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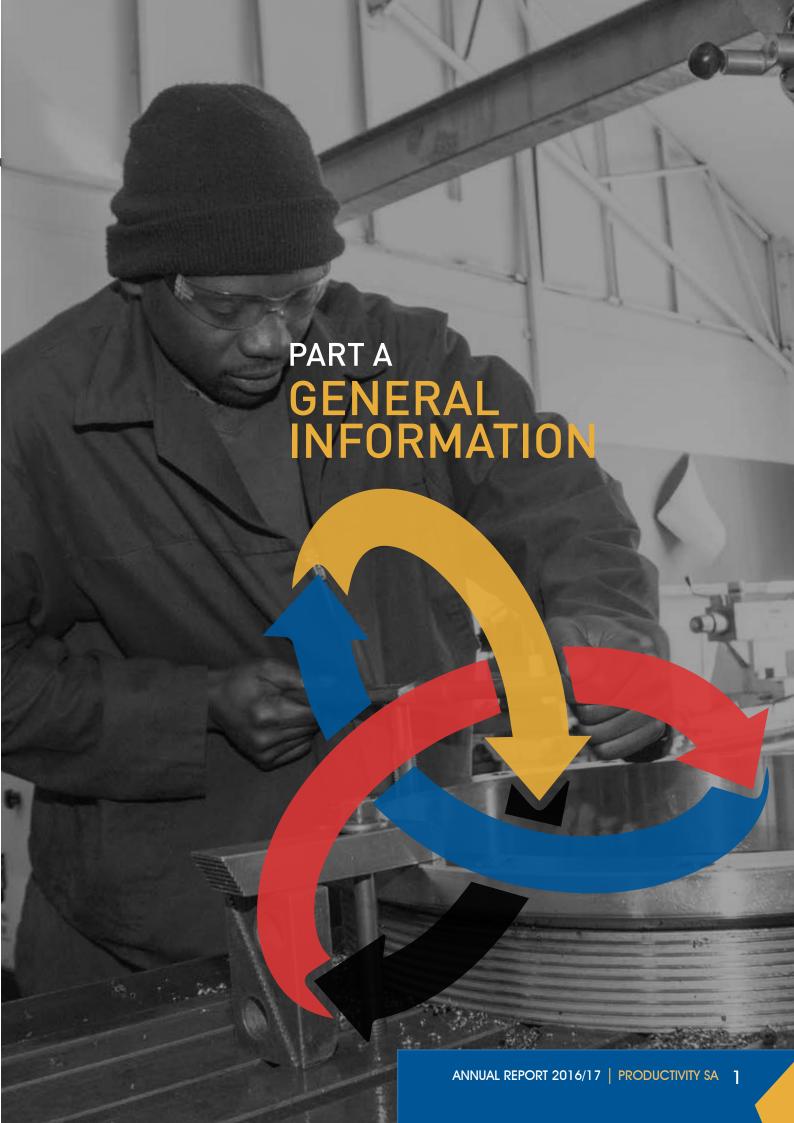






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GENERAL INFORMATION

REGISTERED NAME PRODUCTIVITY SA

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INTERNATIONAL BUSINESS GATEWAY

MIDRAND

POSTAL ADDRESS PRIVATE BAG 235

MIDRAND

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EXTERNAL AUDITOR NEXIA SAB&T

BANK NEDBANK

ENTITY/BOARD SECRETARY MS BARBARA TIMOTHY





LIST OF ABBREVIATIONS/ACRONYMS



AGSA Auditor General of South Africa APP Annual Performance Plan **ALMP** Active Labour Market Policies **BBBEE** Broad Based Black Economic Empowerment **CEO** Chief Executive Officer **CCMA** Commission for Conciliation, Mediation and Arbitration **CFO** Chief Financial Officer **DoL** Department of Labour **ESD** Enterprise Supplier Development **ETD** Education and Training Development **FF** Future Forum **GDP** Gross Domestic Product **ILO** International Labour Organisation **IMD** Institute of Management Development IPAP Industrial Policy Action Plan JICA Japan International Cooperation Agency **LRA** Labour Relations Act **MEC** Member of the Executive Council MTEF Medium Term Expenditure Framework MTSF Medium Term Strategic Framework NDP National Development Plan **NEDLAC** National Economic Development and Labour Council **OCEO** Office of the CEO **PES** Public Employment Services **PFMA** Public Finance Management Act **POS** Productivity Organisational Solutions **SANACO** South African National Co-operatives **SEFA** Small Enterprise Finance Agency **SEZ** Special Economic Zones **SDF** Skills Development Facilitator **SOE** State Owned Enterprise **SCM** Supply Chain Management **SMME** Small, Medium and Micro Enterprises TAS Turn-around Solutions **TCT** Total Cost to Company **EWS** Early Warning System **SDF** Skills Development Facilitators **PSETA** Public Sector Education and Training Authority **TPQM** Total Productivity and Quality Management **SAQA** South African Qualifications Authority **BPIW** Business Performance Improvement **TR** Treasury Regulations **UIF** Unemployment Insurance Fund MBO Management by Objectives

PSP Public Sector Productivity

WPC Workplace Challenge

GDE Gauteng Department of Education



Foreword and Report by the CHAIRMAN

It gives me great pleasure in presenting the Annual Report of Productivity SA, in respect of its operations for the year ended 31 March 2017.

Productivity SA is committed to delivering on its legislative mandate, which is to promote employment growth and productivity thereby contributing to South Africa's socioeconomic development and competitiveness, as contemplated in section 31 of the Employment Services Act, No. 4 of 2014.

As we present this Annual Report, we take note of the challenges facing the South African economy. With the unemployment rate reaching the highest level at 27% (first quarter of 2017), over 6.2 million people unemployed, a depressed economy with a GDP growth at below zero percent and most jobs lost in the productive sectors of the economy, the task ahead for Productivity SA is more critical than ever before.

The country's overall competitiveness rating dropped a notch from 52 to 53 out of 63 countries according to the 2017 Institute for Management Development (IMD) World Competitiveness Yearbook (WCY). It becomes incumbent upon us to assist the country to turn this productivity tide and improve our competitiveness which I deal with again below.

It is without doubt that the South African economy and its enterprises are feeling the effects of the Fourth Industrial Revolution, which is characterized by rapid globalisation, disruptive technologies, the growth of the digital economy, the changing worker attitudes and values, which are radically reshaping the world and the future of work.

As previously stated, it is critical that we collectively work towards improving South Africa's world competitiveness, which has dropped from 52 to 53 out of 63 countries according to the 2017 IMD World Competitiveness Yearbook (WCY). Any further erosion in this regard will signal and place us on a path that

may be difficult to recover from in our quest to build a robust economy that addresses the serious unemployment rate, accompanied by unacceptable levels of poverty and inequality.

Despite the challenges experienced due to the changing socioeconomic and industry landscape, which also impacts on the work of Productivity SA, we remain convinced that our response must be integrated and comprehensive, involving all stakeholders, from the public and private sectors to academia and civil society.

GOVERNANCE, LEADERSHIP AND STRATEGIC DIRECTION FOR THE ENTITY

The Board of Productivity SA is fully constituted with seven members as required in terms of section 33 of the Act. The Board is committed to the objectives and recommendations of the King IV Report on Corporate Governance for South Africa as well as the Code of Corporate Practices and Conduct.

During the year under review, Productivity SA has again achieved an unqualified audit opinion, now for three consecutive years during the MTSF 2014/5 – 2016/17. The External Auditors found Productivity SA's financial statements to be free of material misstatements; and the performance information was also found to be free of material findings on usefulness and reliability. However, meeting the full requirements of the Public Finance Management Act (PFMA), due to a historical aberration, particularly regarding the Supply Chain Management remains a challenge which we will tackle head-on in the 2017/18 Financial Year.

We also focused our attention towards strengthening the Entity's capacity to improve performance and service delivery as well as enhancing its capacity to generate sufficient revenue and be financially sustainable.



"During this Financial Year, the Board reviewed the Business Model with a focus on ensuring that Productivity SA alters its funding model so that the entity generates greater revenue and moves towards self-sustainability."

The Strategic Plan 2014/15 – 2019/20 was revised to ensure that the Entity's strategic objectives over the Medium Term Strategic Framework 2014/15 - 2019/20 are aligned to the Mandate as reflected in the Act and that same are responsive to the National Development Plan objectives and the Industrial Policy Action Plan. It is critical and urgent that the role of Productivity SA be understood by the country as a whole and to integrate the culture of productivity and competitiveness in everything we do.

We must not only contribute to the creation of jobs, and the retention of existing jobs, but must be seen to do so. This is very, very important.

Our interactions with strategic partners, including governance and accountability to our funders, including the UIF and the dti has improved. Funds which have been allocated to the entity are fully accounted for and projects as funded are being realized.

The Board commissioned a specific investigation into allegations of maladministration and irregularities received in the Turnaround Solutions Programme in 2015 and the report was finalized in July 2016. Those who were found to have committed the irregularities were subjected to disciplinary action and dealt with accordingly.

We continue to act in accordance with other learnings that came from this exercise and remain committed till we feel comfortable that all our systems and processes are beyond scrutiny. Productivity SA must act and behave as it expects others to act and behave. Exemplary behavior is essential for us to succeed in instilling a productivity and competitiveness oriented revolution.

During the financial year under review, it was our view that more needs to be to done to ensure a holistic and comprehensive approach. In this regard, the Department of Labour was also requested to commission a full scale forensic investigation to further probe the maladministration and irregularities into the Turnaround Solutions Programme and the results thereof are still awaited.

BUSINESS PERFORMANCE

During the 2016/2017 Financial Year, Productivity SA continued with its strategic focus towards supporting the National Development Plan (NDP), Vision 2030; the New Growth Path and the Industrial Policy Action Plan (IPAP). We identified strategic economic sectors such as Mining (Platinum Group Metal), Manufacturing (Metal Fabrication) and Agriculture (Agro-processing, and Agri-business).

Despite the challenges facing the economy, we worked tirelessly during the year under review to achieve our targets and this was evidenced by an improvement in performance to 68% compared to 49% in the 2015/16 Financial Year. More work needs to be done for more enhanced improvement and the team has set itself ambitious targets that will be pursued with vigour.

BI-LATERAL AND STRATEGIC RELATIONSHIPS

Productivity SA is continuing with its role as the Secretariat for the Pan African Productivity Association (PAPA). We together with other nine PAPA member countries attended the Sixth Tokyo International Conference on African Development (TICAD VI) Summit which was held in Nairobi, Kenya on the 27th - 28th August 2016. The TICAD VI Summit dealt with priorities as espoused in the African Union Agenda 2063, which is a shared strategic framework for inclusive growth and sustainable development, which include promoting structural economic transformation through economic diversification and industrialization. The seminar, under the theme "Productivity Is Everybody's Business" provided an opportunity for Africa to highlight the critical challenges that the continent faces and the role that productivity can play in addressing these challenges.

Productivity SA also continued its relationship with the Asian Productivity Organization (APO) which saw the APO conduct training "During the year under review, Productivity SA has again achieved an unqualified audit opinion, now for three consecutive years during the MTSF 2014/5 – 2016/17."

on Industrial Human Resources Development for Africa. The training was hosted by the National Productivity and Competitiveness Council (NPCC) of Mauritius from the 6th - 9th February 2017.

CHALLENGES FACED BY THE BOARD

The greatest challenge facing the Entity is financial viability and sustainability. We are working hard to review the Entity's Business Model to ensure its capacity to generate sufficient revenues and reserves to ensure financial viability and scale to meet with its mandate which has been dramatically increased as part of the Employment Services Act.

Productivity SA is technically insolvent. However, an upward trajectory boosted by a shift in strategy has been observed.

The financial results for the year ended 31 March 2017, reflected a deficit of R12.1 million primarily due to the Board approval to write-off an irrecoverable amount of R12.7 million. The origin of this write-off is historical dating back to the 2012/2013 financial year. However, looking at the financial results for the year 2016/2017 before effecting the write-off, the entity would have posted a surplus of R618 000.

MEDIUM TO LONG TERM GOALS

For the 2017/2018 Financial Year, the Board will pursue its strategic objectives and targets as reflected in the Strategic Plan 2014/15 – 2019/20 as revised. We will continue focusing on the strategic economic sectors, such as Mining (Platinum Group Metal), Manufacturing (Metal Fabrication) and Agriculture (Agro-processing and Agri-business) with a view to improving productivity and competitiveness of the South African economy.

More effort will be placed on enhancing our relationship with the Unemployment Insurance Fund (UIF) to ensure effective support to companies facing economic distress through Turnaround Strategies and schemes to minimise the retrenchment of employees. The UIF and Productivity SA must be joined at the hip to do this work as envisaged in the pieces of legislation that see the two entities building a brighter future for our people.

As previously stated, we shall also continue to focus our energy as the Board on promoting a culture of productivity in the workplace and in society, in general.

APPRECIATION

I would like to take this opportunity to thank my fellow Board members and all Productivity SA staff members for their support and guidance in our joint effort to do this very important work for our country. I also thank the Portfolio Committee on Labour for their oversight role, as well as the departments that provide funding for the entity, namely, our custodian department, the Department of Labour (DoL), the Department of Trade and Industry (the dti). Our thanks also goes to our sister organization that provides the bulk of our funding, the Unemployment Insurance Fund (UIF). Lastly I thank the Honourable Minister Mildred Oliphant, Deputy Minister, Inkosi Phathekile Holomisa and the Director General of DoL, Thobile Lamati for their continued support and guidance.

Malwaha

Mr Mthunzi Mdwaba Chairman of the Board 28 July 2017





Overview by the

CHIEF EXECUTIVE **OFFICER**

Productivity SA is established in terms of section 31 (1) of the Employment Services Act, No. 4 of 2014 as a juristic person with the mandate to promote employment growth and productivity thereby contributing to South Africa's socioeconomic development and competitiveness'.

During the year under review, we revised our strategic plan to ensure alignment with the Act, the Framework for Strategic Plans and Annual Performance Plans, the National Development Plan and other policy instruments aimed at promoting decent employment creation as well as inclusive and sustainable growth and development. We also refocused our programmes towards targeted interventions in the strategic economic sectors such as Mining (Platinum Group Metals); Manufacturing (Metal Fabrication) as well as Agriculture (Agro-processing and Agri-business).

These interventions resulted in an improvement in organisational performance.

Key Strategic Objectives achievements during the year under review:

- We were able to achieve 28 (68%) of the 41 KPIs set for the year, with poor performance only in the Turn-around Solutions Programme due to mainly funding challenges.
- The Turnaround Programme provide support to enterprises facing economic distress and initiatives or schemes aimed at minimising the retrenchment of employees or preventing job losses. With the reduced funding received (R24.4 million instead of R97.8 million) from the UIF we were able to support 49 companies facing economic distress against a target of 33; and were able to save 4 760 jobs against a target of 1 650.
- We facilitated the establishment of Enterprise-Based Productivity Forums to promote dialogue on Productivity Improvement Issues and Strategies as well as training of members thereof. 53 future Forums were established with 316 employees trained in Productivity capacitation and 121 employees trained as Productivity Champions.

,	APP 2014-1!	5		APP 2015-16	5		APP 2016-17	7	TREND
PLANNED TARGETS	OVERALL ACHIEVED	% ACHIEVED	PLANNED TARGETS	OVERALL ACHIEVED	% ACHIEVED	PLANNED TARGETS	OVERALL ACHIEVED	% ACHIEVED	2014-2016/17
48	30	49%	42	15	36%	41	28	68%	

- Productivity Organisational Solutions Programme provides
 productivity awareness and business improvement
 workshops aimed at cultivating a productivity mindset and behaviour among cooperatives and emerging
 entrepreneurs. Over 7 099 (5 527 emerging entrepreneurs,
 273 educators, 1 002 workers, 122 Skills Development
 Facilitators and 175 Managers) beneficiaries were trained
 in productivity improvement programmes.
- The Workplace Challenge Programme key achievements include 230 entrepreneurs that implemented WPC interventions against a target of 200.

Financial viability as well as the going-concern status of Productivity SA remains a challenge.

During the year under review, Productivity SA posted a deficit of R12.1 million during the 2016/17 financial year due to an R12.7 million impairment of receivables in Turnaround Solutions. The impairment is as a result of a 35% fee that Turnaround Solutions charged to funding recipients based on the total funding provided as per the Funding Agreement with UIF. However, because funding recipients are companies in distress, TAS could not recover these monies owed to it and therefore a decision was taken to impair the receivables.

Exchange revenue was down 57% to R9.2 million for the year from R21.2 million in the previous year. This however is not a reflection on the ability to generate own revenue, but rather a change in the operational model of the organisation. TAS previously charged 35% fee to funding recipients based on the total funding provided, this was discontinued during the financial year. In addition, there was a change in the accounting treatment where previously certain WPC costs were carried by Productivity SA and thus disclosing recoveries as income, WPC costs are now fully disclosed in WPC annual Financial Statements.

SPENDING TRENDS OF THE PUBLIC ENTITY

Over and above the key operating expenses essential to keep the entity fully functional, the spending trend of Productivity SA is driven by its mandate, which is to promote employment growth and productivity thereby contributing to South Africa's socioeconomic development and competitiveness. The majority of the expenditure goes towards rolling out interventions towards achieving the desired impact.

Our value proposition is carried out through three key programmes namely TAS, WPC, and POS, which are designed to fulfil Productivity SA's mandate. Funding for TAS program was received late and not according to the signed MoU. Only 25% of the agreed funding was received and the timing was late in the financial year. This resulted in TAS not being able to spend funds allocated in a timely manner. The impact of reduced funding is dealt with in detail in the Performance Information section of the annual report 2016/17.

WPC and POS fully utilised funds allocated during the financial year and these programmes have advanced the necessary objectives required to fulfil Productivity SA's mandate.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE PUBLIC ENTITY

Productivity SA's current funding model does not allow the organisation to adequately achieve its national mandate of leading and inspiring a competitive and productive South Africa. The organisation is also under-resourced in terms of human capacity and the lack of perquisite resource's hinders the entity's ability to make a meaningful and desirable impact nationwide.

Some of the constraints and challenges that are confronting Productivity SA from achieving its mandate, include:

- insufficient funding for covering operational costs,
- low market share for Productivity SA services and products offering (inadequate product & service modification/ improvement)
- lack of a clearly defined value proposition
- limited national footprint resulting in inadequate provincial coverage of service offering
- inadequate resource and capabilities that serve as a competitive advantage for Productivity SA over its competitors-inability to attract and retain competent skills)
- few service delivery channels.

DISCONTINUED ACTIVITIES / ACTIVITIES TO BE DISCONTINUED

No activities were discontinued during the financial year.



NEW OR PROPOSED ACTIVITIES

The success of an organisation lies in its ability to plan and the same goes for any productivity improvement. Therefore, for the 2017/18 financial year, the following are priorities and plans:

- Repositioning Productivity SA as an Apex Organization and Centre of Excellence to effectively respond to and address the National Development Agenda and sustainability challenges facing the Entity. This will be done by:
 - reviewing Productivity SA's Business Model to ensure that business strategy and service delivery programmes are aligned to the Employment Services Act, No. 4 of 2014 ("the Act"), the objectives and priorities of the National Development Plan (NDP), South Africa's Vision 2030, the Industrial Policy Action Plan (IPAP), as well as the New Growth Path
- We have identified strategic economic sectors such as Mining (Platinum Group Metal); Manufacturing (Metal Fabrication); as well as Agriculture (Agro-processing, and Agri-business), which we will be targeting in the next five (5) years.
- Identified further strategic partnership opportunities with the Department of Trade and Industry (Dti) regarding possible areas of collaboration and support. These includes supporting and partnering with the Dti to achieve, in particular two of its strategic objectives namely:
 - Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation;
 - Facilitate Broad-Based Economic Participation through targeted interventions to achieve more inclusive growth. From the discussions with the Dti and other Economic Cluster Departments; and
 - Partnership with SETAs.

REQUESTS FOR ROLL OVER OF FUNDS

ProductivitySA was given permission to roll-over unused funds plus interest in the TAS bank account into 2017/18 financial year.

SUPPLY CHAIN MANAGEMENT

Productivity SA follows the provisions of the Preferential Procurement Policy Framework Act (PPPFA) and its own Supply Chain Management (SCM) policy to ensure a strong internal control and compliance environment. The following are true for the financial year under review:

- There were no unsolicited bids proposals that were under review
- SCM processes and systems are in place and continues to be improved.

The entity still experienced instances of non-compliance with the three-quotation system as required by PPPFA due to the nature of WPC and TAS programmes. The implementation of the SCM committees namely, Bid and Evaluation committee and the Adjudication committee has eliminated these problems.

AUDIT REPORT MATTERS IN THE PREVIOUS YEAR AND HOW **WOULD BE ADDRESSED**

Predetermined objectives

Productivity SA has implemented a Performance management tool that will ensure that quarterly reporting is consistent and in line with approved predetermined objectives.

Collection of Revenue

Letters of demand were sent to customers requesting that all outstanding debts be settled and a positive response was received resulting in long outstanding debts being settled.

Procurement and Contract Management

Disciplinary hearings were conducted for all SCM noncompliance issues in line with the Treasury regulations as well as company policy.

OUTLOOK/ PLANS FOR THE FUTURE TO ADDRESS FINANCIAL **CHALLENGES**

Productivity SA's theme for the current and future is repositioning Productivity SA as an Apex Organization and Centre of Excellence to effectively respond to and address the National Development Agenda and sustainability challenges facing the Entity. To this end, Productivity SA developed and implemented the Business Model, which was approved by the Board in 2015, with more focus on the financial viability and sustainability of the Entity. However other organisational sustainability issues relating to organizational identity, services and programmes, as well as cutting edge technology and innovation were excluded.

During the implementation and review of the Business Model in the 2015/16 and 2016/17 Financial Years, there was a realisation that we overlooked the fundamental Change Drivers which have a bearing on the nature and form of a Productivity Centre of the future. These are:

- The changing socio-economic and industry landscape which are as a consequence of the changing world and nature of work;
- The expanded legislative mandate of Productivity SA as a consequence of the promulgation of the Employment Services Act, No. 4 of 2014 ("the Act") which came into effect in 2015; and
- The National Development Plan (NDP) South Africa's Vision 2030, which was also translated into the MTSF 2014 2019, the Industrial Policy Action Plan (IPAP), and the New Growth Path (NGP).

To survive and succeed, we should enhance our capabilities and resources as well as our value proposition to cover productivity improvement in areas beyond industry and to expand our network of service point countrywide closer to where our clients /service beneficiaries are. Furthermore, it is pivotal for us to rethink; review and design how our employees, workplace and technology will fit together in order to address the changing customer expectation.

Further to the above, with decreasing funding from government we will continue struggling to cope with the demands for our services and programmes if we do not come up with innovative ways of increasing income earned from services rendered.

The Business Model innovation exercise will provide a clear definition of how Productivity SA will in the future continue innovating in order to create and deliver value to its customers, and in instances where they have to pay for such, a rationale will be provided on why they should appreciate the value derived and pay for such, and our ability to convert those payments to our financial viability. The combined efforts should result in financial viability and sustainability of the organisation, with projected net surpluses of R12 million, R17 million, R23 million and R30 million in the 4 forecast years of 2018/19 through to 2022/23

EVENTS AFTER THE REPORTING DATE

We are not aware of any events after balance sheet date.

There is however an ongoing forensic undertaken by Nexus on the Turnaround Solutions which was initiated from this office.

ECONOMIC VIABILITY

Economic viability of Productivity is dependent on continued government funding as well as the successful implementation of the revised business model innovation. We believe that the entity is economically viable and will continue in business and existence for the near future.

APPRECIATION

I would like to extend my gratitude to the Board of Productivity SA for their visionary leadership. I would also like to thank the Honourable Minister of Labour, Ms Mildred Oliphant, for her continued support, the dti, UIF and DoL for their continued funding.

Furthermore, my gratitude goes to the staff of Productivity SA for ensuring that the entity makes a meaningful impact in promoting and enhancing the competitiveness of South Africa and its enterprise.

OTHER INFORMATION THAT NEEDS TO BE COMMUNICATED TO USERS OF AFS

A receivable impairment of R12.7 million relating to past years revenue. The entity is of the opinion that these monies are irrecoverable due to the nature of companies that were assisted in the past and efforts to recover these monies have been exhausted.

Mr Mothunye Mothiba
Chief Executive Officer

28 July 2017

STATEMENT OF RESPONSIBILITY

AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by Nexia SAB&T.

The annual report is complete, accurate and free from any omissions.

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

The Annual Financial Statements (Part E) have been prepared in accordance with the SA standards of GRAP.

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 external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2017.

