 240	(513)	41 740	(21 531)	64 936
Skills programme	2 358	1 092	3 450	19	5 177	(2 200)	6 446
Work experience/ internship	33 864	4 691	38 555	(522)	42 840	(34 376)	46 496
Employed & MDP bursaries	13 087	(695)	12 393	(223)	14 210	(8 430)	17 951
Unemployed bursaries	77 702	–	77 702	(1 941)	72 233	(50 117)	97 877
Research & development	133	–	133	–	48	(180)	–
Adult education training	2 072	–	2 072	(3)	2 705	(1 292)	3 483
Apprenticeship	14 097	–	14 097	(124)	–	(2 295)	11 678
Artisans	19 675	–	19 675	(777)	29 400	(4 599)	43 699
SMEs (LP NLP NGOs CBOs)	500	–	500	–	2 700	–	3 200
Trade unions	7 982	–	7 982	(4)	–	(773)	7 205
TVET placements	28 616	–	28 616	–	14 364	(13 756)	29 225
TVET work readiness	431	–	431	–	–	(387)	44
TVET bursaries	3 460	–	3 460	–	–	–	3 460
NSFAS project	6 110	–	6 110	–	–	–	6 110
Candidacy programme	–	–	–	–	360	–	360
SETA offices	720	–	720	–	–	(144)	576
TVET lecture capacity	–	–	–	–	352	–	352
Total	336 090	4 257	340 347	5 934	291 527	(182 703)	443 238

Notes to the Annual Financial Statements

For the year ended 31 March 2017



20. Commitments *continued*

	2016/2017 R '000	2015/2016 R '000
Total discretionary grants approved and contracted	443 238	336 090
Total discretionary grants approved but not contracted	6 303	–
Total	449 541	336 090
 Percentage of reserves	 85%	 77%

The FoodBev SETA has committed 85% of reserves in 2016/2017, however, the funding of such commitments flows between 1 and 6 years. The FoodBev SETA has sufficient funds to meet all its commitments. The Grant Regulation requires SETAs to commit at least 95% of their reserves each financial year.

Notice No. 35940 of 2012 of the Grant Regulations defines a commitment as a contractual obligation that will obligate the SETA to make a payment or agreement (written) with specific terms between the SETA and a 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 a payment against the discretionary grant.

Opening balances for commitments relating to 2016/2017 have been adjusted to reflect commitments that FoodBev SETA was actually committed to.

Furthermore, companies who appeared in the commitment register with outstanding grants from prior years were contacted in an effort to confirm if training was completed or still in progress or terminated. The exercise resulted in an adjustment to the prior year commitment amount of R4m.

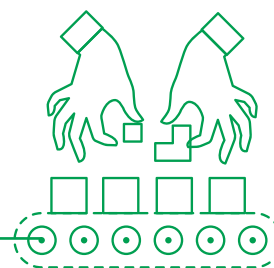
The commitment balance for unemployed bursaries was arrived at after taking into consideration the remaining year/s of study. The committed amounts were based on the current year's fees and escalated by 10% for the ensuing years.

The Accounting Authority approved one hundred Nestle's bursaries for unemployed learners and, at reporting date, Nestle submitted fifty-six contracts. The remaining forty-four learners are included in the commitment register. The contracts of these learners are currently being finalised.

The Accounting Authority approved R3m to refurbish the FoodBev SETA offices and purchase new office furniture and fittings. The office refurbishment was approved and contracted at reporting date and no funds were disbursed. The tender for the supply of office furniture and fittings was awarded. A further R1.1m for operational and project administration expenditure was contracted through approved purchase orders.

Notes to the Annual Financial Statements

For the year ended 31 March 2017



20. Commitments *continued*

	2016/2017 R '000	2015/2016 R '000
20.2 Operating commitments		
Approved and contracted		
Procurement of external moderation, advertising and consultant fees	1 107	–
Total	1 107	–
20.3 Capital commitments		
Approved and contracted		
Office refurbishment by Growthpoint	1 140	–
Procurement of office furniture and fittings	2 048	–
	3 188	–
Total commitments – discretionary, capital and operating	453 836	–

21. Operating lease commitment

	2016/2017 R '000	2015/2016 R '000
21.1. Total future minimum rental payments due:		
Not later than one year	2 172	1 993
Later than one year and not later than five years	1 331	3 503
Total	3 503	5 496

The rental relates to the office building leased from Growthpoint properties from 1 November 2015 for a three-year period ending on 31 October 2018. The lease payments escalate at 9% per annum on 1 November of each year. The lease of the office premises was smoothed over the lease term to equalise the future escalations in the lease payments.

A prior year amount of operating lease commitment not later than one year was incorrectly stated as R2.099m instead of the amount of R1.993m. The operating lease commitment for later than one year and not later than five years was incorrectly stated as R5.422m, the total was incorrectly stated as R7.521m instead of R5.496m.