Yours faithfully,

Mr Mothunye Mothiba Chief Executive Officer

28 July 2017

Chairman of the Board 28 July 2017

STRATEGIC OVERVIEW

VISION

To lead and inspire a competitive South Africa

MISSION

To improve productivity by diagnosing, advising, implementing, monitoring and evaluating solutions aimed at improving South Africa's sustainable growth, development and employment through increased competitiveness"

VALUES

- Service excellence through the implementation of relevant solutions
- Market leadership through creative and innovative solutions
- Working together as a team to achieve common goals
- Partner with stakeholders pursuing solutions to South Africa's productivity challenge
- Honesty, integrity and professionalism are the cornerstone of all our relations

LEGISLATIVE AND OTHER MANDATES

CONSTITUTIONAL MANDATE

Productivity SA's strategic goals and programmes are, as is the case with the Department of Labour, within the confines of the South African Labour Legislative framework and Active Labour Market Policies and Programmes that are informed by the South African Constitution, Chapter 2, and Bill of Rights, with a focus on, amongst others, the following:

- Section 9, to ensure equal access to opportunities;
- Section 10, promotion of labour standards and fundamental rights at work;
- Section 24, to ensure an environment that is not harmful to the health and wellbeing of those in the workplace; and
- Section 27, to provide adequate social security nets to protect vulnerable workers;

OTHER LEGISLATIVE MANDATES

The Employment Services Act, No. 4 of 2014

Productivity South Africa is established in terms of section 31 of the Employment Services Act, No. 4 of 2014 as a juristic person, with the mandate to promote employment growth and productivity, thereby contributing to South Africa's socioeconomic development and competitiveness.

Public Finance Management Act, Act No.1 of 1999, as amended

The objective of this Act is to regulate financial management in the National Government and Provincial Governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; and to provide for the responsibilities of persons entrusted with financial management in those governments, as well as to provide for matters connected therewith.



The Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000), as amended

In this Act, unless the context indicates otherwise, "acceptable tender" means any tender which, in all respects, complies with the specifications and conditions of tender as set out in the tender document.

Broad-Based Black Economic Empowerment Act, 2003 and the Codes of Good Practice

This Act establishes a legislative framework for the promotions of Broad Based Black Economic Empowerment. It furthermore empowers the Minister to issue codes of good Practice, to publish transformation charters, to establish the Black Economic Empowerment Advisory Council and to provide for matters connected therewith.

Health and Safety Act, Act 85 of 1993, as amended

The Occupational Health and Safety Act aims to provide for the health and safety of persons at work and for the health and safety of persons in connection with the activities of persons at work and to establish an advisory council for occupational health and safety. This is also a requirement for licensing of gambling operations.

The Unemployment Insurance Act, 30 of 2001, as amended (UIA)

The Act provides for financing of Employment Services, with section 5 (d) relating to financing of the retention of contributors in employment and the re-entry of contributors into the labour market and any other scheme aimed at vulnerable workers.

Other Policy Guidelines

Productivity SA is an entity of the Department of Labour, with a mandate to promote employment growth and productivity thereby contributing to South Africa's socio-economic development and competitiveness.

Productivity SA regulate the labour market through policies and programmes developed in consultation with social partners, which are aimed at, amongst others the following;

- improved economic efficiency and productivity;
- creation of decent employment;
- eliminating inequality and discrimination in the workplace;
- enhancing occupational health and safety awareness and compliance in the workplace, and
- give value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for competitiveness of enterprises which are balanced with the promotion of decent employment.

The entity is governed by a Tripartite Board appointed in terms of section 33 of the Act, consisting of 7 Members - Chairperson and six members (4 drawn from NEDLAC - 2 representing Organised Labour and 2 Organised Business), and 2 members representing the Government.

The National Development Plan, South Africa's Vision 2030 (The NDP)

The NDP provides a long-term vision through to 2030 towards dealing with the challenges of unemployment, inequality and creating a more inclusive society. Central to meeting the vision enshrined in the NDP is the implementation of the New Growth Path (NGP), the Industrial Policy Action Plan (IPAP) and the National Infrastructure Plan

The Plan advances government's key developmental objectives of industrialisation, skills development, job creation, localisation and supplier development to create and develop black industrialists and entrepreneurs.

Three priorities stand out in the plan, namely:

- Raising employment through faster economic growth, including introducing in the short term, Active Labour Market Policies and incentives to grow employment, particularly for young people, and in sectors employing relatively low-skilled people;
- Improving the quality of education, skills development and innovation; and

 Building the capability of the state to play a developmental and transformative role.

The NDP also recognizes the importance of improving the quality of economic management for the purposes of both sustainability and impact on inclusion.

The Industrial Policy Action Plan (IPAP)

The plan requires the country to pursue an industrial development path that is characterized by increased participation of previously marginalized citizens and regions of our country.

Central to IPAP is competitiveness enhancement in productive sectors of the economy, with a focus on supporting agriculture and mining, the local procurement drive and other programmes,

Government seeks to strengthen the competitiveness, productivity and trade performance of the core productive sectors of the economy. New opportunities in the green economy, the ocean economy and exports of goods and services to growing African markets will be promoted. Research and technology development will continue to be supported through tax incentives and partnerships between our science councils and the business sector.

Obstacles to the use of our mineral products in manufacturing will be addressed and options to support beneficiation through mining licences will be explored. The Department of Mineral Resources will provide increased support for exploration, development and production in mining in ways that lay the basis for sustained growth in output going forward.

The Medium Term Strategic Framework 2014 - 2019

Productivity SA's Strategic plan is being reviewed to ensure alignment of its strategic objectives and programmes to the National Agenda as articulated in the National Development Plan (NDP), Vision 2030; the Industrial Policy Action Plan; and the Medium Term Strategic Framework 2014 – 2019, in particular the following Service Delivery Outcomes:

- Outcome 4: Decent employment through inclusive growth;
- Outcome 5: A skilled and capable workforce to support an inclusive growth path;
- Outcome 6: An efficient, competitive and responsive economic infrastructure; and

- Outcome 11: Create a better South Africa, a better Africa and a better world
- Outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship

The Core functions and services rendered by Productivity SA

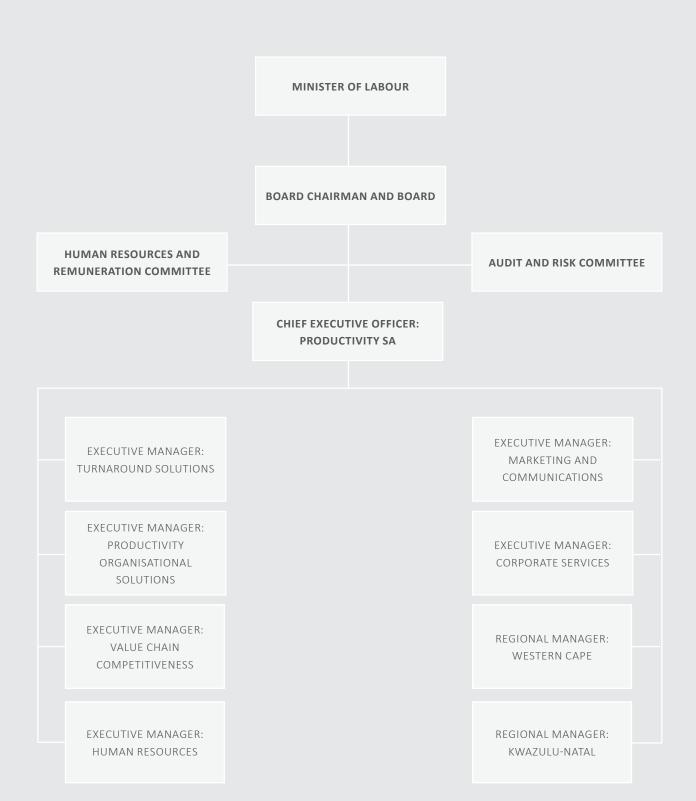
Section 32 of the Act read together with sections 2 (1) (e) and (f); and 7 of the Act; as well as section 5 (d) of the UI Amendment Act enjoins Productivity SA to, amongst others, develop relevant productivity competencies and competitiveness in workplaces, with a focus on the following key functions:

- i. To promote employment and income growth, and workplace productivity.
 - This includes enhancing the productive and operational efficiency of emerging and existing enterprises (big and small) to be competitive and achieve sustained levels of inclusive economic growth and decent employment creation
- ii. To improve the employment and re-employment prospects of employees facing retrenchments and retrenched workers.
 - This includes enhancing the productive and operational efficiency of enterprises in economic distress (financial or operational difficulties) to be financially viable and competitive, through developing and implementing Turnaround Strategies, Training Lay-offs Schemes or alternative employment opportunities.
- iii. To provide productivity measures and evaluate productivity improvement and competitiveness in workplaces.
 - This includes developing and maintaining a data-base of productivity and competitiveness System and Tools, Measures and evaluating efficacy thereof in the workplace;
- iv. To conduct research on productivity and competitiveness related matters, and collection and supply of information.
- v. To promote social dialogue and inculcate a culture of productivity and competitiveness mind-set in the workplace and all spheres of the nation's economic and community life.

These include sustained communication and dissemination of productivity related information, which drives improved competitiveness and ultimately results in improved prosperity for all.



ORGANISATIONAL STRUCTURE



MEMBERS OF THE BOARD



MR MTHUNZI MDWABA CHAIRMAN



MR MOTHUNYE MOTHIBA CHIEF EXECUTIVE OFFICER



MS JOCELYN VASS



MR NOEL MBONGWE



MR NICO VERMEULEN



MS LEELA REDDY



MS IMOGENE PHALADI



MS ESTHER TLOANE

EXECUTIVE MANAGEMENT



MR MOTHUNYE MOTHIBA



MR SELLO MOSAI EXECUTIVE MANAGER: VALUE CHAIN COMPETITIVENESS



MS TRACEY WERELEY EXECUTIVE MANAGER: HUMAN RESOURCES



DR SIBUSISO SABELA



MS LALANE JANSE VAN RENSBURG EXECUTIVE MANAGER: PRODUCTIVITY ORGANISATIONAL SOLUTIONS



MR MARIO GOVINDER ACTING EXECUTIVE MANAGER: TURNAROUND SOLUTIONS



MS REBECCA PHALATSE EXECUTIVE MANAGER: MARKETING & COMMUNICATIONS



MS AMELIA NAIDOO



MR ALBERT BRINK





1. AUDITOR'S REPORT: PREDETERMINED **OBJECTIVES**

Nexia SAB&T currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to pages 58 - 61 of the Report for the Auditors Report, published as Part E: Financial Information.

2. OVERVIEW OF PRODUCTIVITY SA'S **PERFORMANCE**

2.1. SERVICE DELIVERY ENVIRONMENT

A participative methodology was followed taking ownership of the content related to Productivity SA's business environment. A combination of tools and methodologies related to strategy development was utilised with the process summarised as follows:

- Contextual presentations facilitated by workshop participants
- Understanding the current contextual environment
- Development of the strategic positioning of the organisation
- Confirmation of strategic intent
- Gap closing strategies
- Development of high level strategic focus areas

2.2. ORGANISATIONAL ENVIRONMENT

Productivity SA's current funding model does not allow the organisation to adequately achieve its national mandate of leading and inspiring a competitive and productive South Africa. The organisation is also under-resourced in terms of human capacity and the lack of perquisite resources hinders the entity's ability to make a meaningful and desirable impact nationwide.

The Entity has a strong presence in the metropole but a limited exposure in the outlying provinces, with offices in Cape Town, Durban and Gauteng. Nonetheless the organisation's offerings like Turnaround Solutions, Workplace Challenge, SMME training and Productivity awards are extended throughout the nine provinces.

Stakeholder management has been identified as an opportunity for Productivity SA to strengthen its presence in the market. Strategic partnerships have resulted in retaining and growing the funding streams through stakeholder briefings and feedback sessions that were held on the progress of the programmes overall or those specific to them. Government departments and business formations were also identified as key strategic partners to drive the productivity movement.

Productivity SA increased its revenue generated through the provision of services to improve sustainability, notwithstanding the limited funding to execute its operations.

2.3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The Board approved the Supply Chain Management Policy to comply with the PPPFA.



2.4. STRATEGIC OUTCOME ORIENTED GOALS

2.4.1 Objectives of Productivity South Africa

In response to the Medium Term Strategic Framework (MTSF) 2014-2019, the Entity will focus mainly on Service Delivery Outcome 4: Decent employment through inclusive economic growth, by meeting the following objectives:

STRATEGIC OBJECTIVE 1	Promote a culture of productivity in workplaces
STRATEGIC OBJECTIVE 2	Develop relevant productivity competencies
STRATEGIC OBJECTIVE 3	Facilitate and evaluate productivity improvement and competitiveness in workplaces
STRATEGIC OBJECTIVE 4	Maintain a database of productivity and competitiveness systems and publicising these systems
STRATEGIC OBJECTIVE 5	Undertake productivity-related research
STRATEGIC OBJECTIVE 6	Support initiatives aimed at preventing job losses

PERFORMANCE INFORMATION

PER PROGRAMME

3.1 PROGRAMME 1: MARKETING AND COMMUNICATIONS

Programme Purpose

The Marketing and Communications unit serves to promote the level of awareness of the productivity movement and its concepts among business, labour, government and civil society, through marketing and public relations activities such as productivity awards, productivity seminars, workshops and media engagements.

By engaging in the above activities, the culture of productivity in the workplace is promoted.

Sub-Programmes/Main activities

- **Productivity Awards**
- Stakeholder Management
- Awareness Workshops
- Public Relations
- **Publications**

Strategic Objectives of the Programme

- To lead, inform and galvanise South Africans into higher levels of productivity by promoting the concept of productivity and competitiveness through various media: print, broadcast (radio and TV) and online.
- To build and strengthen stakeholder relations through;
 - Sustaining relations between government, business and labour.
 - Being a major role player in productivity-related forums, i.e. Manufacturing Indaba, Buy Local Summit
 - Embarking on sustainable media partnerships, i.e. The Times Media sponsorship

Key performance indicators, planned targets and actual achievements

STRA	TEGIC OBJECTIV	E: PROMOTE A C	CULTURE OF PRO	DUCTIVITY IN V	VORKPLACES
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS
No of media articles published	414	395	316	(79)	Difficulty in securing media space due to lack of funding
Number of productivity awards held	8	7	8	1	7 regional awards were hosted and the National awards event
Number of annual reports produced	1	1	1	-	N/A
Number of Productivity SA magazines produced	3	4	4	-	N/A

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS
Number of electronic newsletters produced	12	12	12		N/A
Number of partnerships with stakeholders	19	9	9	-	N/A
Number of workshop and seminars conducted	51	30	55	25	Newly established strategic partners gave us access to seminars and workshops where service offerings are presented

How the performance of the programmes has contributed to the achievement of the public entity's strategic outcomes orientated goals:

Interaction with the brand has improved as a result of the awareness session held with strategic partners throughout the year.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE							
STRATEGY TO ADDRESS UNDER- STRATEGIC OBJECTIVES PERFORMANCE INDICATOR PERFORMANCE							
Promote a culture of productivity in workplaces	No. of media articles published	A revised target will be set in line with the new Annual Performance Plan					

Changes to planned targets

Only two indicators were readjusted during the year as there was misalignment between the APP targets and the MTSF targets. The 2016/17 APP was adjusted and approved by the Minister of Labour to rectify the inconsistencies.

Linking performance with budgets

		2016/2017		2015/2016		
PROGRAMME/ ACTIVITY/OBJECTIVE	ACTUAL (OVER)/UNDER BUDGET EXPENDITURE R'000 R'000 R'000		BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	
Marketing and Communications	10 590	9 369	1 221	9 106	9 575	(469)
TOTAL	10 590	9 369	1 221	9 106	9 575	(469)



3.2 PROGRAMME 2: PRODUCTIVITY ORGANISATIONAL SOLUTIONS

Programme Purpose

Productivity Organisational Solutions is an assessment and productivity training programme that gives individuals the right attitude, knowledge and skill capacity to become a more competent asset to their organisation. It is also a short-term intervention program for productivity projects.

Capacity Building is a unit within Productivity SA with the specific focus of capacitation of beneficiaries identified by Productivity SA. This unit's thrust resonates around:

- Awareness Creation
- Training
- Coaching & Mentoring
- Enterprise Development
- Incubation
- Skills Development
- Consulting Projects

Sub Programmes

- Assessment Centre
- **Education and Training**
- Small Enterprise Development
- Productivity Improvement Projects

Strategic Objectives of the Programme

- To provide productivity training to intermediaries such as Educators, Skills Development Facilitators (SDFs) and ETD service providers to leverage our reach to organisations and communities.
- To conduct direct training for managers, workers and emerging entrepreneurs in order to foster continuous performance improvement in their workplaces.
- To implement productivity improvement projects in government departments to improve efficiency and productivity
- To achieve full accreditation and Education Training Quality Assurance (ETQA) status for accreditation of service providers linked to Productivity SA.
- To develop assessment methodologies and instruments to establish performance levels of organisations, identify constraints that hamper growth and performance and assist with the compilation of action plans and work plans to resolve the identified constraints.

Key performance indicators, planned targets and actual achievements

ST	RATEGIC OBJE	CTIVE: DEVEL	OP RELEVANT	PRODUCTIVITY	COMPETENCIES
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS
Number of emerging entrepreneurs trained	4 837	5 500	5 527	27	Newly established strategic partnerships gave us access to opportunities to engage more SMMEs
Number of educators trained	642	200	273	73	The department of Education provided us access to additional schools



Productivity Organisational Solutions is an assessment and productivity training programme that gives individuals the right attitude, knowledge and skill capacity to become a more competent asset to their organisation. It is also a short-term intervention program for productivity projects.

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS
Number of workers trained	934	1 000	1 002	2	Partner access provided opportunity to engage more beneficiaries
Number of SDFs trained	299	100	122	22	Improved relationships with SETAs provided access to SDF groups and their participation rate increased more than anticipated.
Number of Managers trained	205	170	175	5	Partner access provided opportunity to engage more beneficiaries

How the performance of the programmes has contributed to the achievement of the public entity's strategic outcomesorientated goals

A total of 7 099 beneficiaries were capacitated in 2016/17 on productivity-related concepts. Creating awareness of productivity-related concepts contributed to Productivity SA's vision of leading and inspiring a more competitive South Africa. The offering and support includes enhancing the productive capacity and operational efficiency of participating enterprises, with a focus on small businesses and co-operatives to increase their participation in the mainstream economy.

Linking performance with budgets

		2016/2017		2015/2016			
PROGRAMME/ ACTIVITY/OBJECTIVE	ACTUAL (OVER)/UNDER BUDGET EXPENDITURE EXPENDITURE R'000 R'000 R'000		BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000		
Productivity Organisation Solutions	9 489	8 663	826	9 092	8 980	112	
TOTAL	9 489	8 663	826	9 092	8 980	112	



3.3 PROGRAMME 3: TURNAROUND SOLUTIONS

Programme Purpose

The Declaration of the Presidential Jobs summit (October, 1998) outlined a Turnaround Solutions Programme that aims to prevent job losses or a decline in employment. Our vision is 'To save jobs and create conditions conducive for job retention and creation'. It also seeks to inspire enterprises to be more vigilant about issues relating to job retention so as to mitigate on time performance/ productivity decline that increases the likelihood of job losses. There is a component of marketing and promotion activities that ensures that this initiative is well established in the market and increases the uptake at an enterprise level as it is a voluntary process.

Strategic Objectives of the Programme

The key objectives of the programme are to avoid and prevent job losses:

- Objective 1: Contribute to the prevention of job losses;
- Objective 2: Develop turnaround interventions to prevent job losses;
- Objective 3: Market and promote the turnaround solutions programme.

Key performance indicators, planned targets and actual achievements

STRAT	STRATEGIC OBJECTIVE 2: SUPPORT INITIATIVES AIMED AT PREVENTING JOB LOSSES							
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS			
Number of companies nurtured	43	200	49	(151)	The targets were based on a R97.8 million grant from the UIF. However,			
Number of future forums established	39	200	53	(147)	only R24.4 million was transferred to Productivity SA.			
Number of work-plans developed	43	200	40	(160)	With a budget of R24.4 million received in July 2016 (4 months into			
Number of work plans implemented	56	200	55	(145)	the financial year, only 33 companies could be supported impacting on 1 650 jobs. However, we managed to			
Number of close out reports	43	150	59	(91)	support and nurture 49 companies facing economic distress, with over			
Number of impact assessments conducted	15	100	0	(100)	4 760 jobs impacted on.			
Capacity building of future forums	31	200	50	(150)				
Productivity Champions trained	19	100	21	(79)				
Number of jobs impacted	6 976	10 000	4 760	(5 240)				

How the performance of the programmes has contributed to the achievement of the public entity's strategic outcomesorientated goals

The programme provided Turnaround Strategies to enhance the productive and operational efficiency of organisations and companies facing economic distress (financial and operational difficulties) to improve their productivity and competitiveness, and thereby financial viability and job security. The overall performance improved to 87.5%

TAS Programme failed to meet the annual targets as per the APP due to funding not received in full and on time from the UIF. Only R24.4 million of the R97.8 million grant was transferred and this was only transferred in July 2016 (4 months into the financial year).

However, if we take into account that R24.4 million which was received could only cater for 33 companies, and that we managed to support 49 companies facing economic distress and over 4 760 jobs saved through this intervention, if provided funding is on time and the TAS Programme adequately staffed, the set targets will be met in future.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE							
STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR	STRATEGY TO ADDRESS UNDER- PERFORMANCE					
	Number of companies nurtured	The Board took this matter up with the					
	Number of future forums established	UIF Board as well as the Minister to					
	Number of work-plans developed	ensure that funding is made available in full and on time.					
	Number of work plans implemented	The DG and the UIF Commissioner made a commitment to ensuring that funding					
Support initiatives aimed at preventing	Number of close-out reports						
job losses	Number of impact assessments conducted	for the 2017/18 Financial Year will be received in full and on time.					
	Capacity building of future forums	Furthermore, Governance Structures will					
	Productivity Champions trained	be enhanced to ensure proper reporting					
	Number of jobs impacted	and accountability on the programme.					

Changes to planned targets

There was misalignment between the 2016/17 APP targets and the targets stated in the MTSF section and the UIF Funding Agreement. The 2016/17 APP was adjusted and approved by the Minister of Labour to rectify the inconsistencies.

Linking performance with budgets

	2016/2017			2015/2016		
PROGRAMME/ ACTIVITY/OBJECTIVE	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Turnaround Solutions	97 807	32 560	65 247	22 706	21 916	790
TOTAL	97 807	32 560	65 247	22 706	21 916	790



3.4 PROGRAMME 4: VALUE CHAIN COMPETITIVENESS

Programme Purpose

To conduct thorough research to constructively comment on the productivity of priority economic sectors, and to contribute towards national policy direction and debates.

Sub-Programmes

- Research Development
- Workplace Challenge
- Knowledge Management

Strategic Objectives of the Programme

- Information and Knowledge generation to influence policy debates and decision making by investors.
- Improvement of the Productivity and Competitiveness of enterprises.
- To increase the competitiveness and therefore employment in the previously underdeveloped regions of the country

Key performance indicators, planned targets and actual achievements

RESEARCH AND KNOWLEDGE MANAGEMENT

					MPETITIVENESS SYSTEMS AND -RELATED RESEARCH
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS
Annual Productivity statistics	Report not published	Publish Report	Report not published	100% Deviation	The departure of the Chief Economist impacted negatively on the completion of the Productivity Statistics in the reporting financial year
Annual Competitiveness indicator position for IMD Competitiveness Yearbook	Report Published	Publish Report	Report published	-	N/a
Annual study on public sector productivity performance and service delivery	Report not published	Publish Report	Report published	-	N/a
Develop a report on the best way to manage performance, productivity and remuneration in the PES	Report not published	Publish Report	Report published	-	N/a
Reports conducted on identified relevant sectors as commissions	Report not published	Publish Report	Report published	-	N/a
Number of seminars conducted	8	9	10	1	A need was identified for more than 9 seminars hence 10 seminars were conducted.

WORKPLACE CHALLENGE PROGRAMME

STRATEGIC OBJECTIVE: FACILITATE AND EVALUATE PRODUCTIVITY IMPROVEMENT AND COMPETITIVENESS IN WORKPLACES							
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS		
Number of new entrepreneurs that joined WPC	184	166	171	5	Strategic Partnership with LEDET, North West Economic Development and SEDA enabled us to have greater access to new entrepreneurs		
Number of capacity building workshops	31	30	35	5	Strategic Partnership with LEDET, North West Economic Development and SEDA enabled us to have greater access to new entrepreneurs		
Number of companies implementing Workplace Challenge	278	200	230	30	Strategic Partnership with LEDET, North West Economic Development and SEDA enabled us to have greater access to new entrepreneurs		
No of Change Facilitators and Interns coached	15	15 change facilitators & 3 Interns	13 change facilitators & 3 Interns	2 change facilitators	Lack of funding to cover more change facilitators		
Number of enterprises in After care	332	359	375	16	Premature movement from implementation to after care		
No of Quarterly e-newsletters published	4	4	4	-	N/a		
Research and Development	Roll out and M&E reports of participating companies in KZN	Implement Green Productivity toolkit in companies in 3 regions	Implemented in 3 regions	-	N/a		
No of success stories	11	9	9	-	N/a		

How the performance for programmes has contributed to the achievement of the public entity's strategic outcomes orientated goals

Productivity SA conducted research into the performance of the specific industry sectors in order to identify opportunities for growth and/or performance improvement, which, if properly exploited, will result in improved economic prosperity at the national level, industry sector level and individual business level.

The Workplace Challenge Programme has contributed to strategic objective number 2 of Productivity SA, which seeks to provide support to government programmes aimed at sustainable employment and income growth. Workplace Challenge programme assisted 605 enterprises in implementation and aftercare to enhance the productive and operational efficiency of emerging and existing enterprises, including the informal sector big and small to be competitive and achieve sustained levels of inclusive economic growth and decent employment creation and thereby impacted on Outcome 4, and the National Development Plan (NDP) chapter 3 through enhancing productivity and competitiveness of the South African workforce and improved competitiveness in enterprises.



The Productivity Statistics Report was not published due to the departure of the Chief Economist, which impacted negatively on the completion of the report in the current financial year.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE							
STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR	STRATEGY TO ADDRESS UNDER- PERFORMANCE					
Undertake productivity-related research	Productivity Statistics Report published	The process for the appointment of a Chief Economist who will ascertain completion and publishing of the productivity statistics report has been initiated					

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE						
STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR	STRATEGY TO ADDRESS UNDER- PERFORMANCE				
Facilitate and evaluate productivity improvement and competitiveness in workplaces	No. of Change Facilitators and Interns coached	Revenue and funding strategy has been developed to enhance and grow the revenue as well as improve cost effectiveness as far as delivery of interventions is concerned.				

Changes to planned targets

There was misalignment between the APP targets and Funding Agreements targets with the dti for the Workplace Challenge Programme. The 2016/17 APP was adjusted and approved by the Minister of Labour to rectify the inconsistencies.

Linking performance with budgets

	2016/2017			2015/2016			
PROGRAMME/ ACTIVITY/OBJECTIVE	ACTUAL BUDGET EXPENDITURE R'000 R'000		(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	
Research Development	12 655	9 286	3 369	21 092	22 710	(1 618)	
Workplace Challenge	23 975	17 852	6 123	8 903	10 105	(1 202)	
TOTAL	36 630	27 138	9 492	29 995	32 815	(2 820)	

3.5 PROGRAMME 5: HUMAN RESOURCES MANAGEMENT

Programme Purpose

To create a world-class performance culture that establishes Productivity SA as the employer of choice, where the best talent will be attracted, managed, developed and retained.

Main activities

- Talent Management:
- Climate Enhancement and Culture and Values
- Performance Management
- Learning and Growth
- Leadership

Strategic Objectives of the Programme

- Talent Management: To develop a pool of skilled and competent potential leaders that will drive the organisation's strategic objectives.
- Climate Enhancement and Culture and Values: To define the desired culture, values and associated behaviours to support a proposed performance driven culture.
- Performance Management: To review and re-design the Performance Management system to reward and recognise performance excellence and cascade strategic priorities and goals to programmes and individual key performance indicators.
- Learning and Growth: To have competent and skilled employees that will support and implement organisational strategy
- Leadership: To have competent and skilled leaders that will drive organisational strategy

Key performance indicators, planned targets and actual achievements

	STRATEGIC OBJECTIVE: TALENT MANAGEMENT								
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/2017	COMMENT ON DEVIATIONS				
Career paths discussions	Not achieved	Conduct career paths discussions for 17 candidates	17 candidates went through career paths discussions	-	N/a				
Individual Development Plans in place	Not achieved	Reviewed IDPs	Not achieved	100% Deviation	Not all employees completed IDP's as they have embarked on tertiary studies.				
Performance Contracts in place	Not achieved	100% completion of Performance Contracting	100% Performance Contract 2016/17 submitted	-	N/a				
Performance Reviews conducted	Achieved	100% completion of Performance Reviews	100% staff reviewed	-	N/a				
Salary survey/ benchmarking completed (Equate)	Achieved	1 x Salary survey/ benchmark conducted (Equate)	1x Salary survey/ benchmark conducted	-	N/a				
Climate Team Development Charters in place	Not achieved	10 x Climate Team Charters monitored	9 x Climate Team Charters in place	The Workplace Challenge Programme was consolidated into the VCC Team Charter and thus instead of 10 Team Charters there were 9 Teams Charters therefore meaning only 9 Team Charters could effectively be put into place.	The Workplace Challenge programme did not have its own Team Charter and was consolidated into the Value Chain Competitiveness Team Charter				



How the performance of the programmes has contributed to the achievement of the public entity's strategic outcomes orientated goals.

The objective of the Talent Management strategy is to develop a pool of skilled and competent potential leaders that will drive the organisation's strategic objectives.

Only 92 % of employees completed their IDPs. Not all employees completed IDP's as they have embarked on tertiary studies.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE						
STRATEGY TO ADDR STRATEGIC OBJECTIVES PERFORMANCE INDICATOR PERFORMA						
Learning and Growth	Individual Development Plans in place	Employees that do not require training have been requested to submit blank				
		Individual Development Plans				

Changes to planned targets

Some of the performance indicators were revised during the year as they did not meet the requirements as per the framework on the development of performance indicators and KPIs by not meeting the SMART Principle. The 2016/17 APP was adjusted and approved by the Minister of Labour to rectify the inconsistencies.

Linking performance with budgets

	2016/2017			2015/2016		
PROGRAMME/ ACTIVITY/OBJECTIVE	BUDGET R'000	ACTUAL (OVER)/UNDER EXPENDITURE R'000 R'000		BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Talent Management	20	7	13	900	416	484
Training and Development	530	59	471	1 500	977	523
TOTAL	550	66	484	2 400	1 393	1 007

4. REVENUE COLLECTION

		2016/2017			2015/2016		
SOURCES OF REVENUE	BUDGET R'000	ACTUAL COLLECTION R'000	(OVER)/UNDER COLLECTION R'000	BUDGET R'000	ACTUAL COLLECTION R'000	(OVER)/UNDER COLLECTION R'000	
TRANSFERS AND SUBS	DIES						
Department of Labour	47 944	59 057	11 113	45 531	45 531	-	
Unemployment Insurance Fund	97 807	19 813	(77 994)	22 706	21 916	(790)	
Department of Trade and Industry	8 523	8 523	-	8 094	8 094	-	
LEDET	300	300	-	220	-	(220)	
OTHER INCOME							
Sales of goods and services, interest and other income	37 088	9 213	(27 875)	35 974	21 213	(14 761)	
Total	191 662	96 906	(94 796)	112 525	96 754	(15 771)	

The bulk of revenue collection activities relate to transfers by way of grants from three main sources namely DoL, UIF and the dti. The main and guaranteed source is from the DoL and amounted to R59.1 million, which includes an additional R11.1 million bailout received in February 2017. Transfers and grants account for 90% of total funding whilst the balance is made up by other income as well as a subsidy received from LEDET.

Transfers / grants have to a great extent been received on time via the SLA's and MoU's as agreed with the funders. Only 25% (R24.4 million) of the allocated funding from UIF was received during the financial period. The management and Board of UIF have been engaged extensively on this matter to ensure that, in future, funding is received in full and quarterly as agreed.

Due to the lack of adequate funding the turnaround of economically distressed companies have negatively impacted.

4.1. CAPITAL INVESTMENT

During the financial year ending 2017, capital expenditure was limited to replacement of outdated hardware within the organisation. Productivity SA's IT department undertook a migration project to move the electronic mail environment to Microsoft Office 365. This has lowered the cost of licensing, hardware maintenance, improved accessibility and increased availability.

Looking forward to the financial year ending 2018, IT will look at consolidating its infrastructure and investigating further investment in cloud-based services. Limitations in terms of capital budgets will mean that IT's core focus will be diverted into aligning the IT strategy with that of the Productivity SA's new business model. An assessment of the "as-is" state of IT and the current systems will allow the team to recognise the gaps so as to fast-track implementation to the "to-be" state. This would include integration of supporting modules to the current ERP (Enterprise Resource Planner). By 2019 the IT department will have a primary strategy to implement an integrated, transactional system which will support and expand the business thus allowing for national growth and real-time data inputs and reporting.

For details as to how asset holdings have changed over the period under review, including information on disposals, scrapping and loss due to theft – refer to note 2 in the financial statements.

To comply with the requirements of PFMA and GRAP, measures were taken to ensure that the public entity's asset register remained upto-date during the period under review. These included maintaining an up to date asset register with asset descriptions, codes for identification purposes and a record of all acquisitions, movements and disposals. Further, a physical asset count is performed every quarter. The decisions as to which assets to dispose of and scrap lie with the asset disposal committee. All movements in assets are authorised by a responsible official of Productivity SA.

Assets comprise mainly computers, furniture and the motor vehicles. 95% of these are in good condition. Should certain assets be identified as not fit and proper for the entity's usage, they are disposed of via donations or outright sale, and replaced.

There were no major maintenance projects that have been undertaken during the period under review.



1. INTRODUCTION

Corporate Governance embodies processes and systems through which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, Corporate Governance with regards to public entities is applied through the prescripts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King Report.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for Corporate Governance.

2. PORTFOLIO COMMITTEES

Productivity SA along with its sister entities that report to the Department of Labour (DoL) is part of the Portfolio Committee on Labour.

The Committee had not identified any risk areas but did note that the entity operates on limited resources for the marketing, funding and implementation of Productivity SA programmes as well as increasing the entity's footprint.

3. EXECUTIVE AUTHORITY

Productivity SA submitted regular reports including the Annual Performance Plan (APP) 2016/17 and Strategic Business Plan 2016/17 and approved by the Minister.

No significant issues relating to the APP and the Strategic Plans were raised by DoL.

4. THE ACCOUNTING AUTHORITY / BOARD

The Board members serve as the Accounting Authority of Productivity SA. The duties of the Board are captured in the Productivity SA Constitution and outlined in the requirements of the Public Finance Management Act (PFMA) No. 1 of 1999 as amended by Act 29 of 1999).

The Board as the Accounting Authority of the organisation meets at least four (4) times a year.

The Board is responsible and accountable for the public entity's performance and strategic direction.

The Board sets the vision and mission of the Productivity SA and is responsible for the overall strategic direction, performance and control of the entity in executing its mandate as per the Employment Services Act, No. 4 of 2014.

The role of the Board is as follows:

- Determine the strategic direction of Productivity SA and oversee the performance of the organisation in executing its mandate.
- Formulate the general policy.
- Appoints a Chief Executive Officer (CEO) on terms stipulated in the Constitution and subject to the Labour Relations Act (LRA) and other relevant legislations.
- Determine the remuneration terms and conditions of the employment of the CEO and other employees.
- Approve annual budgets, business plans and financial strategy of Productivity SA.
- Appoint Committees and Sub Committees as it may deem necessary.

Remuneration of board members

- The Board members rates are paid to each Board member.
- No fees will be payable should a Board member not attend a scheduled meeting or if a completed document and signed claim form has not been received.
- These fees will also apply in cases where a Board is asked by the Productivity SA to officiate at a meeting or function on behalf of Productivity SA.

The rates will be reviewed annually in line with Productivity SA as guided by the National Treasury.

Those members that are not remunerated:

• Government representatives are not entitled to any fees or refunds for travel and accommodations costs.

Other expenses e.g. Travel, reimbursed by the public entity:

• Travel and accommodation to the functions or meeting on behalf of Productivity SA is incurred by Productivity SA.

5. RISK MANAGEMENT

Due to its size and its quest for value and independence, Productivity SA outsources the Internal Audit function to KPMG.



Board Members

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS (LIST THE ENTITIES)	OTHER COMMITTEES OR TASK TEAMS (E.G: AUDIT COMMITTEE / MINISTERIAL TASK TEAM)	NO. OF MEETINGS ATTENDED
Mthunzi Mdwaba	Non- Executive Chairperson	2 Feb 2015	Current	Bachelor of Arts and Bachelor of Laws	Business	Productivity SA	Board	7
Nico Vermeulen	Non- Executive	9 Dec 2014	Current	Bachelor of Commerce Honors, Bachelor of Social Science	Business	Productivity SA	Board/ Audit and Risk Committee	12
Monga Phaladi	Non- Executive	9 Dec 2014	Current	Diploma on Business Management	Business	Productivity SA	Board/HR and R Committee	8
Esther Tloane	Non- Executive	9 Dec 2014	Current	Bachelor of Arts Social work, Bachelor of Arts Psychology	Government	Productivity SA	Board/HR and R Committee	10
Jocelyn Vass	Non- Executive	9 Dec 2014	Current	M A (Econ) Labour Studies	Government	Productivity SA	Board/Audit and Risk Committee	8
Leela Reddy	Non- Executive	9 Dec 2014	Current	Matric	Labour	Productivity SA	Board/Audit and Risk Committee	13
Noel Mbongwe	Non- Executive	9 Dec 2014	Current	Matric	Labour	Productivity SA	Board/HR and R Committee	10

Board Committees

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
			Mr Y. Gordhan
Audit & Risk Committee	5	4	Mr N. Vermeulen
			Ms L. Reddy
			Ms J. Vass
Human Resource and			Mr N. Mbongwe
Remuneration Committee	3	3	Ms M. Phaladi
Remuneration Committee			Ms. E. Tloane

Board Members' Fees

NAME	MEETING FEES	TOTAL FEES
Mthunzi Mdwaba	R2 404.55	R46 520.00
Nico Vermeulen	R1 454.20	R23 848.00
Monga Phaladi	R1 454.20	R19 747.00
Leela Reddy	R1 454.20	R22 031.00
Noel Mbongwe	R1 454.20	R25 539.00
Yaswant Gordhan	R2 404.55	R31 349.40

Senior management, with the assistance of the outsourced internal audit function, is committed to assessing, on an ongoing basis, the major operational, business and internal control risks that Productivity SA faces. Internal Audit plans are drawn up and progress is monitored against these plans continually. A recent risk management workshop was facilitated by KPMG where senior and junior management revisited the risks facing Productivity SA. The Audit and Risk Committee evaluates reports prepared by KPMG to identify areas where further management's attention may be required.

6. INTERNAL CONTROL UNIT

Internal control is evaluated in a combined effort by management, internal audit and external audit. The findings on internal controls by internal audit and external audit are reported to the Audit and Risk Committee and actions to clear them are monitored.

For the year under review, KPMG carried out the annual internal audit plan as approved by the Audit and Risk Committee which included the following internal audit work:

- Reviewed the quarterly Performance information of quarter 1, 2 and 3 (Pre-determined objectives).
- Financial Review focusing on PFMA compliance.
- Supply Chain Management Review.
- Contract Management review.
- Human Resources management.

KPMG's findings have been reported to the Audit and Risk Committee and communicated to management, who have implemented actions to reduce the risks in the internal control environment.

While periodic evaluations by management and independent reviews by internal and external auditors identified areas of further improvement. management is satisfied that internal controls implemented and relied on continued to provide reasonable assurance regarding financial and performance management and compliance with Productivity SA policies and procures as well as legislation.

7. AUDIT AND RISK COMMITTEE AND INTERNAL AUDIT

KPMG, an outsourced firm responsible for Productivity SA's internal audit function, provides an independent appraisal function that is designed to examine and evaluate the Productivity SA's internal controls. In particular, KPMG is charged with the responsibility of examining and evaluating the effectiveness of Productivity SA's operational activities, the attendant business risks and the system of internal, operational and financial controls.

Any major weaknesses detected are brought to the attention of the Audit and Risk Committee, the external auditors and members of management for their consideration and remedial action. KPMG meets with external auditors on a regular basis and discusses plans and results in respect of the audits carried out during the year. The committee meets periodically with management, external auditors and internal auditors, and it also meets separately with external and internal auditors when necessary.

The Audit and Risk Committee has a written charter approved by the Board of Directors. The committee does not have any operational or executive responsibilities. Its objectives are:

- Establishing a channel of communication between the Board of Directors, management, external auditors and internal auditors.
- Evaluating whether management creates and maintains an effective control environment to safeguard Productivity SA's assets, and that management demonstrates the necessary respect for the entity's internal control structure.
- Reviewing the scope and outcome of audits. This review includes an assessment of the effectiveness of the annual statutory audit and ensuring that sufficient emphasis is placed on issues which in the opinion of the committee, management or the auditors deserve special attention.

Ensuring that the Board of Directors makes informed decisions and is aware of the implications of these decisions on accounting policies, practices and disclosure.

• Safeguarding the Directors' liability by informing the Board of Directors about issues that impact on the business and the status of financial reporting.

The following table discloses relevant information on the Audit and Risk Committee members.



Audit Committee Members

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	DATE APPOINTED	DATE RESIGNED	NO. OF MEETINGS ATTENDED
Mr Y. Gordhan	CA(SA) Master of Science (Bus Admin)	External	1 July 2016	Current	4
Mr N. Vermeulen	Bachelor of Commerce Honors, Bachelor of Social Science	External	9 Dec 2014	Current	5
Ms L. Reddy	Matric	External	9 Dec 2014	Current	5
Ms J. Vass	M A (Econ) Labour Studies	External	9 Dec 2014	Current	3

8. COMPLIANCE WITH LAWS AND REGULATIONS

Productivity SA regularly conducts an exercise where it commissions an independent firm of attorneys to evaluate and advise it on the compliance with all relevant legislation that it would be required to abide by. In 2016/17 FY, KPMG conducted a review of compliance with specific treasury prescripts.

The overarching principle of Productivity SA is that it subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards its stakeholders.

In July 2016, Productivity SA invited an independent rating agency, Empowerdex to perform a BBBEE on it. A Level 8 rating was achieved.

Productivity SA endeavour to improve this rating to a Level 4 by March 2019.

9. FRAUD AND CORRUPTION

Management has developed a multi-pronged plan towards addressing fraud and corruption. Firstly, the possible risks that could prevent the entity from achieving its objectives were identified along with what could go wrong. From this exercise a fraud and risk checklist was developed to ensure that all bases are covered.

Awareness was created via presentations to staff on a quarterly basis. Staff members are aware of the processes and procedures to be followed should they suspect or have evidence that fraud and corruption is taking place. A fraud hotline was sought from DoL as Productivity SA is a small entity to warrant having its own dedicated hotline.

The emerging risks mentioned above are reported on a quarterly basis at the Audit and Risk Committee and monthly at the Executive Committee meeting. The combination of management efforts, internal audit as well as external audit in creating awareness as well as devising steps to detect and prevent fraud and corruption, is believed to be sufficient to adequately address this subject.

In light of the above, management are continuously investigating allegations including, where warranted, forensic that have come to their attention.

10. MINIMISING CONFLICT OF INTEREST

Productivity SA management views conflict of interest in supply management in a serious light. To this end, the standard contract that Productivity SA would sign with service providers contains a water-tight clause on conflict of interest and provides for possible prosecution should it be found that an employee or a service provider violated the provisions of this clause.

Furthermore, Productivity SA strives to comply with PFMA on the sourcing of goods and services which prescribes the three levels i.e. quotations, a signed contract and open tender should certain limits be reached.

All employees of the entity have signed the declaration of interest at the time when they joined. It is also a standard item on the agenda of all committee meetings that members declare their interest to avoid conflict.

11. CODE OF CONDUCT

Productivity SA subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards its stakeholders. Should this code be breached, the Productivity SA Constitution prescribes that the relevant breach be addressed according to the policy that covers it.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Although the entity was observing some health and safety standards, in October 2012, Productivity SA engaged the services of an expert in the establishment of Occupational Health Safety (OHS) practices to formalise the process. The aim was to ensure compliance of Productivity SA, its staff and contractors to the principles of OHS.

The OHS process entails the following:

 Inspections by means of audits for any physical hazards, hygiene stress factors, environmental concerns and general liability risk issues.

- 2) Informing all staff of their rights and responsibilities in terms of the OHS and Compensation for Occupational Injuries and Diseases Acts.
- 3) Establish an OHS Committee.
- 4) Appoint and coach Health and Safety Representatives.
- 5) Establish an effective evacuation instruction.

The basis of OHS in Productivity SA revolves around five (5) main areas namely: the premises, regulation of the facilities, stacking and storage, fire protection and electrical machinery. These are the main areas whereby audits are conducted for the facilities.

On top of that Productivity SA is then audited on the administrative function whereby compliance is measured on reporting and appointment of representatives.

An initial audit indicated a number of low to medium risk items, which were immediately addressed. Based on the initial audit findings the compliance rating was very low due to the administrative structures not being implemented as yet. This administrative process was initiated in October 2012 whereby the management structures and appointment of key Health and Safety Representatives began.





AUDIT AND RISK COMMITTEE REPORT

The ARC is pleased to present its report for the financial year ended 31 March 2017.

AUDIT AND RISK COMMITTEE MEMBERS AND MEMBER'S **ATTENDANCE**

The Audit and Risk Committee (hereafter referred as the ARC) consists of the members listed hereunder and should meet at least four times per annum, as per approved terms of reference. During the current year, five meetings were scheduled and held. The committee confirms that it has discharged its responsibility in terms of Productivity SA Audit and Risk Committee charter.

THE AUDIT AND RISK COMMITTEE RESPONSIBILITY

The ARC reports that it has complied with its responsibility arising from section 51(1) (a) (ii) of the Public Finance Management Act of 1999 and Treasury Regulations 27.1. The ARC also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

EFFECTIVENESS OF INTERNAL CONTROL

We have reviewed findings by the Internal Auditors, which were based on the risk assessment conducted and revealed certain weaknesses, which were raised with management. We are satisfied with the additional controls that management have implemented in addressing internal audit findings.

KPMG provided the Internal Audit services for the financial year 2016/17.

INTERNAL AUDIT

KPMG provided the Internal Audit services for the financial year 2016/17 and provided the following reports

- Quarterly Performance Information (Pre-determined objectives) review;
- Financial Management review, focusing on PFMA compliance;
- Supply Chain Management review;
- Contract Management review; and
- Human Resource Management review

Table 1: ARC meetings and attendance

	AUDIT AND RISK COMMITTEE					
NAME	19/05/2016	14/07/2016	8/09/2016	4/11/2016	24/01/2017	
Mr Y. Gordhan	Na	✓	✓	✓	✓	
Mr N. Vermeulen	✓	✓	✓	✓	✓	
Ms L. Reddy	✓	✓	✓	✓	✓	
Ms J. Vass	✓	✓	А	А	✓	

✓ = Present

A = Apology

Na = Not yet appointed

From these internal audit reports and those from the external auditor, the ARC has recommended improvements in the internal control environment. Management has committed to address these and the ARC will continue to monitor such remedial action in the ensuing year.

IN-YEAR MANAGEMENT AND MONTHLY / QUARTERLY REPORT

The public entity has submitted monthly and quarterly reports to the Executive Authority.

EVALUATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

We have reviewed the audited annual financial statements and we are comfortable that it conforms to the applicable and appropriate accounting standards. The ARC has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditors and Accounting Authority;
- Reviewed the Auditors management report and management 's response thereto;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit;
- Reviewed the effectiveness and adequacy of the internal Audit function and adequacy of its annual work plan;
- Reviewed the results of the work performed by the internal audit and any significant investigation and management responses thereto;

- Reviewed the external auditors findings and reports submitted to management; and
- Reviewed the independence and objectivity of the external auditors.

The committee recommended the audited annual financial statements to the Board for approval and adoption.

The committee is aware of the ongoing work by Nexus Forensics Services and awaiting finalisation of the assignment.

AUDITOR'S REPORT

We have reviewed Productivity SA implementation plan for audit issues raised in the prior year and we are satisfied that the matter have been adequately resolved. The ARC concurs and accepts the conclusions of the Auditors on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditors.

Yaswant Gordhan

Chairperson of the Audit and Risk Committee Productivity SA

28 July 2017



OVERVIEW OF HUMAN RESOURCES OBJECTIVES

The Vision and Mission of the Human Resources department is to create a world class performance culture that establishes Productivity SA as the employer of choice, where the best talent will be attracted, managed, developed and retained.

The organisation has experienced various transitions during this period, including the revised Business Model, as well as the resignation of some senior employees and executives. This included two Executive Managers and a Senior Manager. The resignations led to uncertainty within the affected departments. In order to create stability, employees were initially appointed to act in these positions. Of the three affected positions, one was filled by a fixed-term employee in March 2017 and one was permanently filled in April 2017. The third position was filled through the acting appointment of a Manager within the Department. The Executive Manager HR has engaged with the respective departments in order to allay fears and effectively manage the transition.

There have been financial challenges within the organisation, which subsequently led to a moratorium being placed on 14 positions. Although the organisation has contained and effectively managed its salary costs, the vacant positions have led to an additional workload for existing employees. These conditions are causing stress, work overload and burnout amongst employees. To this extent the Human Resources Department encouraged employees to make use of the free Employee Wellness offering.

In order to improve employee relations within the organisation, the CEO has introduced quarterly staff meetings as well as quarterly meetings between himself, the union (SAPTU), Human Resources, Finance and Marketing. The Executive Manager HR presents organisational values at these meetings in order to entrench the climate behavioural dimensions and rules of engagement to foster a climate of openness, trust and transparency within the organisation.

To further improve employee relations, Executive/Regional Managers submit their Departmental Human Resources Reports to the Executive Committee on a quarterly basis. The purpose of this exercise is to highlight the overall departmental HR challenges and highlights, to further embed the climate dimensions as per the Departmental Climate Team Charters and to solidify the concept of human resources being a line function. The Human Resources Department will scientifically evaluate the organisational health by conducting a qualitative Climate Survey, which is earmarked to take place during the last quarter of 2017/18, pending the availability of financial resources.