Notes to the Annual Financial Statements

For the year ended 31 March 2017



21. Operating lease commitment *continued*

	2016/2017 R '000	2015/2016 R '000
21.2. Total future minimum rental payments due:		
Not later than one year	274	–
Later than one year and not later than five years	457	–
Total	731	–

The rental of the photocopiers from Konica Minolta was entered into on 1 July 2016 for a two-year period ending 30 June 2018. There are no escalations in the lease payments.

22. Material losses through irregular, fruitless and wasteful expenditure

	2016/2017 R '000	2015/2016 R '000
Fruitless and wasteful expenditure		
Opening balance	86	86
Fruitless and wasteful expenditure relating to current year	14	38
Less: condoned/written off	(100)	(38)
Total	–	86

Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	76 645	72 767
Less: amounts condoned	(76 645)	(3 689)
Add: irregular expenditure identified in the current year relating to prior years	1 668	7 567
Add: irregular expenditure identified in the current year	367	–
Less: amount condoned	(367)	–
Total	1 668	76 645

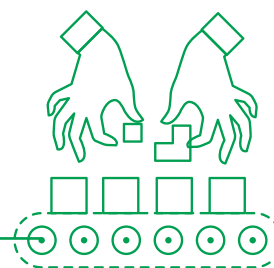
Details of irregular expenditure – current year

Description	Nature of transaction	Disciplinary steps taken	Remedial action	Amount R '000
Expenditure in transgression of SCM policies and procedures	Various suppliers relating to prior years	Disciplinary action was taken against the responsible employees	The SCM policies and procedures were updated and approved	1 668
				1 668

This irregular expenditure relates to old contracts and service providers that are still active and are being paid in the current year. They will be recorded as such until the expiry of the contract or when new service providers are secured.

Notes to the Annual Financial Statements

For the year ended 31 March 2017



23. Events after reporting date

23.1

The Accounting Authority and the National Treasury approved the refurbishments of the FoodBev SETA offices and purchase of new office furniture and fittings. The Accounting Authority approved the disposal of old furniture and fittings. The office furniture and fittings were still in use at reporting date. FoodBev SETA considers this as a non-adjusting event.

23.2

The National Treasury approved FoodBev SETA's request to retain surplus funds.

24. Board and management remuneration

Executive and management

2016/2017	Basic R '000	Travel allowance R '000	Acting allowance R '000	Pension fund R '000	Bonus R '000	Total R '000
N Selamolela (CFO)/Acting CEO	1 124	302	112	181	214	1 933
F Ngwendu (CS)	891	72	–	123	116	1 202
C Khoza (ETQA)	854	72	20	111	119	1 176
M Pule (Finance)	826	120	20	84	124	1 174
* A Basson (SP) – April-June 2016	218	25	–	6	–	249
** S Miya (SP) – October to date	383	60	–	40	–	483
Total	4 296	651	152	545	573	6 217

* Resigned in June 2016

** Appointed in October 2016

2015/2016	Basic R '000	Travel allowance R '000	Acting allowance R '000	Pension fund R '000	Bonus R '000	Total R '000
M Mathye	1 213	300	–	–	193	1 706
N Selamolela (CFO)/Acting CEO	1 023	302	88	133	169	1 715
F Ngwendu (CS)	813	72	43	73	126	1 127
H Caleni (IT)	865	4	–	65	112	1 046
C Khoza (ETQA)	769	72	–	69	123	1 033
M Pule (Finance)	749	120	43	70	90	1 072
A Basson (SP) – October 2015 to March 2016	364	12	–	36	55	467
S Ramsammy (SP) – July to September 2015	186	27	–	–	21	234
Total	5 982	909	174	446	889	8 400

Notes to the Annual Financial Statements

For the year ended 31 March 2017



24. Board and management remuneration (Continued)

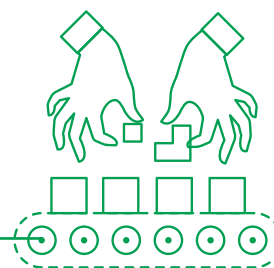
Non-executive

2016/2017	Board fees R '000	Reimbursed travel R '000	Total R '000
J Komape (Chairperson: Term ended June 2016)	94	3	97
E De Lange (Appointed: February 2017)	27	1	28
L Giba	279	4	283
G Hamman	179	7	186
S Hone	181	55	236
D Khumalo	227	24	251
E Manoto (Retired: April 2016)	8	2	10
R Mnguni	225	15	240
A Nkosibomvu	261	15	276
G Penny	225	6	231
W Prinsloo	149	3	152
K Smith (Resigned: February 2017)	23	4	27
L Thomas	235	5	240
T Tshabalala	360	14	374
N Tshabangu	168	13	181
Total	2 641	171	2 812