Climate Team Charters remain a standing agenda item at the quarterly Executive Committee meetings. The purpose is to enhance the climate and entrench desired behaviours in the respective teams. The following common themes emerged from the January 2017 Climate Team Charter assessment:

- Workload / Emotional / Mental load
- Communication (between team members)
- Performance Management / Role clarity
- Supervisory Relationships / Team Empowerment

After lengthy deliberations, which included conciliation at the CCMA, the 2016/17 salary negotiation process was concluded. South African Parastatal and Tertiary Institutions Union (SAPTU) accepted Management's offer of 6.5% salary increase followed by gap closure for all Senior, Middle, Junior and General employees and a 5% salary increase for Executive and CEO Levels.

The Human Resources Department has achieved 83% of its 2016/17 Annual Performance Plan target. This was achieved through dedication, commitment, passion and an undying desire to succeed despite the resource challenges that the department is facing.

There was one Human Resources Management related interim finding in terms of policies not being reviewed regularly. The Human Resources Department is aware of this and has put together a plan to review policies within the new financial year subject to the appointment of vacant positions within the department.

The Internal Audit by KPMG was concluded in March 2017 focusing on Performance Management and Training and Development. Information has been provided by the Human Resources Department as well as other departments within the organisation relating to supporting evidence for performance reviews. The Final Report was presented to the Executive Committee in April 2017. As per the recommendations, the Human Resources Department will revise the Performance Management Policy as per the policy review plan prepared during the Interim External Audit. The Executive Committee, in conjunction with Human Resources, will ensure that there is compliance to deadlines and that the scorecard templates are correctly populated to include action plans.

During this period, only 57% of the Training Plan was implemented, due to financial constraints facing the organisation. In order to remedy the situation, incomplete training has been carried over to the 2017/18 Training Plan and



the organisation has allocated a training budget based on 1.5% of its payroll costs.

The organisation received a skills grant of R156 092 from P-SETA through meeting the mandatory requirements. This allocation will be used for business consulting interventions arising from the revised business model.

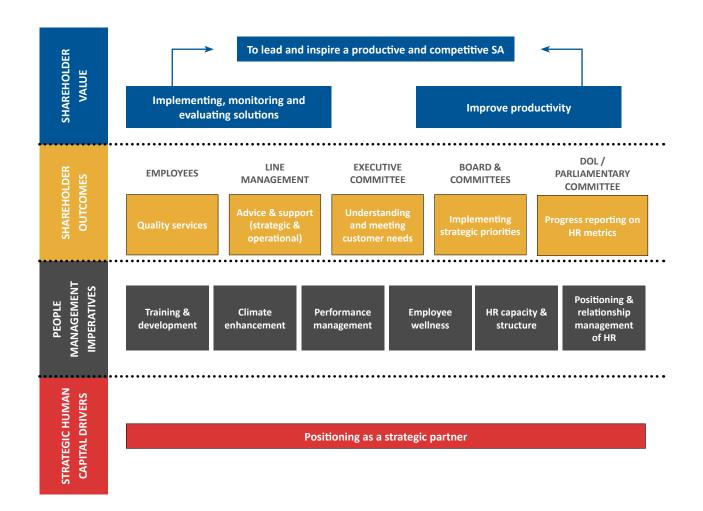
The Talent Management Plan has been successfully implemented and career path discussions have taken place for all 17 candidates. Career Path Maps have been finalised for 5 candidates and discussions are still taking place to finalise the remaining Career Path Maps in the new financial year.

The Human Resources Headcount and Capability Framework was developed to ensure that the organisation has the correct skills set to deliver on its strategic mandate. The Capability Framework was partially developed based on two skills questionnaires that were designed and distributed to consulting employees and their managers. The purpose of these questionnaires was to

assist the organisation to identify whether it has the required skills set to implement the business model. The Continuous Improvement Skills Survey results were analysed during March 2017. The following courses have been included in the Training Plan 2017/18 as business recommended training:

- **Understanding Data**
- Process/Value Stream Mapping
- **Business Finance**

The organisation hosted an Intern through the National Research Foundation, placed within the Information Technology Department. The Intern gained valuable experience over the 12 month period including first line support via Service Desk, configuration of computers and practical development exposure in Microsoft SQL, .Net and other development languages/environments, as well as conducting research into new technologies.



The organisation currently spends approximately R3 million on post-retirement medical aid cover for ex-employees. This represents approximately 30% of the Human Resources Budget allocation each year. The Human Resources Department commenced an investigation regarding whether or not the organisation would remain liable to pay for post-retirement medical aid benefits of ex-employees. Information was sought from the ex-employees, as well as former CEO's of the entity (formerly known as National Productivity Institute). Communication was also disseminated from the Office of the CEO to the CEO of Alexander Forbes, the Director Generals of the Department of Labour, the Department of Public Service and Administration and the National Treasury to request information and/or guidance.

Part of the investigation included the Human Resources Department conducting a benchmark exercise on pensioners' medical aid within state entities and schedule 3A public entities. The analysis was presented to the Human Resources and Remuneration Committee and the Board to assist in reaching a final decision regarding either the full withdrawal or partial withdrawal of the benefit. A legal opinion is currently being sought as per the Board resolution.

The Human Resources strategic map is aligned to the overall organisational strategy and is depicted in the graphic on the previous page.

HUMAN RESOURCES PRIORITIES

From this strategy map, the following Human Resources interventions have been identified as key priorities for this period:

- Talent Management:
- Climate Enhancement and Culture and Values
- Performance Management
- Learning and Growth
- Leadership

HUMAN RESOURCES PLANNING FRAMEWORK AND STRATEGIES

The Human Resources Department has developed a Capability Framework to determine the skills, capabilities and experience of consulting employees in order to deliver on the organisational mandate. The first phase of the exercise has been completed based on the qualifications and experience of consulting employees.

A skills survey took place to determine the Continuous Improvement Skills based on competencies identified through the revised Business Model. Skills gaps were identified from the survey results. Critical business recommended skills have been included in the Training Plan for 2017/18.

The Human Resources Department conducted an exercise to compare headcount and salary costs from 2012/13 until 2016/17 in order to request the ex post facto approval of the staff establishment and provide background as to how the organisation arrived at the over-expenditure with a view to regularising its salary burden and headcount. A memorandum has been submitted to the Human Resources and Remuneration Committee and Audit and Risk Committee for recommendation to the Board for approval.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The aim of the organisation's Performance Management System is to improve organisational performance by linking Productivity SA's value drivers to individual and team outputs, facilitate desired behaviour to support Productivity SA values and value drivers, and ensuring that managers are held accountable for the performance of their teams.

During this period under review, the organisation contracted its employees in May 2016 and has finalised Review 1 in October 2016 for the period April to September 2016. Review 2 for the period October 2016 to March 2017 will be finalised during May 2017.

An Internal Audit on Performance Management and Training and Development took place during February/March 2017. The Final Report was presented to the Executive Committee in April 2017. In line with the recommendations, the Human Resources Department will revise the Performance Management Policy as per the policy review plan prepared during the Interim External Audit. The Executive Committee in conjunction with Human Resources will ensure that there is compliance to deadlines and that the scorecard templates are correctly populated to include action plans.

EMPLOYEE WELLNESS PROGRAMME

The Employee Wellness Programme (I-CAS) has been highly utilised by employees at an engagement rate of 43.9%, which is substantially higher than the public sector engagement rate of 14.9%. The Employee Wellness Report reflected the following



top two reasons for employee referrals and employees are seeking assistance regarding these issues:

- Relationship issues
- Stress

Due to the private and confidential nature of the agreement that I-CAS has with Productivity SA regarding its employees, the following interventions aided and assisted our employees to address the above issues. However the exact nature of these interventions cannot be divulged:

- Telephone counselling
- Face-to-face counselling
- Legal counselling
- Family care consultation
- Financial consultation
- Medical advisory

HUMAN RESOURCES POLICY DEVELOPMENT

The Human Resources Department has developed/reviewed the following two (2) policies:

- Bereavement Policy
- Reward and Recognition Policy

These policies are going through the internal policy approval process.

HUMAN RESOURCES HIGHLIGHTS

The Human Resources Department's highlights and challenges over this period were as follows:

	HIGHLIGHTS	DETAILS
1.	Achievement of Annual Performance Plan 2016/17	The Human Resources Department achieved 83% of its Annual Performance Plan targets for 2016/17.
2.	Talent Management Programme	Career path discussions for 17 candidates took place during this period. These discussions included the finalisation of Career Path Maps for the candidates in order to grow into more senior positions within the organisation, or to improve within their own roles as Managers.
3.	Recruitment turnaround time	Turnaround time refers to the period taken to fill a vacancy from the date the vacancy is approved until the date the vacancy is filled. Despite a moratorium being placed on recruitment in September 2016, certain critical positions have been filled. The average turnaround time to fill vacancies was 3.4 months against a target of 4 months. Eighteen positions were filled during this period.
4.	Cost reduction	The Human Resources Department has effectively managed its costs per month and year to date reflecting a budget surplus of R2 850 619.
		For the past 4 years the Human Resources Department has not contributed to the organisation's deficit due to effective management of its budget and costs.
5.	Performance Management	The Human Resources Department constantly monitors and evaluates the Performance Management System that cascades strategic priorities and goals to programmes and individual key performance indicators. Reviews are done twice yearly thus entrenching a performance driven culture. 100% of employees have completed Performance Contracts for 2016/17. 100% of employees have completed Review 1 and Review 2 for 2016/17. The average score for Review 1 2016/17 was 3.26 and Review 2 2016/17 was 3.29. The overall average Review score was 3.28.
6.	Training and Development	The organisation has received a Skills Grant of R156 092 from P-SETA. This will be ploughed back into business consulting training.



HUMAN RESOURCES CHALLENGES

	CHALLENGES	DETAILS
1.	Resource constraints	The Human Resources Department faced resource challenges during this period. The Human Resources Officer position was placed on hold due to the moratorium in September 2016. This has led to high levels of stress and burnout within the team. The Human Resources Co-ordinator had also resigned during this period and the HR Department has been struggling to fill the position on a permanent basis.
2.	Pensioners medical aid funding	Approximately R3 million of Human Resources' R10 million budget allocation is spent on medical aid costs of employees that have retired from the organisation. This impacts adversely on the Human Resources budget. Investigations are taking place to determine whether the organisation has a legal obligation to continue with the payments or not.
3.	Staff Development	Although the organisation had a Training budget of R549 500, only business critical training was accommodated due to the financial constraints. This resulted in only 57% implementation of the Workplace Skills Plan submitted to P-SETA.

FUTURE HUMAN RESOURCES PLANS AND GOALS

The Human Resources Department's future plans and goals are as follows:

- Finalise the Skills Capability Framework
- Revise HR Policies

- Obtain approval of staff establishment and finalise organisational re-design and review
- Create occupational specific dispensation salary scales
- Finalise Reward and Recognition Policy



1. HUMAN RESOURCES OVERSIGHT STATISTICS

1.1 HUMAN RESOURCES COST BY PROGRAMME/ ACTIVITY/ OBJECTIVE

Permanent Employees

PROGRAMME/ ACTIVITY/ OBJECTIVE	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXPENDITURE AS A % OF TOTAL EXPENDITURE (R'000)	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Productivity SA (All except WPC and TAS)	58 615	41 945	72%	70	599
Workplace Challenge	17 852	12 847	72%	20	642
Turnaround Solutions	32 560	6 253	19%	12	521
Totals	109 027	61 045	56%	102	598

Temporary Employees

PROGRAMME/ ACTIVITY/ OBJECTIVE	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXPENDITURE AS A % OF TOTAL EXPENDITURE (R'000)	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Productivity SA (All except WPC and TAS)	58 615	201	0.3%	3	67
Workplace Challenge	17 852	223	1.2%	3	74
Turnaround Solutions	32 560	0	0%	0	0
Totals	109 027	424	0.4%	6	71

1.2. HUMAN RESOURCES COST BY SALARY BAND

Permanent Employees

LEVEL	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top Management	8 332	14%	7	1 190
Senior Management	17 641	29%	22	802
Professional qualified	26 031	43%	44	592
Skilled	7 776	13%	22	353
Semi-skilled	1 265	2%	7	181
Unskilled	0	0%	0	0
TOTAL	61 045	100%	102	598

Temporary Employees

LEVEL	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST (R'000)	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top Management	95	22%	1	95
Senior Management	0	0	0	0
Professional qualified	0	0%	0	0
Skilled	106	25%	2	53
Semi-skilled	223	53%	3	74
Unskilled	0	0	0	0
TOTAL	424	100	6	71

1.3 PERFORMANCE REWARDS

LEVEL	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top Management	0	0	0
Senior Management	0	0	0
Professional qualified	0	0	0
Skilled	0	0	0
Semi-skilled	0	0	0
Unskilled	0	0	0
TOTAL	0	0	0

2. TRAINING AND DEVELOPMENT

The purpose of the Training and Development Plan is to have competent and skilled employees that will support and implement organisational strategy, mandate in terms of the Employment Services Act and the revised business model. This section highlights the efforts of Productivity SA with regard to skills development and uplifting employees through the organisation's financial assistance and training programmes.

2.1 TRAINING INITIATIVES

The Skills Development Plan of the organisation is prepared based on the Business Recommended interventions and Individual Development Plans of Productivity SA employees. These are reviewed annually by the Executive/Line Manager and the Employee. These plans are aligned to the overall strategic objectives of the organisation and the relevant training needs of the respective departments.

During this period 74 employees have attended 39 training interventions. This represents 73% of the overall workforce profile. However only 57% of the 2016/17 Training Plan has been achieved against the annual target of 80%. The training expenditure for the 2016/17 period was R65 684 against the training budget of R549 500. This was due to financial constraints faced by the organisation.

Over this period, 92% of employees submitted Individual Development Plans. The remaining employees did not require training during this period and did not want to submit a blank Individual Development Plan.

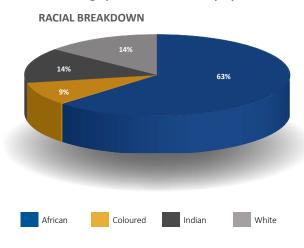
The Training budget for 2017/18 is R1 058 619 and the key focus will be on Business recommended and Individual Development Plan interventions. The rationale for this strategic decision is to ensure that the organisation has the correct competencies and skills set to drive the organisational objectives based on the requirements of the new business model.

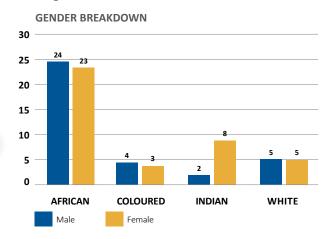


2.1.1 Below is a tabular illustration of employees who attended training interventions

	AFRI	CAN	COLO	URED	IND	IAN	WHITE .		TOTAL	TOTAL	GRAND	% GENDER	% RACE
LEVEL	F	M	F	М	F	M	F	M	FEMALES	MALES	TOTAL	F	HDI
1	0	1	0	0	0	0	0	0	0	1	1	0	100
2	0	2	1	0	0	0	0	0	1	2	3	33	100
3	0	1	0	0	1	0	0	2	1	3	4	25	50
4	1	4	0	0	1	1	0	2	2	7	9	22	78
5	15	11	1	2	1	1	2	1	19	15	34	56	91
6	4	3	0	1	3	0	2	0	9	4	13	69	85
7	3	0	1	0	2	0	1	0	7	0	7	100	86
8	0	0	0	1	0	0	0	0	0	1	1	0	100
9	0	2	0	0	0	0	0	0	0	2	2	0	100
Grand Total	23	24	3	4	8	2	5	5	39	35	74	53	86

2.1.2 Below is a graphic illustration of employees who attended training interventions:





2.2 TRAINING COSTS

PROGRAMME/ ACTIVITY/ OBJECTIVE	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST (%)	NUMBER OF EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE (R'000)
Productivity SA (All except WPC and TAS)	42 146	29	0.1%	53	1
Workplace Challenge	13 070	15	0.1%	12	1
Turnaround Solutions	6 253	21	0.3%	9	2
Totals	61 469	65	0.1%	74	1

2.3 FINANCIAL ASSISTANCE

In order to assist employees to obtain formal qualifications, Productivity SA offers financial assistance towards the costs of tertiary level study. This will ensure that employees are equipped to achieve the organisational mandate as espoused in the business model and the Employment Services Act. After the employees have acquired the qualification, they are required to demonstrate a return on investment by entering into a service obligation agreement with the organisation. The service obligation period also applies to employees who have taken study leave whilst paying for their own studies in order to demonstrate a return on investment for the study leave days taken.

Financial assistance during this period was given to two (2) employees towards costs for academic studies. This amounted to R6 940.

Applications submitted were for the following qualifications:

- Bachelor of Commerce: Industrial Psychology
- National Diploma: Public Relations

3. ORGANISATIONAL DEVELOPMENT

Productivity SA has embarked on a Culture Shift Journey and the following cultural pillars are currently being implemented to bring about the desired culture:

3.1 CULTURE & VALUES PILLAR

Purpose:

 To define the desired culture, values and associated behaviours to support a performance driven environment.

Deliverables:

- Leadership and employee views of current desired culture
- Climate change drivers
- Value sharing process
- Aligned values and associated behaviours
- Internal culture shift journey branding and communication

Progress:

 Quarterly meetings take place regularly between the CEO, Human Resources, Finance, Marketing and SAPTU to entrench organisational values and build a culture of open and transparent communication between Management and SAPTU. The parties discuss Organisational health

- issues including the state of the organisation, Performance information, Employee relations, Financial status reporting and Strategic partnerships.
- Organisational values are also presented at the quarterly Staff meetings to increase awareness and understanding of the climate behavioural dimensions.
- Regular progress reporting based on Climate Team Charters takes place at the quarterly Executive Committee meetings.
 The purpose is to enhance the climate and entrench desired behaviours in the respective teams.
- Common themes have been extracted from the departmental Climate Team Charters by the Human Resources Department and these plans are being monitored by the Executive Committee on a quarterly basis.

3.2 ORGANISATIONAL DESIGN AND REVIEW PILLAR

Purpose

- To create a flexible structure
- To enable career growth
- To support a performance driven culture

Deliverables

- Review job profiles
- Conduct job evaluation and re-grading exercises
- Redesign organisational structure

Progress

- The Draft Business Model was submitted to the Executive Committee in January 2017. Task teams were formed to work on different components of the Business Model and Implementation Plan. The Executive Manager HR is the Task Leader of the Organisational Design and Review task team.
- Job profiles within the organisation will be revised once the Business Model, including the Organisational Design and Review has been finalised.
- Where necessary, job evaluations will be conducted to determine whether the changes in job scope and content would lead to job and salary level adjustments.
- The organisational structure will be revised once the Business Model has been finalised.
- Consultations regarding the new proposed organisational structure will take place with South African Parastatal and Tertiary Institutions Union (SAPTU) once the business model has been finalised and where changes are imminent to employees.



3.3 PERFORMANCE MANAGEMENT PILLAR

Purpose

- To review and re-design the current performance management system to reward and recognise performance excellence
- To cascade the strategic priorities and goals to programmes and to individual key performance indicators

Deliverables

Improved Performance Management system aligned to organisational strategy, where individual performance is monitored, assessed and evaluated

Progress

- The organisation reviews employees' performance over the following Review periods:
 - Review period 1: (April to September)
 - Review period 2: (October to March)
- Performance Contracting 2016/17 submission rate was 100%.
- Performance Review 1 2016/17 submission rate was 100%.
- Performance Review 2 for 2016/17 submission rate was 100%.
- Performance Contracting 2017/18 commenced in May
- A reservoir folder has been created by the IT Department through SharePoint to enable employees to raise their concerns regarding the system. The "Live system" was made available from 1^{st} February 2017.
- To enhance the Human Resources product offering, Performance Management Refresher training will take place in the new financial year.

3.4 LEARNING AND GROWTH PILLAR

Purpose

To have competent and skilled employees that will support and implement organisational strategy

Deliverables

- Skills Audit
- Training and Development plan
- Talent Management Strategy, plan, processes and tools

Progress

- To enhance service delivery to clients, five core business critical consulting skills were identified. The first two interventions, Business Interviewing Skills and Technical Report Writing, were completed. The remaining three interventions, Understanding Data, Process/Value Stream Mapping and Business Finance will be completed in the new financial year.
- The Human Resources Department conducted a Continuous Improvement Skills Survey amongst all consulting employees to determine the organisation's Kaizen skills capability to deliver on the Business Model and ensure that the organisation fulfils its mandate in terms of the Employment Services Act.
- The results reflected that more than 50% of consulting employees have the necessary Kaizen skills. Training needs have been identified for the remaining employees and included in the Training Plan for 2017/18.
- 57% of the Training Plan for 2016/17 was implemented against a target of 80%. This was due to financial constraints faced.
- Talent Management Career Path discussions have taken place for all 17 candidates. Career Path Maps have been finalised for 5 candidates thus far and discussions are continuing to finalise the remaining Career Path Maps.

3.5 REWARD & RECOGNITION PILLAR

Purpose

To implement a reward and recognition system that will recognise performance excellence

Deliverables

- Salary benchmarking
- Remuneration policy
- Incentive scheme

Progress

- The Human Resources Department has finalised the Equate salary scales for 2016/17 based on the input received from the Department of Public Service and Administration.
- The Draft Reward and Recognition Policy and Short-term incentive scheme as designed in 2012 was revisited by the Human Resources Department in March 2017 and will follow the internal policy review and approval process during 2017/18.

3.6 LEADERSHIP PILLAR

Purpose

To have competent and skilled leaders that will drive organisational strategy

Deliverables

- Leadership competency model
- Leadership branding and communication
- Leadership development

Progress

- Leadership competency model and Leadership branding and communication has been completed.
- Leadership development programme will be launched in the new financial year pending the availability of financial resources.

4. RECRUITMENT AND SELECTION

4.1 EMPLOYMENT AND VACANCIES

Permanent Employees

PROGRAMME/ ACTIVITY/ OBJECTIVE	2015/2016 NUMBER OF EMPLOYEES	2016/2017 APPROVED POSTS	2016/2017 NUMBER OF EMPLOYEES	2016/2017 VACANCIES	% OF VACANCIES
Productivity SA (All except WPC and TAS)	71	73	63	10	67%
Workplace Challenge	19	22	20	2	13%
Turnaround Solutions	100	12	9	3	20%
Totals	100	107	92	15	100%

Temporary Employees

PROGRAMME/ ACTIVITY/ OBJECTIVE	2015/2016 NUMBER OF EMPLOYEES	2017/2018 APPROVED POSTS	2016/2017 NUMBER OF EMPLOYEES	2016/2017 VACANCIES	% OF VACANCIES
Productivity SA (All except WPC and TAS)	1	0	2	0	0%
Workplace Challenge	2	3	3	0	0%
Turnaround Solutions	2	0	0	0	0%
Totals	5	3	5	0	0%

Permanent Employees

PROGRAMME/ ACTIVITY/ OBJECTIVE	2015/2016 NUMBER OF EMPLOYEES	2016/2017 APPROVED POSTS	2016/2017 NUMBER OF EMPLOYEES	2016/2017 VACANCIES	% OF VACANCIES
Top Management	7	7	5	2	13%
Senior Management	19	22	19	3	20%
Professional qualified	42	49	43	6	40%
Skilled	24	22	19	3	20%
Semi-skilled	8	7	6	1	7%
Unskilled	0	0	0	0	0%
Totals	91	107	92	15	100%



The position of Chief Economist was vacant for five (5) months.

The reason for the delay was that the vacancy was initially advertised on a four (4) month fixed-term contract basis. The organisation did not receive sufficient applications from suitably qualified and experienced candidates, barring one (1) applicant meeting the minimum requirements for the vacancy. After interviewing the candidate, the organisation extended an offer of employment which was subsequently rejected by the

candidate due to the risk factor of the vacancy being a fixedterm contract and not permanent. In addition, the candidate's salary expectation exceeded the budget for the position.

In order to attract additional applicants, the vacancy was later advertised on a permanent basis and is expected to be filled during the 2017/18 financial year. The permanent vacancy has attracted internal and external applicants and the recruitment process is currently being finalised.

Temporary Employees

PROGRAMME/ ACTIVITY/ OBJECTIVE	2015/2016 NUMBER OF EMPLOYEES	2016/2017 APPROVED POSTS	2016/2017 NUMBER OF EMPLOYEES	2016/2017 VACANCIES	% OF VACANCIES
Top Management	0	0	1	0	0%
Senior Management	0	0	0	0	0%
Professional qualified	2	0	0	0	0%
Skilled	1	0	1	0	0%
Semi-skilled	2	3	3	0	0%
Unskilled	0	0	0	0	0%
Totals	3	3	5	0	0%

4.2 EMPLOYMENT CHANGES

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD APRIL 2016	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD MARCH 2017
Top Management	7	0	2	5
Senior Management	21	1	4	18
Professional qualified	41	5	3	43
Skilled	18	3	2	19
Semi-skilled	7	0	1	6
Unskilled	0	0	0	0
Totals	94	9	12	91

Temporary Employees

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD APRIL 2016	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD MARCH 2017
Top Management	0	1	0	1
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	1	2	2	1
Semi-skilled	2	1	0	3
Unskilled	0	0	0	0
Totals	3	4	2	5

4.3 REASONS FOR STAFF LEAVING

During this period under review twelve (12) permanent employees left the organisation. Eight (8) employees resigned, one (1) employee became disabled, one (1) employee passed away, one (1) employee was dismissed and one (1) employee was internally appointed into a different level. The labour turnover for permanent employees in the organisation represents 11% of the permanent workforce.

During this period two (2) temporary employees left the organisation. One (1) employee was internally appointed into a permanent position and one (1) employee's fixed-term contract ended. The labour turnover for temporary employees in the organisation represents 28% of the temporary workforce.

The table below reflects both permanent and temporary terminations:

Temporary Employees

REASON	NUMBER	% OF TOTAL NUMBER OF STAFF LEAVING
Death	1	7%
Resignation	8	58%
Dismissal	1	7%
Retirement	0	0%
III health	1	7%
Expiry of contract	1	7%
Other: Internal movements	2	14%
Total	14	100%

5. LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	1
Total:	1

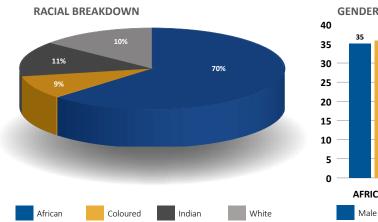
6. WORKFORCE PROFILE

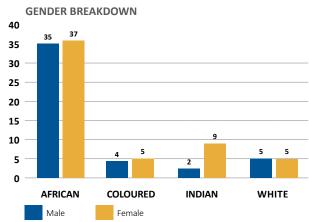
6.1 Below is a tabular illustration of Productivity SA's permanent workforce profile:

	AFR	ICAN	COLO	URED	IND	IAN	WE	IITE	TOTAL	TOTAL	GRAND	% GENDER	% RACE
LEVEL	F	М	F	M	F	М	F	М	FEMALES	MALES	TOTAL	F	HDI
1	0	1	0	0	0	0	0	0	0	1	1	0	100
2	2	2	1	0	0	0	1	0	4	2	6	67	83
3	2	1	0	0	2	0	0	2	4	3	7	57	71
4	3	8	0	0	1	1	0	2	4	11	15	27	87
5	18	18	2	2	1	1	2	1	23	22	45	51	93
6	4	3	0	1	3	0	2	0	9	4	13	69	85
7	5	0	1	0	2	0	0	0	8	0	8	100	100
8	0	2	0	1	0	0	0	0	0	3	3	0	100
9	3	0	1	0	0	0	0	0	4	0	4	100	100
Total	37	35	5	4	9	2	5	5	56	46	102	55	90



6.2 Below is a graphic illustration of Productivity SA's permanent workforce profile





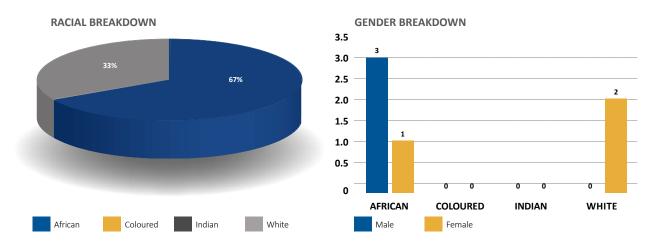
$\textbf{6.3 Below is a tabular illustration of Productivity SA's Temporary workforce profile, including Fixed-Term employees and Graduates: \\$

	AFRI	ICAN	COLO	URED	IND	IAN	WF	IITE	TOTAL	TOTAL	GRAND	% GENDER	% RACE									
LEVEL	F	М	F	М	F	M	F	М	FEMALES	MALES	TOTAL	F	HDI									
1	0	0	0	0	0	0	0	0	0	0	0	0	0									
2	0	1	0	0	0	0	0	0	0	1	1	0	100									
3	0	0	0	0	0	0	0	0	0	0	0	0	0									
4	0	0	0	0	0	0	0	0	0	0	0	0	0									
5	0	0	0	0	0	0	0	0	0	0	0	0	0									
6	0	0	0	0	0	0	1	0	1	0	1	100	0									
7	0	0	0	0	0	0	1	0	1	0	1	100	0									
8	0	0	0	0	0	0	0	0	0	0	0	0	0									
9	1	2	0	0	0	0	0	0	1	2	3	33	100									
Total	1	3	0	0	0	0	2	0	3	3	6	50	67									

Table 6.3 is broken down as follows:

Fixed-Term employees: 3 Productivity SA Graduates: 3 Total:

$6.4\ Below\ is\ a\ graphic\ illustration\ of\ Productivity\ SA's\ Temporary\ workforce\ profile,\ including\ Fixed-Term\ employees\ and\ Graduates$



6.5 Below is a tabular illustration of Productivity SA's Temporary workforce profile, including Fixed-Term employees and Graduates

		MALE						
	AFRICAN		COLOURED INDIA		IAN	WH	IITE	
LEVEL	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	3	3	0	0	0	0	0	0
Senior Management	9	9	0	0	1	1	4	4
Professional qualified	18	18	2	2	1	1	1	1
Skilled	3	4	1	1	0	0	0	0
Semi-skilled	2	2	1	1	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	35	36	4	4	2	2	5	5

	FEMALE							
	AFRICAN		COLOURED IN		IND	IAN	WHITE	
LEVEL	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	2	2	1	1	0	0	1	1
Senior Management	5	5	0	0	3	3	0	0
Professional qualified	18	18	2	2	1	1	2	2
Skilled	9	11	1	2	5	5	2	2
Semi-skilled	3	3	1	1	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	37	39	5	6	9	9	5	5

	DISABLED STAFF					
	AFRI	CAN	COLOURED			
LEVEL	CURRENT	TARGET	CURRENT	TARGET		
Top Management	0	0	0	0		
Senior Management	0	0	0	0		
Professional qualified	0	0	0	0		
Skilled	0	0	0	0		
Semi-skilled	0	0	0	0		
Unskilled	0	0	0	0		
Total	0	0	0	0		



REPORT OF THE AUDITORS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Productivity SA set out on pages 63 to 96 which comprise the statement of financial position as at 31 March 2017, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Productivity SA as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999 (PFMA).

BASIS FOR OPINION

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the entity in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct for registered auditors (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (parts A and B).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 29 in the financial statements, which indicates that the entity has accumulated losses amounting to R21 005 000 for the year ended 31 March 2017 and, as of that date the entity's current liabilities exceeded its current assets by R23 274 000. The note further states that the deferred income is not supported by sufficient cash balances at year end and that the ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that agreed funding will be received as per the signed MoA's from the funders. These events or conditions, may indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter

EMPHASIS OF MATTERS

We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Restatement of corresponding figures

As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2017.

MATERIAL IMPAIRMENTS – DEBTORS

As disclosed in note 4 to the financial statements, material losses to the amount of R12 761 000 were incurred as a result of a write-off of irrecoverable debtors.

RESPONSIBILITIES OF ACCOUNTING AUTHORITY

The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA standards of GRAP and the requirements of the PFMA 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.



In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE **FINANCIAL STATEMENTS**

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE **REPORT**

INTRODUCTION AND SCOPE

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 we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance

indicators established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information. Accordingly our findings do not extend to these matters.

We 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 entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 2 – Productivity Organisational Solutions	23- 24
Programme 3 – Turnaround Solutions	25
Programme 4 – Value Chain Competitiveness	27- 28

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We 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.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 2 Productivity Organisational Solutions
- Programme 3 Turnaround Solutions
- Programme 4 Value Chain Competitiveness

OTHER MATTER

We draw attention to the matter below.

Achievement of planned targets

Refer to the annual performance report on pages 19 to 32 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Revenue management

Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA.

Expenditure management

Effective steps were not taken to prevent irregular expenditure amounting to R2 128 000 as disclosed in Note 25 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R39 000, as disclosed in Note 24 to the annual financial statements, in contravention of section 51(1)(b)(ii) of the PFMA.

Liability management

Money was borrowed without the approval of an official authorised by the minister, in contravention of section 66(3)(c) of the PFMA.

Performance management

Procedures for the facilitation of effective performance monitoring, evaluation and corrective action were not established, as required by treasury regulation 5.3.1.

OTHER INFORMATION

Productivity SA 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 presented in the annual performance report that have been specifically reported on in the auditor's report.

Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INTERNAL CONTROL DEFICIENCIES

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation, however the objective is not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for our opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.



Leadership

Although leadership implemented controls to ensure compliance with laws, regulations and internally designed policies and procedures, certain significant non-compliance issues were identified.

An independent consultant is investigating an allegation of the possible misappropriation of the entity's assets at the request of the entity and the department, which covers the period 2012/2013 financial year to 31 December 2016. The investigation is currently in progress.

Financial and performance management

Management did not adequately monitor adherence with the requirements of Treasury Regulations for deviation from Supply Chain Management processes and as a result irregular expenditure was incurred.

AUDITOR TENURE

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Productivity SA for 5 years.

OTHER REPORTS

We draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the matters reported on the entity's financial, performance and compliance related matters. The report noted do not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

Nexia SABUT Nexia SAB&T

Per: S. Kleovoulou Director

Registered auditor

28 July 2017

AUDITOR'S RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

In addition to our responsibility for the audit of the financial statements as described in the auditor's report, we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also

conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Productivity SA ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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. Our conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause an 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

We 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 we identify during our audit.

We also confirm to the accounting authority that we 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 our independence, and where applicable, related safeguards.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

		2017	2016
	NOTE(S)	R'000	*Restated R'000
Assets			
Non-Current Assets		3 228	3 380
Property, Plant and Equipment	2	2 341	2 535
Intangible Assets	3	5	19
Deposit	4	882	826
Current Assets		26 086	36 762
Trade and Other Receivables	4	3 930	19 780
Inventories	5	173	293
Cash and Cash Equivalents	6	21 983	16 689
TOTAL ASSETS		29 314	40 142
Liabilities			
Non-Current Liabilities		959	1 340
Finance lease liability	7	959	1 340
Current Liabilities		49 360	47 686
Finance lease liability	7	381	346
Trade and Other Payables	8	2 610	4 700
Operating Lease Liability	9	296	255
Income Received in Advance	9	14 073	15 690
Deferred Income	10	27 990	22 816
Provisions	11	4 010	3 879
TOTAL LIABILITIES		50 319	49 026
Net Assets and Liabilities			
Accumulated Deficit		(21 005)	(8 884)
TOTAL NET ASSETS		29 314	40 142

^{*}Refer to note 28

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016
	NOTE(S)	R'000	*Restated R'000
	11012(3)	N 000	11 000
Revenue			
Non-exchange Revenue			
Transfers and Subsidies	12	87 693	75 541
Exchange Revenue		9 199	21 213
Rendering of Services		5 075	19 610
Sale of Goods		1 180	72
Finance Income	13	241	170
Other Operating Revenue	14	2 703	1 361
Total revenue		96 892	96 754
Expenditure			
Employment Costs	15	61 469	57 974
General Expenses	16	33 825	39 995
Finance Costs	13	188	146
Bad Debt		150	298
Receivables Impairment	4	12 747	-
Depreciation and Amortisation	2&3	642	652
Total expenditure		109 021	99 065
Deficit for the Year		(12 129)	(2 311)
Other gains		8	15
Gain on disposal of assets		14	11
(Loss) / Gain on foreign exchange		(6)	4
Deficit for the Year		(12 121)	(2 296)

^{*}Refer to note 28

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2017

	RETAINED EARNINGS R'000	TOTAL NET ASSETS R'000
Balance at 31 March 2015	(6 588)	(6 588)
Deficit for the year	(2 296)	(2 296)
Balance at 31 March 2016	(8 884)	(8 884)
Deficit for the year	(12 121)	(12 121)
Balance at 31 March 2017	(21 005)	(21 005)

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2017

	NOTE(S)	2017 R'000	2016 * RESTATED R'000
Cash Flow from Operating Activities			
Receipts			
Non – Exchange Revenue			
Transfers and Subsidies		87 693	75 541
Exchange Revenue		24 913	14 586
Amount received from customers		21 969	13 055
Finance Income		241	170
Other Operating Income		2 703	1 361
		112 606	90 127
Payments			
Employee Costs		61 469	57 974
General Expenses		44 074	32 291
Repairs and Maintenance		807	629
Finance Costs		188	146
		106 538	91 040
Net Cash Inflow / (Outflow) from Operating Activities	17	6 068	(913)
Cash Flows from Investing Activities			
Purchases of Furniture and Equipment		(449)	(449)
Purchases of Computer Software		-	(11)
Proceeds on Disposal of Plant and			
Equipment		27	24
Net Cash Outflows from Investing Activities		(422)	(436)
Cash Flows from Financing Activities			
Finance lease payments – capital		(346)	(263)
Net Cash Outflows from Financing Activities		(346)	(263)
Net Increase /(Decrease) in Cash and Cash Equivalents		5 300	(1 612)
Cash and Cash Equivalents at Beginning of the Year		16 689	18 296
Effect of exchange rate movement on cash balances		(6)	5
Cash and Cash Equivalents at End of the Year		21 983	16 689

^{*}Refer to note 28

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2017

	APPROVED BUDGET R'000	ADJUSTMENTS R'000	FINAL BUDGET R'000	ACTUAL AMOUNTS ON COMPARABLE BASIS R'000	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R'000	NOTE
Receipts						
Grant Revenue	153 467	807	154 274	87 693	(66 581)	22
Investment income	446	(267)	179	241	62	
Other Income	29 167	8 042	37 209	8 972	(28 237)	22
Total Receipts	183 080	8 582	191 662	96 906	(94 756)	
Payments						
Employee Costs	63 018	(3 161)	59 857	61 469	(1 612)	22
Goods and services	119 280	11 488	130 768	33 981	96 787	22
Receivable Impairment				12 747	(12 747)	22
Finance Charges	-	145	145	188	(43)	
Depreciation	782	110	892	642	250	
Total Payments	183 080	8 582	191 662	109 027	82 635	
Net Receipts	-	-	-	(12 121)	(12 121)	

Reconciliation: Basis difference

Bad debts	150
Depreciation	642
Receivables Impairment	12 747
Finance cost	188
Other gains	(8)
Total	(1 598)

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

The annual financial statements have been prepared using the accrual basis of accounting, in terms of which items are recognised as assets, liabilities, net assets, revenue and expenses when they satisfy the definitions and recognition criteria for those elements, which in all material aspects are consistent with those applied in the previous year, except where a change in accounting policy has been recorded. The historic cost convention has been used, except where indicated otherwise.

The Annual Financial Statements are prepared in South African Rand (R) and have been prepared on a going concern basis.

The audited Annual Financial Statements have been prepared in accordance with the standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) and the Public Finance Management Act (Act 1 of 1999) (PFMA).

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

These accounting policies are consistent with the previous period.

1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited annual financial statements and related disclosures. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Use of available information and the application of judgement are inherent in the formation of estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Significant judgements include:

1.1.1 Assessment of useful lives

The residual value and useful life of an asset are regarded as accounting estimates and intrinsically have an element of uncertainty associated with them. As such, they are based on information available at the time that they are estimated.

It is therefore expected that these estimates will differ at various stages of an asset's life depending on economic times and management's intentions. Useful lives and residual amounts are reviewed and assessed at each financial year-end.

Such review and assessment takes into consideration the nature of the assets, their intended use and technical obsolescence. The residual value and useful life of an asset is reviewed and revised if necessary at each financial year-end.

1.1.2 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 11.



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

1.1.3 Going Concern Assumption

These annual financial statements have been prepared based on the expectation that Productivity SA will continue to operate as a going concern in the years ahead.

1.2. INVENTORY

Inventory comprises consumables held during the ordinary course of the business. Inventories are initially recognised at cost.

Where inventory is acquired by the entity for no or nominal consideration, the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no charge or at a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale exchange or distribution.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The entity uses the weighted average method to account for inventories

The carrying amount of inventories is recognised as an expense in the period in which the inventory was consumed unless that cost qualifies for capitalisation to the cost of another asset.

1.3. PROPERTY PLANT AND EQUIPMENT (PPE)

Property, Plant and Equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, Plant and Equipment is initially measured at cost.

The cost of an item of property plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Costs include costs incurred initially to acquire or construct an item of property plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement, cost is recognised in the carrying amount of an item of property plant and equipment, the carrying amount of the replaced part is derecognised.

Where an asset is acquired at no cost or for a nominal cost its cost is its fair value as at date of acquisition.

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

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

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

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

Assets acquired under finance leases are capitalised and depreciated in accordance with Productivity SA's policy on property, plant and equipment unless the lease term is shorter.

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

The annual depreciation rates are based on the following estimated asset useful lives as follows:

Item	Average useful life
Computer equipment	3 years
Furniture and fittings	6 years
Library	3 years
Motor vehicles	5 years

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

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

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

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

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

1.4. INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identified as an intangible asset when it:



- is separable i.e. is capable of being separated or divided from Productivity SA and sold, transferred, licensed, rented, or exchanged either individually or together with a related contract of identifiable assets or liability regardless of whether the Productivity SA intends to do so; or
- arises from contractual rights or other legal rights regardless whether those rights are transferable or separate from Productivity SA or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to Productivity SA; and
- the cost or fair value of the asset can be measured reliably. Intangible assets are initially recognised at cost.

If an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

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

The amortisation charge for each period shall be recognised in surplus or deficit unless this or another standard permits or requires it to be included in the carrying amount of another asset. Amortisation is provided to write down the intangible assets on a straightline basis to their residual values as follows:

Average useful life Item Computer Software 2 years

Intangible assets are derecognised:

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

1.5 REVENUE

Revenue comprises gross inflows of economic benefits or service potential received and receivable, which represents an increase in net assets other than increases relating to contributions from the controlling entity.

Non-exchange transactions are transactions that are not exchangeable transactions.

In a non-exchange transaction an entity either:

- a) receives value from another without directly giving approximately equal value in exchange or gives value to another without directly receiving approximately equal value in exchange; or
- b) transfers are inflows of future economic benefits or service potential from non-exchange transactions other than taxes.
 - Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and volume rebates.
 - Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Revenue is recognised as follows:

1.5.1. Non-Exchange Revenue

Revenue from non-exchange transactions arises when the entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

An asset that is recognised as a result of a non-exchange transaction, is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognised as a liability when and only when:

- a) it is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and
- b) a reliable estimate can be made of the amount of the obligation.

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with conditions attached to them; and
- the grants will be received

Government grants and other grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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

1.5.2. Exchange Revenue

Exchange revenue is made up of interest, income, sales of goods and rendering of service and other operating revenue. Interest is recognised in profit or loss using the effective interest rate method. Sales of goods and rendering of service and other operating revenue are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and

It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- a) The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.



- The amount of revenue can be measured reliably.
- d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably. c)
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from the sale of goods.?

Revenue from the rendering of services is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- b) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The stage of completion of the transaction at the reporting date can be measured reliably. c)
- d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

1.5.3 Interest

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

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

1.6 RETIREMENT BENEFITS

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The entity operates defined contribution retirement benefit plans for its employees. Payments to a defined contribution plan are charged as an expense as they fall due in the statement of financial performance and they represent the contribution paid to these plans by the entity at a rate specified by the entity's policy.

The entity pays post-retirement medical aid benefits to employees who were in service prior to 1998.

1.7 PROVISIONS AND CONTINGENCIES

Provision is a liability of uncertain timing and amounts.

Provisions are recognised when:

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

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

Where the effect of time value of money is material the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party the reimbursement is recognised when and only when it is virtually certain that reimbursement will be received if entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense in "surplus and deficit".

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

Provisions are not recognised for future losses.

If Productivity SA has a contract that is onerous the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.8 LEASES

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

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

Finance Leases – Lessor

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 lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.



The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. Assets acquired under finance leases are capitalised and depreciated in accordance with Productivity SA's policy on property plant and equipment unless the lease term is shorter.

Operating Leases - Lessee

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

1.9 FINANCIAL INSTRUMENTS

Recognition

Financial Assets and Financial Liabilities are recognised on the entity's statement of financial position when the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

The financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial instrument.

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

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

Measurement

Financial instruments are initially measured at fair value which includes transactions costs. Subsequent to initial recognition these instruments are measured as set out below.

Financial Assets

The entity's principal financial assets are trade and other receivables and cash and cash equivalents.

Trade and Other Receivables

Trade and other receivables are measured at initial recognition at their amortised cost.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

- The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.
- Trade and Other Receivables are classified as Loans and Receivables.

Cash and Cash Equivalents

Cash and cash equivalents are measured initially and subsequently at amortised cost.

Cash and Cash Equivalents comprise balances with local banks and monies on call accounts that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in fair value. These are initially and subsequently measured at fair value.

Financial Liabilities

The entity's principal financial liabilities comprise of trade and other payables.

Trade and Other Payables

Trade and Other Payables are measured initially at their fair value and subsequently at amortised cost.

Impairment of Financial Assets

The entity assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the entity, amongst others the following loss events:

- (i) significant financial difficulty of the issuer or obligated party;
- (ii) a breach of contract such as a default or delinquency in interest or principal payments; and
- (iii) the granting to the borrower for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider.
- (iv) Impairment losses are recognised in profit or loss
 - Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively
 to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the
 financial asset at the date that the impairment is reversed, shall not exceed what the carrying amount would have been
 had the impairment not been recognised
 - Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale



Offsetting

The entity does not offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists and the parties intend to settle on a net basis.

De-recognition

A financial asset or a portion thereof is derecognised when the entity realises the contractual rights to the benefits specified in the contract, the rights expire, the entity surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets, is included in net surplus or deficit for the year.

The gain or loss arising from the de-recognition of an item of property plant and equipment shall be included in profit or loss when the item is derecognised.

The gain or loss arising from the de-recognition of an item of property plant and equipment shall be determined as the difference between the net disposal proceeds if any and the carrying amount of the item.

1.10 TAXATION

The entity is exempt from income tax in terms of section 10(1) (nC) of the Income Tax Act no 58 of 1962.

1.11 BUDGET

Productivity SA is typically subjected to budgetary limits in the form of appropriations or budget authorisations (or equivalent) which is given effect through authorising legislation appropriation or similar.

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

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

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

The Annual Financial Statements and the budget are not on the same basis of accounting, therefore a reconciliation between the statement of financial performance and the budget has been included in the Annual Financial Statements. Refer to note 22.

1.12 RELATED PARTIES

Productivity SA operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa only public entities with the ability to control or jointly control Productivity SA or exercise significant influence over Productivity SA or vice versa or entities that are subject to common control or joint control within the national sphere of government, are considered to be related parties. Only transactions carried with entities within the ambit of the Department of Labour Unemployment Insurance Fund and Department of Trade and Industry and transactions not carried out at arms' length basis are disclosed.

Key management personnel are those persons having authority and responsibility for planning directing and controlling the activities of Productivity SA directly or indirectly, including any director (whether executive or otherwise) of Productivity SA. Key management personnel are limited to the Board and the Executives only.

Close members of the family of key management are considered to be those family members who may be expected to influence or be influenced by management in their dealings with Productivity SA.

All transactions with entities identified by Productivity SA as related parties are disclosed.

1.13 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state, and expenditure in the form of a grant that is not permitted

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

1.14 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.15 IRREGULAR EXPENDITURE

- National Treasury Practice Note No. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):
- Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements, must also be recorded appropriately in the irregular expenditure register. In such an instance no further action is required with the exception of updating the note to the financial statements.
- Irregular expenditure that was incurred and identified during the current financial year and for which condonation is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.
- Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.



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

1.16 EMPLOYEE BENEFIT

- Short-term employee benefits encompass all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short-term employee benefits include remuneration, compensated absences, and bonuses.
- Short-term employee benefits are recognised in the statement of financial performance as services are rendered, except for non-accumulating benefits which are recognised when the specific event occurs. These short-term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

1.17 COMPARATIVE FIGURES

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

1.18 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS PRONOUNCEMENTS

The entity is required to include in its annual financial statements, disclosure about the future impact of standards and interpretations issued but not yet effective at the issue date.

At the date of authorisation of the financial statements of the entity for the year ended 31 March 2017, the following standards and interpretations were in issue but not yet effective. These accounting standards and interpretations include the following that may have an impact on the financial statements in the future.

- GRAP 32: Service Concession Arrangements: Grantor
- GRAP 109: Accounting by Principals and Agents
- Directive 12: Selection of an appropriate reporting framework for public entities

Management has assessed the impact of the above new standards of GRAP and believe that these are not expected to materially impact the financial statements of the entity.