2015/2016	Board fees R '000	Reimbursed travel R '000	Total R '000
J Komape (Chairperson)	456	15	471
T Ehlers	173	3	176
L Giba	195	3	198
G Hamman	168	4	172
S Hone	189	35	224
D Khumalo	234	17	251
E Manoto	165	27	192
R Mnguni	279	14	293
A Nkosibomvu	205	9	214
G Penny	203	3	206
W Prinsloo	174	3	177
K Smith	127	11	138
L Thomas	254	5	259
T Tshabalala	154	4	158
N Tshabangu	39	2	41
Total	3 015	155	3 170

Notes to the Annual Financial Statements

For the year ended 31 March 2017



25. Financial instruments

FoodBev SETA operations are exposed to interest rate, credit, liquidity and market risk. The risk management process relating to each of these risks is discussed under the headings below. Financial instruments were not discounted as they will be settled or recovered within a short period of time. The effect of discounting was not considered material.

Interest rate risk

The FoodBev SETA manages its interest risk by effectively investing surplus funds in short-term deposits and call accounts with different accredited financial institutions according to the FoodBev SETA investment policy. Any movement in the interest rates will affect interest income. Interest income is utilised for additional discretionary grants and therefore will not affect the operations of the FoodBev SETA adversely. FoodBev SETA's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are as follows:

Floating rate		Fixed rate			Non-interest bearing		Total R '000
Amount R '000	Effective interest rate % R '000	Amount	Weighted average effective interest rate R '000	Weighted average period for which the rate is fixed in years R '000	Amount	Weighted average period until maturity in years R '000	

Year ended 31 March 2017

Assets

Cash	545 330	7%	—	—	—	—	545 330
Loans and accounts receivable	—		—	—	—	1 821	1 821
Total financial assets	545 330		—	—	—	1 821	547 151

Liabilities

Loans and accounts payable: non-exchange and exchange transactions	—		—	—	—	(26 338)	(26 338)
Total financial liabilities	—		—	—	—	(26 338)	(26 338)

Year ended 31 March 2016

Total financial assets	447 131	6%	—	—	—	1 488	448 619
Total financial liabilities	—		—	—	—	(14 553)	(14 553)
	447 131		—	—	—	(13 065)	434 066

Notes to the Annual Financial Statements

For the year ended 31 March 2017



25. Financial instruments *continued*

Credit risk

Financial assets that would potentially subject the FoodBev SETA to the risk of non-performance consist mainly of cash and cash equivalents and accounts receivable.

The ageing of trade and other receivables from non-exchange transactions

	2017		2016	
	Gross R '000	Impairment R '000	Gross R '000	Impairment R '000
Past due 0-30 days	1 256	–	1,046	–
Past due 31-365 days	323	(242)	46	(35)
Total	1 579	(242)	1 092	(35)

Cash and cash equivalents

	2017		2016	
	Gross R '000	Impairment R '000	Gross R '000	Impairment R '000
Cash and cash equivalents	545 330	–	447 131	–

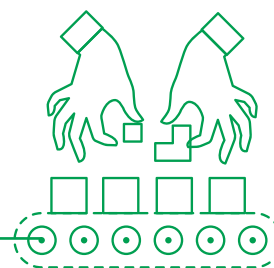
Liquidity risk

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

	2017		2016	
	Carrying amount R '000	Contractual cash flows R '000	6 months or less R '000	6-12 months R '000
FY2016/2017				
Trade and other payables from exchange transactions	6 974	6 974	6 974	–
FY2015/2016				
Trade and other payables from exchange transactions	2 583	2 583	2 583	–

Notes to the Annual Financial Statements

For the year ended 31 March 2017



26. Related parties

Transactions with other SETAs

Inter-Seta transactions and balances arise due to the movement of employers from one SETA to another. During the current year FoodBev SETA received R4k from the other SETAs, as listed below.

	2017				2016			
	Transfers in R '000	Transfers out R '000	Receivables R '000	Payables R '000	Transfers in R '000	Transfers out R '000	Receivables R '000	Payables R '000
MERSETA	4	–	–	–	–	–	–	–
TETA	–	–	–	–	28	–	–	–
Total	4	–	–	–	28	–	–	–

Transactions with employers of the members of the Board

The transactions below arise due to the nature of the Board Members' employment and the fact that the employers contribute Skills Development Levy to the FoodBev SETA. The transactions listed below are for the payment of mandatory and discretionary grants.