2. PROPERTY, PLANT AND EQUIPMENT (PPE)

	COST R'000	ACCUMULATED DEPRECIATION AND IMPAIRMENT 2017 R'000	CARRYING VALUE R'000	COST R'000	ACCUMULATED DEPRECIATION AND IMPAIRMENT 2016 R'000	CARRYING VALUE R'000
Library	178	154	24	178	170	8
Vehicles	158	147	11	158	152	6
Computer Equipment	2 707	1 947	760	5 239	4 656	583
Furniture and Fittings	2 109	1 798	311	3 926	3 613	313
Finance lease asset	1 948	713	1 235	1 948	323	1 625
Total	7 100	4 759	2 341	11 449	8 914	2 535

Reconciliation of Property, Plant and Equipment 2017	OPENING BALANCE R'000	ADDITIONS R'000	DISPOSALS R'000	DEPRECIATION R'000	CLOSING CARRYING AMOUNT R'000
Library	8	-	-	16	24
Vehicles	6	-	-	5	11
Computer equipment	583	441	(15)	(249)	760
Furniture and fittings	313	8	-	(10)	311
Finance lease asset	1 625	-	-	(390)	1 235
	2 535	449	(15)	(628)	2 341

2016

Library	1	-	-	7	8
Vehicles	1	-	-	5	6
Computer equipment	447	327	(12)	(179)	583
Furniture and fittings	201	122	-	(10)	313
Finance lease asset	-	1 948	-	(323)	1 625
	650	2 397	(12)	(500)	2 535

Productivity SA has no assets classified under Property, Plant and Equipment pledged as security for liabilities and no restrictions have been imposed on any of its assets.

2.1 PROPERTY, PLANT AND EQUIPMENT (PPE)

In terms of the requirement GRAP 17 Property, Plant and Equipment, which states that the useful lives of assets must be reviewed at each balance sheet date, management revised the estimated useful lives of computer equipment, furniture and equipment, motor vehicle, library and computer software. The effect of this revision has reduced depreciation charges for the current and future periods by R351 735. The effect of this revision has increased surplus for the year by R351 735.



3. INTANGIBLE ASSETS

		ACCUMULATED AMORTISATION AND IMPAIRMENT 2017 R'000	CARRYING VALUE R'000	COST R'000	ACCUMULATED AMORTISATION AND IMPAIRMENT 2016 R'000	CARRYING VALUE R'000
Computer Software Total	105	(100)	5	2 679	(2 660)	19
	105	(100)	5	2 679	(2 660)	19

Reconciliation of Intangible Asset: 2017	OPENING BALANCE R'000	ADDITIONS R'000	DISPOSALS R'000	DEPRECIATION R'000	CLOSING CARRYING AMOUNT R'000
Computer Software	19	-	-	(14)	5
Reconciliation of Intangible Asset: 2016					

Computer Software	158	11	-	(150)	19
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4. TRADE AND OTHER RECEIVABLES	2017 R'000	2016 R'000
Non-Courant		
Non-Current		
Rental Deposits	882	826
Current		
Sundry Debtors	2 526	6 466
Accruals	791	13 195
Other receivables	590	88
Advances - Deferred salary	23	31
Total	3 930	19 780

4.1 Provision for bad debts

Provision for bad debts has been determined by reference to Productivity SA's policy of debt management, past default experience and the current economic environment. The bad debts provision as at 31 March 2017 was R372 000 (2016: R298 000)

4.2 Trade and receivables impairment

- 4.2.1 As of 31 March 2017, trade and other receivables of R12 747 million (2016: R0) were impaired. The impairment relates to a 35% participating fee charged by Turnaround Solutions to assisted companies. This balance deteriorated from R2.7 million in 2013/14 to R12.8 million in 2015/16 financial year. A decision therefore was taken to impair in the current financial year 2016/17 as all the assisted companies were in distress and monies were not recoverable
- 4.2.2 As of 31 March 2017, trade and other receivables of R14 000 (2016: R0) were written off.

Productivity SA considers the carrying amount of receivables to approximate their fair value.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	298	-
Provision for impairment	88	298
Amounts written off as irrecoverable	(14)	-
	372	298

5. INVENTORIES	2017 R'000	2016 R'000
Opening Net Carrying Amount	293	262
Purchases	156	151
Inventory Expensed	(276)	(120)
Consumables	173	293

Consumables Comprise Stationery and Printing Items. Inventories were not pledged as security.

6. CASH AND CASH EQUIVALENTS

Bank Balances	207	1 781
Cash on Hand	1	1
Call Deposits	21 775	14 907
Total	21 983	16 689

There are no restrictions that have been placed on cash balances.

7. FINANCE LEASE OBLIGATION

Minimum lease payments due		
• within one year:	491	492
in second to fifth year inclusive	1 065	1 556
	1 556	2 048
less: future finance charges	(216)	(362)
Present value of minimum lease payments	1 340	1 686
Present value of minimum lease payments due		
• within one year:	381	346
in second to fifth year inclusive	959	1 340
	1 340	1 686
Non- current liabilities	959	1 340
Current liabilities	381	346
	1 340	1 686

At the reporting date Productivity SA had a lease agreement in respect of office equipment. The lease agreements are not renewable at the end of the lease term and Productivity SA does not have any option to acquire the equipment at the end of the lease term

The average lease term is 5 years and the average borrowing rate is 9.5% (2016: 9.5%).

Interest rates are fixed at the contract date. All leases agreements have fixed repayments and no arrangements have been entered into for contingent rent.

The lease agreements do not impose any restrictions on the entity.



	2017	2016
8. TRADE AND OTHER PAYABLES	R'000	R'000
Sundry Creditors	254	2 582
Accruals	2 356	2 118
Total	2 610	4 700
9. OTHER PAYABLES		
	206	255
Operating Lease Liability	296	255
Income Received in Advance	14 073	15 690
Total	14 369	15 945
10. DEFERRED INCOME		
	00.015	0.5.000
Opening Balance	22 816	26 839
Amount Received	24 452	17 667
Interest Capitalised	535	226
Amount Utilised	(19 813)	(21 916)
Total	27 990	22 816

Deferred income reflects that amount of income received during the current year but which will be utilised in the 2017/18 financial year for Turnaround Solutions.

11. PROVISIONS

2017	OPENING BALANCE R'000	ADDITIONS R'000	UTILISED DURING THE YEAR R'000	CLOSING BALANCE R'000
Leave Pay	2 634	2 158	(1 870)	2 922
Auditor's Remuneration	584	681	(786)	479
Deferred Salary Payments	661	2 039	(2 091)	609
Total	3 879	4 878	(4 747)	4 010
2016				
Leave Pay	2 575	2 552	(2 493)	2 634
Auditor's Remuneration	472	584	(472)	584
Deferred Salary Payments	651	2 105	(2 095)	661
Total	3 698	5 241	(5 060)	3 879

The leave accrual is calculated by using the daily rate as calculated in VIP Payroll System multiplied by the leave days due at year end. Audit fees are based on agreed scope of work and time allocated to Productivity SA to complete the audit.

Deferred Salary Payment is an option available to all employees to structure their total salary package to include a "13th cheque" (Deferred Salary) instead of 12 payments.

12. TRANSFERS AND SUBSIDIES	2017 R'000	2016 R'000
Transfers and Subsidies comprise the following:		
Government Grants	59 057	45 531
Projects Funding: Workplace Challenge	8 523	8 094
Turnaround Solutions (Refer Note 10: Deferred Income above)	19 813	21 916
Donation from LEDET	300	-
Total	87 693	75 541
13. NET FINANCE INCOME		
Finance Income	241	170
Finance Costs	(188)	(146)
Total	53	24
14. OTHER OPERATING REVENUE		
Management fee	-	599
Transnet income	2 484	726
Other income	63	-
Commitment fee	_	23
Staff development income	156	13
Total	2 703	1 361
15. EMPLOYEES COSTS		
Salaries	48 154	45 602
Deferred salaries	2 039	2 105
UIF contributions	368	348
Leave payment	656	260
Retirement Benefits	7 431	7 096
Post-Retirement Medical Aid Benefit	2 821	2 563
Total	61 469	57 974



16. GENERAL EXPENSES	2017 R'000	2016 R'000
Audit Fees- External	680	556
Audit Fees- Forensic	222	964
Audit Fees- Internal	1 740	273
Bank Charges	54	62
Board Fees	168	167
Bursaries	7	48
Communication	1 681	1 530
Consumables	125	162
Insurance	287	320
Legal Expenses	403	422
Membership Fees	57	65
Motor expenses	16	29
Other expenses	541	1 081
Printing and Stationery	1 398	1 533
Project Implementation costs - TAS	8 993	11 458
Promotions	548	1 537
Rental of Buildings	5 164	5 299
Repairs and Maintenance	807	629
Skills Development Levies	515	488
Staff Development Training	53	817
Stocks and Material	-	11
Subscriptions and Publication	143	156
Support services	4 568	5 863
Transport claims	1 148	1 393
Travel and Subsistence – Foreign	61	215
Travel and Subsistence – Local	3 340	3 779
Utilities	1 053	1 061
Workshop	53	77
Total	33 825	39 995

17. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO DEFICIT	2017 R'000	2016 R'000
Deficit for the Year	(12 121)	(2 296)
Non Cash Movements:		
Depreciation and Amortisation	642	652
Gain on Disposal of Assets	(14)	(11)
Loss/(Gain) on foreign exchange	6	(5)
Increase in Provisions	131	181
	(11 356)	(1 479)
Movement in Working Capital	17 424	566
Decrease/(Increase) in Trade and Other Receivables	15 714	(6 628)
Decrease /(Increase) in Inventory	120	(31)
Increase in Trade and Other Payables	1 590	7 225
Net Cash Inflow / (Outflow) from Operating Activities	6 068	(913)

18. TAXATION

18.1 INCOME TAXATION

No provision was made for taxation in the current financial year. The entity, as a schedule 3A Public Entity, qualifies for exemption in terms of Section 10 (1) (cN) of the Income Tax Act No 58 of 1962 being a "Public Benefit Entity" as defined.

18.2 VAT

The entity was granted exemption for VAT effective from July 2005 as its activities no longer comply with the definition of "enterprise" in Section 1 of the VAT Act and the requirement for VAT registration in terms of section 23 of the same Act. The entity is now included in the amended definition of public authority" in terms of section 1 of the VAT Act.

19. RELATED PARTIES

Productivity SA received a transfer payment of R92 032 million for funding for its administrative activities from the National Revenue Fund through Department of Labour, Unemployment Insurance Fund and Department of Trade and Industry.

The revenue from these transactions is included in the Statement of Financial Performance.

Department of Labour	59 057	45 531
Unemployment Insurance Fund	24 452	17 667
Department of Trade and Industry	8 523	8 094
Total	92 032	71 292



20. MEETING FEES AND THE EMOLUMENTS OF EXECUTIVE MANAGERS

Productivity SA does not pay a salary to non-executive board members; however, expenses incurred are compensated as an allowance.

During the year the following meeting fees and travel expenses were paid to the members:

NON-EXECUTIVE BOARD MEMBERS: 2017	MEETING FEES R'000	TRAVEL R'000	TOTAL R'000
Chairperson	43	3	46
Other Members	106	16	122
Total Non-Executive Board Members	149	19	168

EXECUTIVE MANAGEMENT : 2017	EMOLUMENTS R'000	TRAVEL R'000	TOTAL R'000
Chief Executive Officer	1 320	98	1 418
Chief Financial Officer	1 010	139	1 149
Other Executive Management	5 170	461	5 631
Total Executive Management	7 500	698	8 198
Total	7 649	717	8 366

NON-EXECUTIVE BOARD MEMBERS: 2016	MEETING FEES R'000	TRAVEL R'000	TOTAL R'000
Chairpersons	34	1	35
Other Members	103	30	133
Total Non-Executive Board Members	137	31	168

1 529
1 119
5 809
8 457
8 625

Other benefits include Travel and Subsistence Allowance, Acting Insurance and Cell Phone Allowances.

No meeting allowances were paid to government representatives on the Governing Body.

21. OPERATING LEASE COMMITMENTS

2017 2016 R'000 R'000

The entity leases premises and photocopiers under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Payable within 1 Year	4 842	3 938
Payable in Second to Fifth Year	21 734	2 550
Total	26 476	6 488
Operating Lease Expenditure Recognised in the Statement		
of Financial Performance on a Straight Line Basis.	5 164	5 299

Operating lease payments represent rentals payable by Productivity SA for office properties.

Leases are negotiated for an average term of five years and rentals are smoothed over the term of the lease.

The escalation clauses are negotiated at time of renewal and or signing of the contracts.

There are no restrictions to Operating Leases

22. EXPLANATION OF MATERIAL DIFFERENCE BETWEEN THE FINAL BUDGET AND ACTUAL

22 A) Reconciliation of Budget surplus with Net Cash Generated from Operating and Financing Activities

	OPERATING R'000	INVESTING R'000	FINANCING R'000	TOTAL R'000
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	24 397	(435)	(345)	23 617
Timing Differences	(18 329)	13	(1)	(18 317)
Actual Amount in the Cash Flow	6 068	(422)	(346)	5 300

22 B) BUDGET DIFFERENCES

Material differences between approved budget and final budget amounts

The final budget was R8.6 million above approved budget mainly due to an increase of Other Income by R8 million which was the result of an increase in inflationary rate used.

Material differences between budget and actual amounts

Productivity SA budget is approved on a cash basis by functional classification. The approved budget covers the period from 1 April to 31 March each year. The Annual Financial Statements and budget documents are prepared for the same period.



22. EXPLANATION OF MATERIAL DIFFERENCE BETWEEN THE FINAL BUDGET AND ACTUAL (CONTINUED)

There is a basis difference: the budget is prepared on a cash basis and the Annual Financial Statements are prepared on the accrual basis.

Productivity SA is not allowed to budget for a deficit and in the Financial Year ended 31 March 2017, the entity ended with a deficit of R12.1 million.

Rendering services

Grant Revenue

A total of R 97.8 million was budgeted as a grant from UIF for the Turnaround Solutions programme (TAS). Funding from UIF was not received as per the signed MoA in that it was received late (July 2016) and the full amount was not received. Only R24.4 million (25%) was transferred thus contributing immensely to the revenue shortfall.

Other Income

Included in the budget was a 35% service fee to be charged to participating companies as per the funding agreement between Productivity SA and UIF. The revised funding agreement does not include the service fee and therefore it was not raised during the financial year. Other services were below budget due to programs not achieving their targets for revenue generation.

Employee Costs

Employee costs exceeded budget mainly due to medical aid payments for retired employees.

Good and services

The funding from UIF was at 25% of budget resulting in a difference of R96.8 million. The main reason of a difference between budget and the actual amounts on a comparative basis has been the project implementation fees. These are costs of implementing the interventions of Turnaround Solutions, which is the flagship programme for the saving of jobs. Funding transferred from UIF for this programme was much lower than had been budgeted for.

Receivable Impairment

The 35% participating fee charged by TAS to participating clients deteriorated from R2.7 million in 2013/14 to R12.7 million in 2015/16 financial year. A decision therefore was taken to impair receivables in the current financial year 2016/17 as the assisted companies were in distress and monies were not recoverable.

23. RISK MANAGEMENT

The entity does not enter into any derivative transactions. The main risk arising from the entity's financial instruments are cash flow interest rate risk, liquidity risk and credit risk.

The entity reviews and implements policies managing each of these risks. There are no significant concentrations of risk. Compliance with policies and procedures is reviewed by internal and external auditors on a continuous basis

Productivity SA has taken all the necessary precautions and assessed known risks by investing its funds in a reputable credit rated financial institution.

23.1 INTEREST RATE RISK / AND CATEGORIES OF FINANCIAL INSTRUMENTS

In accordance with GRAP 104.132 our business does not fluctuate with the credit rate. Interest and expenses are incidental to cash balances that we maintain in our bank accounts.

The entity manages its interest rate risk by fixing rates on surplus cash funds using short-term fixed deposits. The entity's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date are as follows:

23. RISK MANAGEMENT (CONTINUED)

2017	FLOATING RATE R'000	FIXED RATE R'000	NON-INTEREST BEARING R'000	TOTAL R'000
Assets				
Assets				
Cash and Cash Equivalents	208	21 775	-	21 983
Other Receivables	-	-	3 930	3 930
Total Financial Assets	208	21 775	3 930	25 913
Liabilities				
Trade and Other Payables	-	-	2 610	2 610
Net Financial Assets	208	21 775	1 320	23 303

2016

Assets				
Cash and Cash Equivalents	1 782	14 907	-	16 689
Other Receivables	826	-	19 780	20 606
Total Financial Assets	2 608	14 907	19 780	37 295
Liabilities				
Trade and Other Payables	-	-	(4 700)	(4 700)
Net Financial Assets	2 608	14 907	15 080	32 595

23.2 CREDIT RISK

Financial Assets which potentially subject the entity to the risk of non-performance by counter-parties and thereby subject to credit concentrations of credit risk, consist mainly of Cash and Cash Equivalents and Receivables from Exchange Transfers. There were no impairments.

	2017 R'000	2016 R'000
Current	2 657	7 431
Past Due 0-30 days	769	1 585
Past Due 31-60 days	3	439
Past Due 61-90 days	150	345
Over 90 days – Trade Debtors	351	9 980
Total	3 930	19 780

 $The \ entity \ manages \ / \ limits \ its \ treasury \ counter-party \ exposure \ by \ only \ dealing \ with \ credit-rated \ established \ financial \ institutions.$



23. RISK MANAGEMENT (CONTINUED)

23.3 LIQUIDITY RISK

The entity manages liquidity risk through proper management of working capital expenditure and actual versus forecast cash flows, and its cash management policy. Adequate reserves and liquid resources are also maintained. Trade and other payables are as follows:

2017	CONTRACTUAL CASH FLOWS R'000	CONTRACTUAL CASH FLOWS WITH 1 YEAR R'000	CONTRACTUAL CASH FLOWS BETWEEN 1 AND 5 YEARS R'000
Finance lease obligation	1 340	381	959
Trade and other payables	2 610	2 610	-
Income received in advance	14 073	14 073	-
Deferred income	27 990	27 990	-
Total	46 013	45 054	959
2016			

Finance lease obligation	1 686	346	1 340
Trade and other payables	4 700	4 700	-
Income received in advance	15 690	15 690	-
Deferred income	22 816	22 816	-
Total	44 892	43 552	1 340

23.4 MARKET RISK

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

23.5 FAIR VALUES

The entity's financial instruments consist mainly of Cash and Cash Equivalents and Other Receivables and Financial Liabilities. No financial instrument was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments. The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and Cash Equivalents

The carrying amount of Cash and Cash Equivalents approximates fair value due to the relatively short to medium term maturity of these financial assets.

2017 2016 R'000 R'000 CONCENTRATION OF CASH AND CASH EQUIVALENTS Concentration of Cash Deposits Nedbank 21 983 16 689

OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

The carrying amount of Other Receivables from exchange transactions approximates fair value due to relatively short-term maturity of these financial assets.

24. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of Fruitless and Wasteful Expenditure		
Opening Balance	1 169	117
Fruitless and Wasteful Expenditure Current Year	39	1 052
Fruitless and Wasteful Expenditure Irrecoverable and written off	-	-
Fruitless and Wasteful Expenditure waiting recovery or write off	1 208	1 169

DETAILS OF FRUITLESS AND WASTEFUL EXPENDITURE

Nature of the expenditure	Disciplinary steps/Criminal Proceedings		
Interest Charged on overdue Vendor Accounts and overdrawn accounts	Money not recoverable and no employee is liable in law.	39	4
Early settlement for suppliers	Action taken, money not recoverable.	-	941
SARS penalties and interest relating late payment	No employee is liable in law, money is irrecoverable.	-	107
		39	1 052

25. IRREGULAR EXPENDITURE

Reconciliation of Irregular Expenditure

Opening Balance	9 051	6 269
Irregular Expenditure Current Year	2 128	2 782
Irregular Expenditure Condoned	-	-
Amounts not recoverable (Not condoned)	-	-
Irregular Expenditure awaiting condonation	11 179	9 051



25. IRREGULAR EXPENDITURE (CONTINUED)		2017 R'000	2016 R'000
Supply Chain policy not followed	Disciplinary steps/Criminal proceedings		
No supporting documentation of SCM process Followed (SBD 4 Tax clearance Quotations Preference points calculated supplier not on the database)	Matters are in the process of being ratified	120	1 160
Inconsistency in the evaluation of functionality and preference points calculation	Matters are in the process of being ratified	1 740	276
Not following full SCM process	Matters are in the process of being ratified		517
SCM process not followed in the deviation	Matters are in the process of being ratified	268	829
		2 128	2 782

26. CONTINGENCIES AND COMMITMENTS

26.1 OPERATING LEASE

Operating Lease Commitments disclosed in Note 21 above;

26.2 CONTINGENT LIABILITY

Productivity SA erroneously overpaid a service provider to the tune of R64 000 who continued to present invoices after the contract was paid in full. The service provider FEM Research Consultants (FEM) claims that they performed additional services to Productivity SA hence their additional invoices presented. To date they have not presented evidence to this effect but instituted legal action against Productivity SA for R200 000.

26.3 CONTINGENT ASSET – LEGAL CLAIMS

Productivity SA is defending the above claim to the amount of R64 000. Attorneys are of the opinion that Productivity SA will successfully defend the claim and recoup the R64 000.

27. COMPARATIVE INFORMATION

2017 2016 R'000 R'000

RESTATEMENT OF COMPARATIVE FIGURES

Other operating revenue has been reclassified into Transfers and subsidies. The effect of the reclassification on the individual line items in the financial statements is as follows:

Transfers and Subsidies	-	9 307
Other Operating Revenue (Cost recovery)	-	(9 307)

Cost of project implementation has been reclassified as General expenses. The effect of the reclassification on the individual line items in the financial statements is as follows:

General Expenses	-	11 458
Cost of Project Implementation	-	(11 458)

Interest received has been capitalised to income received in advance. The effect of the reclassification on the individual line items in the financial statements is as follows:

Accumulated deficit	-	23
Income received in Advance	-	(23)

28. PRIOR PERIOD ERRORS

Property, Plant and Equipment (PPE)

In terms of paragraph .44 of GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors, the restatement of useful lives of assets have been applied retrospectively as a prior period error.

The correction of the errors results in adjustments as follows:

Statement of Financial Position

Statement of Financial Performance Decrease in depreciation		(195)
Decrease in accumulated deficit	-	195
Increase in PPE	-	195

29. GOING CONCERN

We draw attention to the fact that at 31 March 2017, the entity had deferred income as disclosed in the Statement of Financial Position and is not supported by sufficient cash balances at year end and accumulated losses of R21 million. The entity's current liabilities exceed its current assets by R23.3 million.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlements of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that agreed funding will be received as per the signed MoA.



30. SEGMENT REPORTING

The entity is organised and reports to management on the basis of three major sections: Turnaround Solutions, Productivity SA and Workplace Challenge. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were not aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

	PRODUCTIVITY SA TAS		WPC	FLIMINATIONS	TOTAL
2017	R'000	R'000	R'000	ELIMINATIONS R'000	R'000
REVENUE					
Non exchange revenue	59 057	19 813	8 823	-	87 693
Exchange revenue	11 825	-	2 297	(4 923)	9 199
Total segment revenue	70 882	19 813	11 120		96 892
EXPENDITURE					
Employee costs	43 146	6 253	13 070	-	61 469
Good and services	21 386	26 307	4 782	(4 923)	47 552
Total segment expenditure	63 532	32 560	17 852	(4 923)	109 021
Gain on disposal od assets	14	-	-	-	14
(Loss)/Gain on foreign exchange	(6)	-	-	-	(6)
Surplus/(Deficit)	7 358	(12 747)	(6 732)	-	(12 121)
ASSETS					
Non –current assets	3 226	_	_	_	3 226
Current assets	29 920	40 393	1 331	(45 556)	26 088
Total assets	33 146	40 393	1 331	(45 556)	29 314
LIABILITIES					
Non-current liabilities	959	-	-	-	959
Current liabilities	56 852	28 427	9 637	(45 556)	49 360
Accumulated deficit	(24 585)	11 886	(8 306)	-	(21 005)
Total liabilities	33 226	40 313	1 331	(45 556)	29 314

30. SEGMENT REPORTING (CONTINUED)

	PRODUCTIVITY SA TAS		WPC	ELIMINATIONS	TOTAL
2016	R'000	R'000	R'000	R'000	R'000
REVENUE					
Non exchange revenue	45 531	21 916	8 094	-	75 541
Exchange revenue	23 392	4 203	2 678	(9 060)	21 213
Total segment revenue	68 923	26 119	10 772	(9 060)	96 754
EXPENDITURE					
Employee costs	57 974	-	-	-	57 974
Good and services	18 129	21 915	10 107	(9 060)	41 091
Total segment expenditure	76 103	21 915	10 107	(9 060)	99 065
Gain on disposal od assets	11	-	-	-	11
(Loss)/Gain on foreign exchange	4	-	-	-	4
Surplus/(Deficit)	(7 165)	4 204	665	-	(2 296)
ASSETS					
Non –current assets	3 380	-	-	-	3 380
Current assets	29 023	52 084	2 546	(46 891)	36 762
Total assets	32 403	52 804	2 546	(46 891)	40 142
LIABILITIES					
Non-current liabilities	1 340	-	-	-	1 340
Current liabilities	63 007	27 450	4 120	(46 891)	47 686
Accumulated surplus/(deficit)	(31 944)	24 634	(1 574)	-	(8 884)
Total liabilities	32 403	52 084	2 546	(46 891)	40 142





PROGRAMME 1

MARKETING & COMMUNICATIONS

In creating awareness and promoting productivity and competitiveness concepts in the economy, Productivity SA used various media platforms. Social media is at the core of brand awareness with 1 887 followers for the 2016/17 financial year. Face-to face marketing through partnerships with stakeholders has also been effective. Productivity SA took part in 55 workshops and seminars where its services and offerings were promoted in the market.