Employer	Board member R '000	Mandatory grant R '000	Discretionary grant R '000	Total R '000	Levies Received R '000
Rhodes Food Group	Gerhardus Hamman	1 074	2 007	3 081	3 747
Sea Harvest Corporation	Keith Smith	733	1 970	2 703	2 868
Distell	Leslie Thomas	4 812	9 324	14 136	10 942
SAB – Isando	Ezaan De Lange	10 996	15 913	26 909	42 310
Total		17 615	29 214	46 829	59 867

Transactions with other national public entities in R'000s

	2016/2017 R '000	2015/2016 R '000
Quality Council for Trades and Occupations (QCTO)	1 555	1 010
National Skills Fund (NSF)	–	70 059
Total	1 555	71 069

Notes to the Annual Financial Statements

For the year ended 31 March 2017



27. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

28. Budget differences

Material differences between budget and actual amounts

28.1 Fines and penalties

FoodBev SETA does not budget for fines and penalties since these are incidental transactions.

28.2 Skills Development Levy: income

The favourable variance was as a result of general salary increases, bonuses and retrenchments. There were also new employers who joined the SETA during the year. A takeover bid of one employer resulted in a once-off payment from the sale of employee shares.

28.3 Interest received: investments

Interest income is higher than the budgeted amount and this is due to the high cash reserves held at approved banking institutions.

28.4 Retained funds

These are funds that were approved by National Treasury to be retained and utilised towards the payment of bursaries to completion, accelerated moderation, refurbishment of offices and training of stakeholders.

28.5 Administration expenses

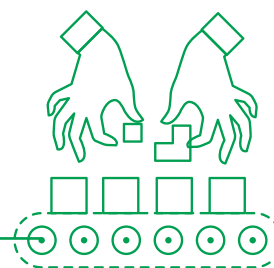
Administration expenses are limited to 10% of the levies received and FoodBev SETA administration expenditure remained within the legislated limit. FoodBev SETA implemented cost-saving measures that resulted in savings. There were a number of vacant positions not filled during the year which resulted in a significant saving.

28.6 Employer grants and project expenses

FoodBev SETA acquired a new grant management system and faced challenges regarding the processing of grant payments. Employers did not submit required documents on time. These funds were utilised for the payment of bursaries, learning programmes and other project administration costs. The variance is as a result of non-payment of subsequent tranches that are included in the commitment register and to pay for bursaries until completion.

Notes to the Annual Financial Statements

For the year ended 31 March 2017



29. Critical accounting judgement and key sources of estimation

In the application of FoodBev SETA accounting policy, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and the revision affects only that period, or in the period of revision and future periods of the revision affect both the current and future periods.

Key sources estimation uncertainty

The following are the key assumptions concerning the future, and other sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the amount of assets and liabilities within the next financial period.

Estimation of useful lives and residual value

Management considers the impact of technology, condition of the asset and if there are any approved plans by the Board to dispose of the asset. The Board has approved disposal of old furniture and fittings and the disposal will take place in the new financial year. The estimation of residual values of assets is based on management's judgement of whether the asset will be sold or will be used to the end of its useful life and at what condition the asset will be at the time. Management is of the opinion that all other assets of the FoodBev SETA that will not be disposed have useful lives that are equal to the economic life of the assets. Management therefore considers the residual value to not be materially significant.

The assets approved for disposal had an economic life of up to 31 March 2018.

Impairment of assets

Management makes estimates and judgements with regards to the impairment of non-cash generating assets. Management considers the subsequent measurement criteria and indicators of potential impairment as indicated in the GRAP statements. If an indication exists, management determines the recoverable amount. The assets to be disposed were not impaired at year end because they were still in use at reporting date.

Provisions

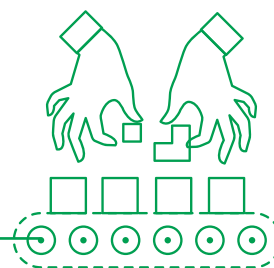
Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities.

Segment reporting

Management has assessed that FoodBev SETA operates as one segment both from a services and geographical point of view, therefore, the financial information is not divided into different segments as required by GRAP 18.

Notes to the Annual Financial Statements

For the year ended 31 March 2017



30. New accounting pronouncements

Standards issued but not effective

FoodBev SETA has not applied the following standards and interpretations, as the effective dates have not yet been gazetted by the Minister:

- **GRAP 20: Related parties**
Impact: Minimum impact as the FoodBev SETA is already applying the equivalent IPSAS.
- **GRAP 32: Service concession arrangements**
Impact: No impact – no service concession arrangements have been entered into by the the FoodBev SETA.
- **GRAP 108: Statutory receivables**
Impact: Measurement of statutory receivables may have an impact but principally based on GRAP 104.
- **GRAP 109: Accounting by principals and agents**
Impact: Possible impact due to SARS collecting on behalf of the SETAs.
- **GRAP 17: Service concession arrangements** where a grantor controls a significant residual interest in an asset.
Impact: No impact – no arrangements.
- **Directive 12: The selection of an appropriate reporting framework by public entities**
Impact: FoodBev SETA applies the standard of GRAP and is thus exempt from this directive.



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