Productivity SA maximised on the public relations drive to increase brand awareness. 315 articles including broadcasts were realised in the financial year. This strengthens the brand in the market. 9 MOUs were signed with stakeholders that would be of mutual benefit whilst advancing the Productivity SA mandate.

The Productivity Awards flagship programme was implemented with regional awards taking place in all provinces excluding Northern Cape and Free State. Regional awards are a precursor for the Productivity National awards. The National awards took place in October where the national winners were recognised and celebrated. October is Productivity month whereby various activities are undertaken to promote productivity, its concepts and competitiveness. Productivity awards are assessed and awarded in four categories, namely Emerging Sector, Co-operative Sector, Corporate Sector and Public Sector. Due to a stringent adjudication process, some provinces did not have all categories represented.

Regional winners for 2016/17 were as follows:

WESTERN CAPE WINNERS 2016

EMERGING SECTOR	CO-OPERATIVE SECTOR	CORPORATE SECTOR	PUBLIC SECTOR
Cab Foods	Friemersheim Multi-purpose	Langeberg & Ashton Foods	Engineering & Asset
Eat Smart Organics	Со-ор		Management
			City of Cape Town – Water &
			Sanitation

LIMPOPO WINNERS 2016

EMERGING SECTOR	CO-OPERATIVE SECTOR	CORPORATE SECTOR	PUBLIC SECTOR
Bushveld Terrace Hotel and	Mariveni Farmers	Safcol Timbadola Sawmill	Two Mountains Holdings (Pty)
Guesthouse	Co-operative		Ltd

MPUMALANGA WINNERS 2016

EMERGING SECTOR	CO-OPERATIVE SECTOR	CORPORATE SECTOR	PUBLIC SECTOR
Tuffi Construction (Pty) Ltd	Borotho Bakery Primary Co-	Zamani Engineering Services	Thaba Chweu Local Economic
		CC	Development Agency
			(THALEDA)

GAUTENG WINNERS 2016

EMERGING SECTOR	CO-OPERATIVE SECTOR	CORPORATE SECTOR	PUBLIC SECTOR
Legaci Superior Dry Cleaning	Prejonet Agricultural Primary	Rothe Plantscapers	City of Tshwane (Rosslyn
and Laundry Services	Co-operative		Electricity Depot)

KWA-7UIU NATAI WINNERS 2016

EMERGING SECTOR	CO-OPERATIVE SECTOR	CORPORATE SECTOR
Siyazenzela Trailers	Inqolobane Yobumbano Secondary	Duys Component Manufacturers (Pty)
	Co-operative	Ltd

EASTERN CAPE WINNERS 2016

EMERGING SECTOR	CO-OPERATIVE SECTOR	CORPORATE SECTOR
LM TITI Shuttle Services	Sihlangene Co-operative	Eberspächer South Africa (Pty) Ltd

NORTH WEST WINNERS 2016

EMERGING SECTOR	CO-OPERATIVE SECTOR	
Dirang Mmogo Business Enterprise cc	People First Piggery Co-operative Limited	

National winners for 2016 were awarded at the gala dinner where business, government, labour and civil society gathered to witness the event.

EMERGING SECTOR	CO-OPERATIVE SECTOR	CORPORATE SECTOR	PUBLIC SECTOR
Cab Foods	Inqolobane Yobumbano	Eberspacher South Africa	Safcol Timbadola Sawmill
Eat Smart Organics	Secondary Co-operative	(Pty) Ltd	



PROGRAMME 2

PRODUCTIVITY ORGANISATIONAL SOLUTIONS (POS)

ASSESSMENT CENTRE

The Assessment Centre facilitates a uniform process towards the identification of below average performance. Organisational assessment is a systematic process for obtaining valid information about the performance of an organisation and the factors that affect performance. It is conducted in order to demonstrate areas of competence, areas for improvement and possible risks. It forms the basis to evaluate organisational performance and the formation of improvement initiatives.

The assessment centre conducted financial assessments on behalf of the Turnaround Solutions Programme, the Workplace Challenge Programme, the Transnet Enterprise Development Project and other clients. A comprehensive analysis of the financial statements of organisations is used to evaluate the financial performance which forms the basis for improvement initiatives. The assessment centre conducted a total of 123 financial assessments during the year and assisted with the implementation of interventions for the Transnet Enterprise Development Project.

SMALL AND MICRO ENTERPRISE (SME) AND CO-OPERATIVE DEVELOPMENT

Performance Information by Programme/Activity/Objective

The SME and Co-operative development programme leads the development, customisation and distribution of productivity competencies and mind-sets among Small and Micro Enterprises and Co-operatives and provides productivity improvement solutions to public-benefit and private organisations in order to contribute to decent employment through inclusive economic growth and competitiveness.

SME and Co-operative strategic objectives, performance indicators, planned and actual achievements and delivery models are explained below.

STRATEGIC OBJECTIVE: CONTRIBUTE TO DECENT EMPLOYMENT THROUGH INCLUSIVE ECONOMIC GROWTH						
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/2016	PLANNED TARGET 2016/2017	ACTUAL ACHIEVEMENT 2016/2017	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2015/2016	COMMENT ON DEVIATIONS	
Productivity competencies for emerging enterprises	4 872	5 500	5 527 (101%)	+27 (+0.5%)	Partner agreed upon schedules and scope would not allow for member exclusion.	

SME AND CO-OPERATIVE PRODUCTIVITY DEVELOPMENT MODEL



PHASE 1: PRODUCTIVITY AWARENESS WORKSHOP (PAW)

The objectives of this phase are to introduce Productivity SA, its structure, governance, vision, mission, service offering, stages of intervention, productivity concept and measurements, productivity benefits and values, need analysis process and partnership engagement model.

This phase assists with taking the brand Productivity SA and its value proposition to our partners, community at large, emerging enterprises and co-operatives.

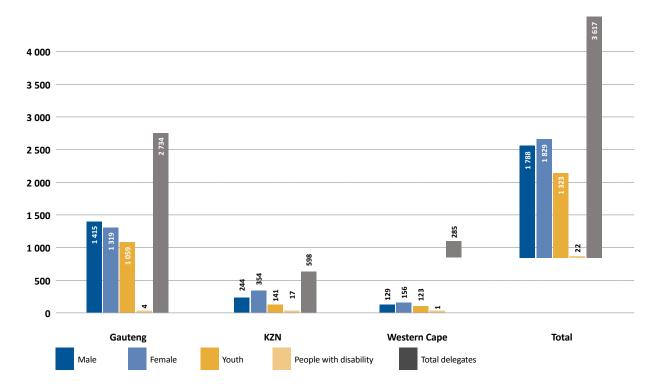


Figure 1: Productivity Awareness Workshops Across Provinces

Gauteng (2734): The following partners contributed in descending order: South African Black Hawkers Association (566), City of Tshwane (564), City of Johannesburg (361), Ekurhuleni Metropolitan Municipality (334), Small Enterprise Development Agency (235), Gauteng Enterprise Propeller (201), Sanaco (146) Stanza Bopape Community centre (132), National Youth Development Agency (111), Department of Labour (51), Gauteng Department of Education (12) and Transnet (21).

KwaZulu-Natal (598) is second to Gauteng, made up of KZN Business Association (133), Department of Economic Development, Tourism and Environmental Affairs (88), Seda (81), eThekwini Maritime Cluster (69), Igoda Incubator (42), Ilembe Chamber (40), National Defence Academy (36), Kwadukuza Municipality (32), NDYA (30), Absa (24), Department of Trade & Investment (12) and Durban Chamber (11).

Western Cape (285) is third with contributions from Cape Wine District Municipality (154), Langa Development forum (28), SABS (18), Cape Craft and Design Institute (17), UCT (16), AMC Atlantis (14), Imvusa Trading (14), Furniture Industry Bargaining council (13) and Absa ESD (11).



PHASE 2A: BUSINESS START-UP WORKSHOP (BSUW)

The workshop is aimed at giving emerging entrepreneurs and co-operatives a good understanding of all aspects of business planning and help turn their ideas into viable businesses. The objective of this workshop is to cultivate productive behaviour and distribute productivity competencies among South Africans by enabling them to achieve the following learning outcomes:

- Demonstrate an understanding of what productivity is.
- Define entrepreneurship.
- Identify the characteristics of a successful entrepreneur.
- Demonstrate an understanding of the legal forms and requirements of a business.
- Identify the different sources of start-up capital.
- Demonstrate an understanding of Business Plan Guide/ Template as a tool during implementation of Action Plans to establish a business.

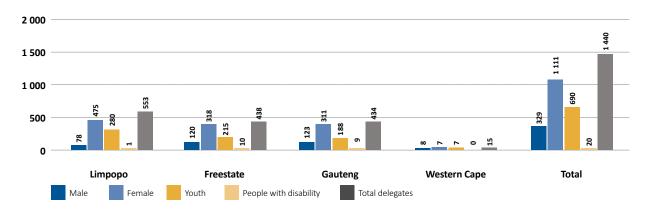


Figure 2: Business Start-Up Workshops Across Provinces

Limpopo (553): All SMEs from South African National Apex Co-operatives (Sanaco).

Free State (440): All SMEs from Sanaco co-operative membership.

Gauteng (438): Sanaco contributed 404 while Soweto Business Access contributed 34.

Western Cape (15): All from Cape Craft and Design Institute.

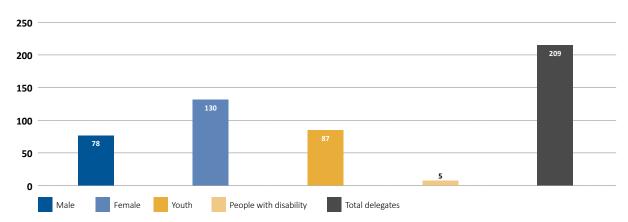


Figure 2: Co-operative Governance Workshop (CGW)

The workshop is new in 2016/17 and is aimed at improving co-operative governance compliance including a good understanding of all aspects of business planning. The delegates achieved the following learning outcomes: Implementation of the legislation, regulations and principles of good corporate governance for co-operatives. Productivity SA plans to roll out the workshop in other provinces in 2017/18.

CASE STUDY





In 2016/17, Productivity SA and South African National Apex Cooperatives (Sanaco) reached out to a total of 1 425 co-operative members against a target of 1200. The Business Start-Up Workshops provided assistance to Sanaco co-operative members to demonstrate an understanding of the productivity concept, its values and benefits, how to measure and improve productivity, development of business plans and the management of cost in order to realise customer requirements, satisfaction and profitability.

South African National Apex Co-operatives (Sanaco) pays particular attention to co-operative development and mobilisation for government support and new ways of reaching out to our marginalised sectors of the community, such as women, the youth/learners, rural communities, as well as Cooperatives and entrepreneurs with disabilities. In line with the government's job creation objective, we need to respond to the emerging enterprises. These enterprises will in future be part of the SMME sector's ability to create and sustain businesses that will result in creating jobs and economic growth.

The provincial footprint where the Business Start-Up Workshops (BSUW) were conducted, the effectiveness of the training, were based on the evaluation by co-operative members. Highlights, impact, challenges and recommendations provide much needed evidence of the amount of work required to increase both government and private sector support to entrepreneurship activities in the country.

TARGET POPULATION AND ENTRY REQUIREMENTS

The workshop was aimed at 1 200 Sanaco co-operative members who meet the following minimum entry requirements:

- A business start-up and/or existing business
- Owners must have attended the Start-up Programme before they can send their employees

- Delegates require basic arithmetic for the measurements done in the workshop
- Commitment to attend and complete the three modules
- Submission of completed business plans.

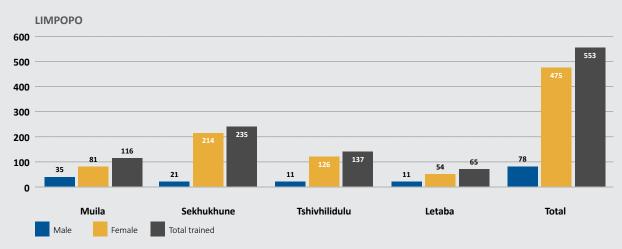
IMPLEMENTATION STRATEGY

The workshop for each of the three modules (Introduction to Productivity Concept, Entrepreneurship and Business Plan) covered a duration of six hours in one day. The time allocated to each module included the presentation of content by the workshop leader, discussion of contents, group exercises to be conducted and the discussion of action plans.

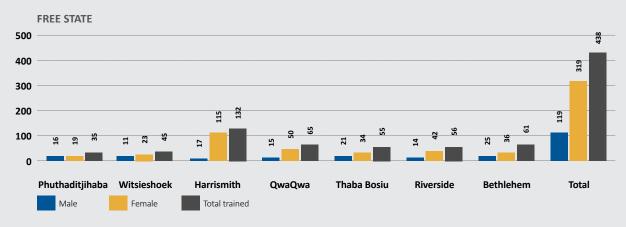
- Productivity SA and the Sanaco scheduled training workshops. The regional representatives of the partner ensured that planned workshops are fully attended, catered for and venues are provided.
- The partner was responsible for the selection of delegates.
- Productivity SA Facilitators ran the workshops in all the provinces as agreed upon with the partner on a ratio of one facilitator to 30 co-operative members or 6 co-operatives with 5 members to promote the principles of co-operatives governance.
- The three modules (Introduction to Productivity Concept, Entrepreneurship and Business Plan) are run over two consecutive days, and on the third day delegates/cooperatives presented their action plans or feasibility studies. The feasibility studies create a framework for business plan development and also serve the purpose of updating existing business plans.
- The co-operatives feasibility studies are evaluated on the third day and feedback provided with regard to highlights and areas for improvement.
- Certificates were issued to delegates who have completed the Action-Plan/Business Plan.

PROVINCIAL FOOTPRINT

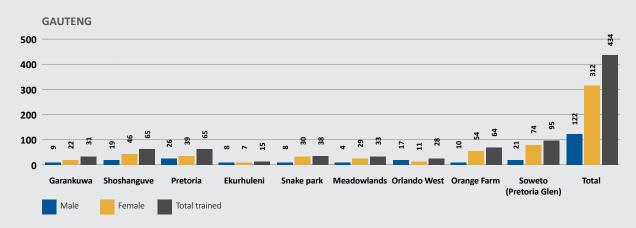
The provinces are graphically represented in the order of most delegates trained.



Limpopo is the first of the provinces with the total number trained (553) with total females (475) and males (78) trained and the number of groups (18), all trained by two Productivity SA Facilitators: (M Mathelemusa and M Ndonyane).



Free State is the second province with the total number trained (438) with by total females (319) and males (119) trained and the number of groups (14). All trained by three Productivity SA Facilitators: (R Morweng, L Matsie and S Mdidimba).



Gauteng is the third province with the total number trained (434) with by total females (312) and males (122) trained and the number of groups (14). All trained by six Productivity Facilitators: (L Matsie, R Pholose, S Mdidimba, R Morweng, M Mathelemusa and R Morweng).



PROVINCIAL COURSE AND TRAINER SATISFACTION

The average provincial course and trainer satisfaction levels are 95% and 97% respectively. SANACO co-operative members really appreciate the course and the way Productivity SA trainers present the content. Here are some of the delegates' comments:

- The trainers are good and understanding people
- They are doing very well- keep up your performance!
- Course went well, but due to our little knowledge, we wish the course can take more than three days
- We learnt a lot about starting a business.

HIGHLIGHTS AND IMPACT

Highlights and impact included the following:

- SANACO delegate's satisfaction percentage on both course content and trainer is 95% and 97% respectively
- 1 425 Co-operative members (119 % of the 2016/17 target of 1 200) were trained, of which 1 106 were women, 319 males, 663 youth and 20 people with disabilities
- Training took place in the following three provinces: Limpopo (553), Free State (438) and Gauteng (434)
- The province with the highest number of delegates trained is Limpopo (553) followed by Free State (438)
- 138 Feasibility studies were presented and evaluated in an attempt to help delegates come to grips with business plans and their importance

- Delegates were enthusiastic and grateful for being given the opportunity to be empowered
- Hands-on and useful tips on business improvements and increasing profitability
- Training was attended by diverse groups, including senior citizens, the youth, people with disabilities, elderly pastors and some illiterate people
- Trainers' experience and skills were able to translate productivity and business concepts in their home languages
- Relevance of the material to their businesses
- Demonstration of applying productivity values in their everyday lives
- Some venues were well-organised, they met all the specified criteria
- Some co-operatives had well-structured on-going businesses, which made it easy to apply practical assignments e.g. poultry farming
- Some co-operatives requested more training on specific training interventions, including the constitution, roles and responsibilities of the leadership and various construction skills
- Some groups had registered as co-operatives and they expressed the need for more training
- Most delegates participated and demonstrated understanding during the training
- The training schedules were well organised in almost all the regions/areas



- Some regional co-ordinators attended the full training programme to have a full understanding of the whole process
- Sharing business ideas, knowledge and best practice
- Demonstrated a healthy competitive spirit between different teams which were presenting their business plans
- Delegates divided themselves into groups based on skills required by various sections of the feasibility study, for example, the person who has book-keeping skills and knowledge would lead the group that prepares a projected Cash Flow Statement, Income Statement and the Balance Sheet
- Some co-operatives themselves have taken over the catering responsibilities and maintained a roster which made it easy for groups to attend training according to the schedule
- There were some co-operatives which brought some of their products for showcasing.

CHALLENGES

The challenges experienced during the training include the following:

- No training took place in the following provinces: Western Cape, Eastern Cape, Northern Cape, North West, Mpumalanga and KwaZulu-Natal.
- It would seem that delegates who did not belong/affiliate with a specific co-operative, were not as committed towards completing the programme as delegates who belonged to co-operatives.
- Some workshops were postponed due to poor attendance of co-operatives, although these incidents were relatively isolated.
- Delegates in some areas/venues were apparently not briefed about the workshop and its entry requirements which made the first day of the workshop difficult administratively.
- The suitability of the venues in some regions was substandard and required more pro-active effort from the coordinators involved with the securing of the venue.
- Most groups had problems putting together projected Cash-flow Statements, Income Statements and Balance Sheets which indicated an increased need for more indepth financial literacy training.
- The quality of catering in the various regions differed, although catering specifications were agreed to in advance.

RECOMMENDATIONS

The partnership agreement to be based on a one year signed Memorandum of Understanding with a target of 1 400 cooperatives members per annum. This can be achieved if the following recommendations are put into practice by both partners.

- The training of co-ordinators to do regular project management activities such as recruitment criteria, certificate requirements, scheduling, catering, venues and recommendations.
- Productivity SA will also ensure that leadership is also trained in relevant productivity competencies to allow for integration and empowerment where necessary.
- A minimum number of 30 delegates per group is still the standard and SANACO should prioritise provincial footprints without disadvantaging most needy provinces.
- Productivity SA and SANACO partnership should go beyond mere target achievement towards achievement of poverty alleviation, job creation and migration of informal economy into the formal economy.
- Productivity SA values the partnership and therefore encourages open discussions of the aspects contained in this report.

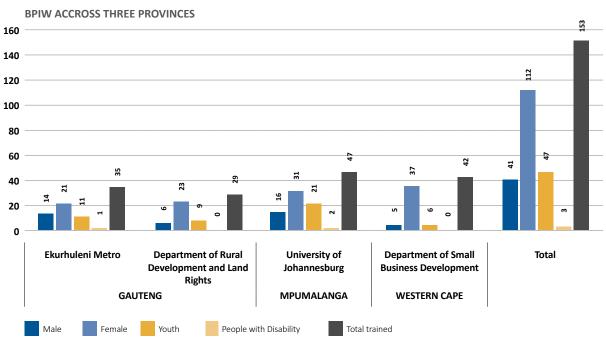
PHASES 3 AND 4: BUSINESS PERFORMANCE IMPROVEMENT WORKSHOP (BPIW) AND BPIW COACHING

The BPIW is an action learning solution developed to assist Small and Micro Enterprises (SMEs) and co-operatives to implement systems and procedures that will assist them to improve performances and productivity in their businesses in order to increase profitability and employment growth.

About 153 delegates were trained in productivity concepts, waste elimination, how to increase sales, reducing operational costs through speed and quality improvement, maximising profits and development of an Early Warning System as a proactive management system to compare continuous improvement from a measured base to a realistic target goal, and to monitor and review plans of action to deal with challenges early.

The rub-off effect of the practical assignment will facilitate the embedding of productivity specific values on delegates. These values inculcate the following: Continuous performance improvement, efficient and effective resource usage, waste reduction and elimination, time management and completing tasks correctly first time.





EDUCATION

1. PARTNERSHIPS

Productivity SA has formed strategic partnerships with the Department of Education Gauteng MEC office; Gauteng West District; Gauteng East District; Gauteng South District; Johannesburg Central Office District; Tshwane North and the Black Management Forum (BMF) in order to deliver on their strategic objectives/mandate of inspiring and capacitating a productive workforce that is competitive. Productivity SA has to improve productivity by diagnosing, advising, implementing, monitoring and evaluating solutions aimed at improving South Africa's sustainable growth, development and employment through

increased competitiveness. It is in the light of this mandate and mission that the entity is training and capacitating educators and learners in the schools on productivity concepts and excellence models in order to help them improve their performances.

2. SEDA MEMORANDUM OF UNDERSTANDING

Productivity SA has been mandated to train and develop the Skills Development Facilitators (SDFs) with a view to leveraging our service provision to the various Sector Education Training Authorities (Seta's). The SDFs are in return expected to identify productivity constraints in the Seta's and facilitate the implementation of productivity improvement initiatives in partnership with Productivity SA.

In order to achieve the above objectives, Productivity SA through Productivity Organisational Solutions (POS) has entered in partnership with Seda Head Office to train their facilitators nationally on The Facilitation skills training course US/ID 117871 using a variety of given methodologies at NQF Level 5, 10 Credits. The purpose of the training is to capacitate their training providers on facilitation skills and methodologies that will help them to conduct training in a professional manner; that will meet the NQF standards and credibility.

Seda also entered into a partnership with POS through their Learning Academy to further train their practitioners on Business Performance Improvement Workshops, which is an action learning solution for small enterprises and co-operatives, targeted to improve profitability, growth and employment creation within these sectors, by measuring and improving productivity indicators that impact the business.

3. ACCREDITATION SYSTEM IN PLACE

The purpose of the accreditation system is as per requirements from the Public Seta (P- Seta) to comply with SAQA requirements to deliver unit standard based courses in our client companies. This process, is found? compliant, and gives Productivity SA a full accreditation status. To achieve this objective Productivity SA had to align all its productivity learning programmes to unit standards that exist in a relevant ETQA. The P-Seta has been identified as the ETQA under which productivity unit standards are registered, and a Memorandum of Understanding (MoU) has been signed with them to secure a relationship. Productivity SA has also found? accreditation with ETDP Sea as a secondary Seta for learning program Facilitation Skills course US/ID 117871 using a variety of given methodologies.

- The objective of accreditation is to ensure compliance in accordance with the SAQA requirements and regulations of training.
- Registration with P-Seta as a levy paying public organisation.
- Productivity SA has programme approval on the following unit standard: 114878 (Identify and Measure Factors that influence Productivity; Level 4; with 10 credits).
- National Certificate for Public Administration unit standard 50060; Level 5; 141 credits.

• Registration with P-Seta for the above Unit Standard as an elective for the following:

SAQA ID	UNIT STANDARD	LEVEL	CREDITS
National Certificate: Public Administration	50 060	5	141
National Diploma: Public Administration	57 897	6	240
Identify and Measure Factors that influence Productivity	114 878	4	10
Develop Support and Promote RPL practices	116 587	7	10

NB: The above has positioned Productivity SA to receive programme approval on the mentioned qualifications and become the leading training provider in support to the priority mandate of the Department of Higher Education to professionalise the Public Sector and ensure that every Public Servant will have credits and understanding of Basic Productivity concepts as a good foundation.

Productivity SA has also received programme approval from the ETDP Seta for the unit standard US/ID 117871 in order to train and capacitate training practitioners and consultants on a myriad of facilitation skills or Recognise Prior Learning of consultants. This unit standard is aimed at improving their career pathing and competence as facilitators and give them an opportunity to include productivity unit standards in all professional sectors.

4. UJ SMALL, MEDIUM AND MICRO ENTERPRISES TRAINING

The partnership with University of Johannesburg (Soweto Campus) has resulted in the training of their Small, Medium and Micro Enterprises (SMME) who are suppliers to their business. Productivity SA customised their Total Productivity and Quality Management (TPQM) module for their unique needs to help them offer quality service offerings and products to the university, and inculcated a culture of productivity competencies and mind-sets.

The success of this initiative culminated to an expansion of the partnership to include Thebe Investment Corporation which is a pioneer black owned company geared at capacitating entrepreneurs by providing financial solutions.



Tunnel Engineering is an engineering company that specialises in precision engineering, general machining, on-site machining including mine boring and fabrication projects with 10 years' experience in the engineering industry.

The company has a staff of 16 employees consisting of qualified and experienced managers, artisans and administrators, who understand that quality and customer satisfaction are not only a process, but an individual responsibility. The company has ISO 9001:2008 certification since 2010, which only proves their well-established quality system in all processes, and also our system of continuous improvement of product quality.

Tunnel Engineering took part in a Productivity SA project titled operational support, initiated by Transnet Enterprise Development department as part of their strategic plan to facilitate the development of small / medium businesses by creating a range of developmental products and services for SMMEs.

PROJECT OBJECTIVES

The objective of the project is to provide various business development interventions relating to improving the competitiveness of SMMEs including:

- Financial analysis
- Detailed analysis of sales in order to identify "cost of sales"
- Analysis and formalisation of core business processes
- Establish a visual performance monitoring (early warning) system

The outcome of the operational support project will be realised by the following when the project is closed. Enterprises will benefit from:

- Reduction of waste (increase of yield) in their processes and entire business
- Improved utilisation of resources (man, material, machines and capital
- Greater efficiency
- Improved quality of products and service that they provide to their clients.

DIAGNOSIS

From the analysis it was clear that there was a risk that Tunnel Engineering could fail financially and that the risk increased between 2015 and 2016. The increase in the risk of financial failure was mainly driven by a reduction in the profitability of the firm, which was a function of a decrease in operating profit and a reduction in the utilisation of fixed resources such as operating assets. The reduction in the operating profit margin was driven by increases in labour cost and overhead cost relative to sales. The reduction in the utilisation of operating assets in turn was driven by the reduction in the sales value of the firm of 32% while the value of operating assets increased by 8%.

Working capital reduced over the period under review and it was negative. The business increasingly utilised funding from suppliers to fund operations. In addition, the high level of accounts receivable is of concern as it could lead to cash flow problems. An increase in debt relative to equity and assets resulted in a decrease in the solvability of the business to a position where the business was technically insolvent.

In order to improve profitability, the firm should consider the following:

- The company either had to increase sales or reduce cost.
 It was therefore important to put a strategy in place in an effort to increase sales. Issues such as product costing, service delivery, product quality and product price must be considered in the marketing strategy.
- It was important to investigate why sales decreased in terms of customer satisfaction, competition, etc.

IMPACT

Tunnel Engineering has now been selected by the team from Japanese Productivity Centre as part of their initiative to train companies in South Africa on continuous improvement and possible supply of their products to Japan and Japanese companies in South Africa.

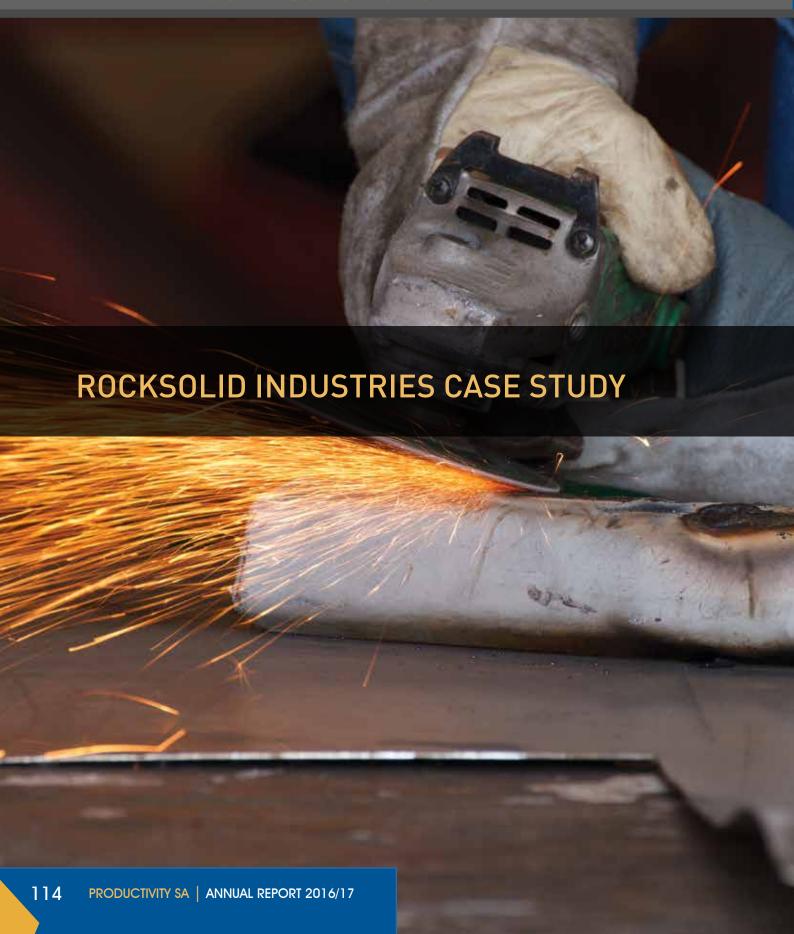




Practical training and tools and strategies introduced	Trained on how business operates (productivity), stock control and storeroom management
Increase Black owned Transnet suppliers turnover/sales	The business managed to generate R5.4 million in six months compared to R5.8 million in 12 months
Increase Black owned Transnet suppliers quality improvement	Reduce cost of poor quality from R119 160 to R17 400
Improve waste reduction of Black owned Transnet suppliers	None - conformance decreased from R119 160 to R17 400
To ensure skills development	Five college students were offered experiential learning for 6 months
To ensure the preservation of jobs	16 jobs preserved
Improvement in technical abilities; efficiency	The business was 50% efficient in generating their six months sales. They used to make R5.8 million in 12 months they managed to make R5.4 million in 6 months
Improve utilization of machinery/ processes of Black owned Transnet suppliers	Planned maintenance of equipment and tool management helped the business to generate R5.4 million in 6 months compared to R5.8 million in 12 months
Improve utilization of systems of Black owned Transnet suppliers	Visual management board helped the business to deliver their products on time, which shows in increase of sale of R1 000 350 in six months.

PROGRAMME 3

TURNAROUND SOLUTIONS





PROJECT BACKGROUND

Rocksolid Industries applied to the Productivity SA Turnaround Solutions Programme in order to improve business processes and strengthen the business in terms of market presence and scalability. The business was established in 2007 by Mike Voss and situated in Westmead, Durban, South Africa.

The business initially manufactured roll-over bars for the mining sector, but the mining sector regulations changed and these products were no longer mandatory, and therefore the Managing Director, Mike Voss, had to find alternative markets.

The business began manufacturing stainless steel toolboxes, and then started manufacturing stainless steel canopies, which now makes up the majority of the business for the company. Rocksolid Industries is the only major manufacturer of stainless steel canopies in RSA, and their unique selling points are the unique, innovative designs of their canopies, which are highly regarded by the mass market (through vehicle dealerships) as well as specific contract clients.

CHALLENGES

- Business is heavily reliant on one current large contract
- Financial assessment showed challenging overall financial position; being technically insolvent with heavy reliance on shareholders for continued operation
- No succession plan in place
- Raw material stocks often run low and lead times from supplier can be long, due to high volume of work being done for current contract
- Quality control is not consistently present throughout the manufacturing process, with final checks occasionally picking up major issues that should have been picked up early on in the process
- Painting process is not optimally designed as a fully closed process that supports quality assurance
- Trollies used to move components around the factory are in poor condition and could lead to damage to products and re-working required
- Integration of IT automated system into the manufacturing process would improve efficiency in the factory

PRODUCTIVITY SA APPROACH

A detailed diagnosis, review of the company's operations and interviews with management and key staff members were conducted to provide an indication of the company's areas of weakness and strengths.

The Future Forum, a collaborative structure representing management and employees with the purpose of actively involving management and labour in the programme during all its phases, was developed. The future forum members all underwent productivity training and formalisation of an early warning system (EWS)

The above formed a basis for the development of a work plan outlining the turnaround strategies and required interventions.

The following key deliverables were approved by the Future Forum and implemented within the business:

1. Product Diversification Strategy

Development of a product diversification strategy in order to complement product and service offerings and reduce concentration risk

2. Development of standards, processes and procedures

Development of company specific SOPs to formalize processes specifically relating to quality control within the manufacturing environment and alignment of Quality Management Systems (QMS) to ISO 9001

3. Production Planning and mentorship

Review of production planning process and development of improved process to reduce bottlenecks related to raw material availability

4. ERP system implementation

Implementation of integrated and customised ERP solution for RSI and set up of system.



RESULTS AND IMPACT

Results of Turnaround Solutions interventions

The Product Diversification intervention identified key areas of focus for the business to drive growth in canopy sales, both locally and abroad, as well as diversifying into related industries. The company has also begun offering maintenance services, which provides a recurring revenue stream.

The Production Planning intervention specifically included oneon-one training for the Production Planner. This intervention assisted the Planner to understand the various elements of production planning, time and motion studies, and methods to be used in improving overall productivity.

The Standard Operating Procedures that were developed for RSI were specifically aimed at ensuring that the documented SOPs were in line with the manner in which processes are actually carried out, as well as ensuring that the new processes involved with the ERP system, designed and implemented by ARB IT Solutions have been incorporated in the company's Quality Management System as per ISO 9001 certification.

The implementation of the ARB IT Solutions ERP system has improved planning and the decision-making process within the factory by providing real-time access to financial, manufacturing and stock information.

Impact of Turnaround Solutions interventions

- The total number of jobs sustained = 111
- The total number of jobs created = 20
- Profitability:

	AT PROJECT INCEPTION	CURRENT	% CHANGE	
Sales	R8 million	R42 million	455%	
Gross Profit	Gross Profit R5 million		362.2%	
Net Profit	(R3 million)	R6 million	290.3%	

Productivity:

	AT PROJECT INCEPTION	CURRENT	% CHANGE
Labour Productivity (Sales/Employees)	R68 908	R322 333	368%

PROGRAMME 4

VALUE CHAIN COMPETITIVENESS



WHO IS FABCHEM GROUP

Founded in 1996, Fabchem specialises in roof and sidewall support technology that is at the core of making underground mining safer, especially at the great depths of South African gold mines. As a technology leader, Fabchem holds several patents over some very innovative products.

The company is a Black Empowered company (51.4% black owned & 10% black female owned) and qualifies as a Level 4 B-BBEE contributor. This means that clients are able to claim 100% of their purchases with Fabchem for their B-BBEE scorecard.

Their quality management system has been certified to the ISO9001:2008 international standard by the SABS.

COMPANY VISION

Their vision is to be the South African leaders in strata control solutions, with a reputation for innovation, customer service, reliability and safety excellence by delivering the best value solutions to their customers.

MISSION STATEMENT

Their mission is to continue partnering with customers, to develop the market and support reliable, innovative and high technology strata control solutions. They provide solutions that are of the highest quality, cost effective, innovative and delivered with speed.

QUALITY POLICY STATEMENT

Fabchem Mining manufactures, repairs and supplies the mining industry with safety critical, highly efficient and cost-effective products, equipment and consumables for all types of mines. The management and personnel of Fabchem strive to achieve and maintain the highest quality management system and auditing standard, as well as the applicable statutory requirements. They are committed to the continuous improvement of their management systems and the quality of their products and services.

HEALTH & SAFETY POLICY STATEMENT SOCIAL RESPONSIBILITY

Fabchem Group is committed to providing a safe working environment for their employees and for those persons who are affected by any activities carried out by Fabchem Mining. This is achieved through the promotion of a culture of health & safety; the establishment of a health & safety management system that regulates and enforces matters of health & safety within the guidelines provided by relevant legislation; the involvement of employees and other stakeholders in health & safety matters; the provision of training to suitably equip employees for the health & safety duties they are responsible for; the identification of hazards and risks in the workplace and implementing measures to eliminate, minimise and control the risks to health & safety.

PRODUCTS AND SERVICES

Anchors & Related Strata Control

Fabchem manufactures various types of anchors, which are manufactured to the client's specifications (anchors can be made to suit any hole size).

Mining & Mining Engineering Services

Fabchem has in-house design capacity and can offer its customers support from conceptual design through to full production for any mining application. The Fabchem team includes Electrical, Industrial and Mechanical Engineers and technicians, supported by highly experienced machinists, who ensure quick and accurate responses to customers' unique requirements.

Fabchem's machining division is geared for jobbing or high production volume runs; and is able to machine various materials, including steel, stainless steel, cast iron, brass alloys, or aluminium and plastics.

Machined components and tool equipment

Barrels, bearings, bushes, collets, couplers (drill rod), couplings (hydraulic), cylinder tubes & glands, drive shafts, gears (plastic,





Fabchem has an experienced field service team to provide equipment support, backed by a comprehensive range of spares and supplies which are kept at the Springs works. In addition to supporting the OEM range, Fabchem can provide total rebuilds on other brands of equipment. Fabchem's hydraulic workshop is complete with a clean hydraulic room and complete hydraulic testing unit

brass, bronze, stainless steel), hold down bolts (for mining equipment), high pressure forming capsules, hydraulic & pneumatic pipe fittings, nuts & studs, pinions, roof bolt spanners, split set dollies, shanks, mechanical seals, jaws & wedges. Electro-Hydraulic Equipment Manufacture, Refurbishment & Repairs.

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Mining Consumables

Fabchem supplies a vast array of mining consumables, such as Hydraulic Hoses & Fittings, Mining Hoses & Fittings, Drill Rods, Couplers & Drill Bits, Exploration Drill Rods, Coring Bits, Drill Bits, Core Lifters, Safety Slings, Lubricators (Steel), Oils & Lubricants, Split set Dollies, Roof bolt Spanners, Spin Adaptors, Resin, Grout, TSL

Machine Tools

Fabchem subsidiary (Conax Mining Equipment) is the appointed agent for Twinhorn Machine Tools in South Africa. The range encompasses vertical CNC machining centres and lathes. In addition, the company has a team of field service technicians that carry out repairs on all conventional machine tools, CNC machining centres and lathes. New Machine Tool Sales: VMC's & Lathes (Twinhorn brand) Used Conventional and CNC Machine Tool Sales.

WHY FABCHEM NEEDED THE WORKPLACE CHALLENGE PROGRAMME / BUSINESS HISTORY

In 2015 the Fabchem Group formulated a Five-year Strategy envisioning two Phases.

The First Phase is intended to consolidate and strengthen the business over a period of two years, in terms of:

- Processes Improvement.
- Infusing Best Operating Practice Thinking into the minds of every employee to improve the day-to-day functioning of the organisation. A Level 4 on Best Operating Practice was targeted by the end of this phase.
 - (Level 4 Due to the fact that at level 3 an organisation has implemented all the basic World-class manufacturing concepts and it has assumed a comfortable place, at level 4 it is able to learn and implement more sophisticated techniques and concepts. In certain cases, this is the level where new technology is introduced.)
- Focus on improving the Balance Sheet.
- Identifying and strengthening the organisation's Core Functions and selling off non-core functions.
- Having identified a regression on one of the organisation's Core Values, namely that of Continuous Innovation, management wanted to reinvigorate the Spirit of Innovation in the minds and practices of every employee.
- Empowering all employees down to the shop-floor level, to grasp and accept the importance of Adding Value to the organisation's products and services.
- Aligning every employee's actions to a Values Driven Culture, which includes listening to the Voice of the Customer, Diligent Quality, Dependability, Teamwork, and Individual Accountability.

 Improving the organisation's Delivery Performance (what the CEO terms as "Running Faster")

The Second Phase is intended for the Fabchem Group to effect a three-year period of Growth and Expansion.

Freddy Mugeri as Financial Manager of the small first generation Fabchem (Pty) Ltd company, had some previous exposure to how the Workplace Challenge Programme helped it through a period of loss making towards profitability. So after coming back as CEO of the newly formed Fabchem Group, Freddy realised that the Workplace Challenge could help to achieve the First Phase of the Five Year Strategy. Therefore, late in 2015 he approached Productivity SA to implement the Programme for the newly formed Fabchem Group, consisting of Conax Manufacturing, Conax Mining Equipment, Granric Insulation, Warcris Grout, USS (Underground Support Solutions) and Fabchem Underground Support.

SETTING OUT ON THE WORKPLACE CHALLENGE JOURNEY

Creating Mini Business Units/Teams

One of the first steps facilitated by Productivity SA's Work Place Challenge Facilitator, was to establish 13 Mini-business Units with the help of the team leaders. A Mini-business Unit is a functional group of people which works as a team to manage themselves, perform their technical functions and measure themselves. The Mini-business Teams selected their own names which created a tongue-in-cheek and healthy but almost serious sense of internal competition!

	TEAM NAMES
Freddy Mugeri	Fabchem Group
Byron de la Mare	Team Fusion
Derek Hope	Phoenix
Matt vd Vijver	ByteSparks
Anton Bannister	Titans
Ashley Venter	Investec-Impis
Thabiso Makaza	Anchors
Jaco Pretorius	Mission Impossible
Nthabeleng Leballo	Dynamo Divas
Raymond Goodrich	Team Racing Pty Ltd
Willie Luck	Kool Pty Ltd
Mack McLaren	Metal Magic
Glenn Wilson	Titan XL
Brad Thompson	Hardliving
Chris Botha	Team Scorpio
Francois Botha	Destroyers

The challenge that the MBUs was facing was getting commitment in filling in the charts. Each team leader had to train the team



The Titans



Team Racing (Pty) Ltd



members on how to fill in and explain the importance of completing them.

Creating mini-business units in a shift work environment can be a difficult task. However, the WPC Facilitator and the team leaders created MBUs regardless of whether employees did shift work or not.

FUNCTIONING OF THE FABCHEM PLANT LEVEL STEERING COMMITTEE

One of the factors distinguishing Fabchem from other businesses implementing the Workplace Challenge Programme is the smooth way in which the Plant level Steering Committee is functioning since being established shortly after joining the Workplace Challenge Programme. They derive many benefits from the active functioning of the Plant Level Steering Committee. The Committee's purpose is to coordinate the implementation and performance of the Workplace Challenge Programme. Six Management members sit on the Steering Committee, each with a designated role and representing all of the 13 Mini Business Teams:

- The Chief Operating Officer as Workplace Challenge Programme Sponsor / Coach
- The Chief Executive Officer as Workplace Challenge Programme Sponsor
- The Systems Engineer as Programme Champion
- The Executive Assistant, as Steering Committee Administrator
- The Financial Administrator as Training Facilitator
- The Quality Controller as General Facilitator / Production Representative.
- The Chair Function is alternated among the members

The Committee's Roles include:

- Monitoring the overall performance of the whole organisation against its QCDSM measures and structuring and integrating the functioning of every team into a functional whole so as to improve the Performance of the Organisation. This includes mapping the Organisational Processes, continuous improvement of such processes and determining the training needs within teams.
- The Committee conducts regular Internal and External Audits of the application of the principles / Best Operating Practices espoused by the Workplace Challenge

- Programme, such as how they hold Team Meetings, how they foster a culture of generating and implementing innovative ideas and how they apply the principles of 5S or Cleaning & Organisation.
- The Committee provides support, develops and guides the teams in Implementing the Workplace Challenge Programme. This means Coordinating the education and training of the teams on the practical application of the Programme.
- The Committee coordinates / assists in the handling of issues/ problems elevated from the Mini Business Teams.
- The Committee also initiates changes aimed at sustaining the Workplace Challenge Programme, and recognising good performance.

IMPLEMENTING GOAL ALIGNMENT PRINCIPLES

The Implementation of the Goal Alignment Toolkit of the Workplace Challenge Programme has already delivered a number of valuable benefits:

- The exercise of Goal Alignment provided a good AHA! realisation moment to the members of the different teams, as they started to realise who they were suppliers to, and who were suppliers to them! It resulted in a sense of mutual support and interdependency.
- Furthermore, the interaction among the 13 Mini Business Teams seems to have been streamlined by the realisation that each Mini Business Team is an internal Supplier as well as an internal Customer of the other Teams. MBU's started to negotiate solutions with their internal suppliers or customers who in the past caused quality or delivery
- As a result of the clarity gained regarding the various Customer- Supplier relationships, the 6 companies in the Fabchem Group reorganised themselves into a sensible Value Chain Matrix of Marketing / Logistics \leftrightarrow Production ⇔Support (Finances, IT and Infrastructure, Cleaning, and Maintenance)
- After Goal Alignment training it became obvious that the 13 Mini Business Teams all clearly grasped how their Mission, Vision, Values and KPI Charts were aligned to the Group Goals and how these helped the Group to perform. Every Mini-business Team in the whole business can see how their MBU performance is contributing to the Overall Fabchem Group Performance position.



The Teams generally meet at the beginning / end of a shift, some meet once a week, others once a month etc., depending on the nature of a particular Mini-business Team's work.



Innovations on Products – gauge to monitor oil levels

 The different Teams also regularly measure their Internal and External Customer Satisfaction Index and capture this as an element of Quality Performance.

Internal Customer Satisfaction Survey

- To address internal Quality Performance Problems, the Teams have adopted the practice of Service Level Agreements (SLA's) which has already improved the Group's overall Quality Performance.
- The different Teams all proudly show off their Performance Charts, measuring Quality, Cost, Delivery, Safety and Morale, and it seems as if a healthy spirit of internal Competitiveness and Striving towards common Objectives has taken root.
- It seems that the Group's Delivery Performance is starting
 to improve as the Group has recently changed from
 delivery from Stock, (which has been characterised by
 On-time-but-not-in-full Delivery, and trying to keep track
 of Back Orders), to Manufacturing to Order, (or following
 the principles of Just-in-Time Manufacturing), which is
 already starting to ensure better Delivery-on-time-and-infull Performance

PERFORMANCE MEASUREMENT AND MINI BUSINESS MEETINGS

In streamlining the Goal Alignment practice throughout the company the Workplace Challenge Change Facilitator helped every team to streamline their Performance Measures around the Key Performance Indicators (KPIs) of Quality, Cost, Delivery, Safety and Morale.

One of the important principles underlying the WPC Programme is Mini-business self-management.

At MBU team meetings members "measure" their team's performance and fill in their Team's performance Charts. Each team measures the team's Quality performance, Delivery performance, their Cost performance, Attendance and the number of Innovations generated by the team members. Responsibility for filling in each performance chart is circulated, so that each team member eventually learns how to measure their performance and fill in all the charts (see the Person Responsible cell on the bottom left of each chart).

Mini-business meetings are chaired by the Team Leaders and also attended by Managers, following a Standard agenda, to update all the mini business performance charts, to discuss performance and all issues related to operations, and to communicate feedback from the shop floor or from management.



INNOVATIONS

Following the guidelines from the Workplace Challenge Programme the Spirit of Innovation has been reinvigorated in the minds and practices of every employee and has been ingrained into the Fabchem culture, to the extent that thinking about innovation is now part of the company's daily routine with every staff member participating. The organisation drives an innovation system whereby a target is set for each employee to provide 1 innovation (of a general, products or process nature) per month. Being innovative is not negotiable and is included as a key performance indicator on individuals' performance contracts. Each employee is accountable for generating innovation ideas.

The Mini-business Performance Charts include a chart for measuring the Number of Innovative Ideas generated, as well as number of Ideas implemented. The target for Implementation is 50% of the Ideas Generated.

The Fabchem Group has made the innovations implementation process very simple. An idea can be submitted by e-mail to the management team where, in the monthly meetings, the EXCO team quickly evaluates whether each idea can be done practically, and whether there is funds available, where after viable ideas are approved and implemented.

Freddy also highlighted that in the next important step, i.e. when the Fabchem Group will implement the Teamwork Toolkit, they will streamline their group problem solving skills, using the Kaizen Project framework.

CONCLUSION

The Fabchem Group of Companies impresses in more than one regard:

- Their Quality, Cost, Delivery, Safety and Morale performance charts already show a positive trend, even after a very short period of six months since starting on the Workplace Challenge Programme!
- They are putting into practice a good number of innovative procedures towards implementing the spirit and the letter of the disciplines of Continuous improvement;
- They have a rigorous and effective system for getting employees to generate and implement many innovative ideas which are starting to deliver valuable innovations to the whole organisation and its customers.

Productivity SA wishes them every success towards soon reaching their Second Phase dream!

FABCHEM INNOVATIONS RECEIVED & IMPLEMENTED: FEB - APRIL 2016 300 261 250 200 150 8 100 50 MARKETING -NON-MINING CONAX PRODUCTION XECUTIVES PRODUCTION RODUCTION MARKETING Target Received Implemented





Duys Components Manufacturing (DCM) was established in 1960. The business is involved in Heavy, Structural, Mechanical and Automotive Engineering. Located in Durban, Port Elizabeth, Richards Bay, Johannesburg and Maputo; DCM is solution focused. The entire Duys Engineering Group structure is as shown in Figure 1 below. The Duys Engineering Group is divided into three distinct operating divisions each with their own markets and key dynamics.

The DCM divisions focused on steel. Duys has manufacturing facilities strategically situated close to the major ports of Durban, Richards Bay, Port Elizabeth and Maputo. Geographically, the group operates from owned properties in the areas of Pinetown, Richards Bay, Krugersdorp in Gauteng and Maputo in Mozambique.

Duys Engineering Group (DEG) has other rented facilities. A sales office in Johannesburg, Gauteng and a production facility in Port Elizabeth. The facility in Port Elizabeth is situated 10 minutes from General Motors (GM) and twenty minutes from Volkswagen (VW).

Duys Component Manufacturers (Pty) Ltd occupies 5,000 sqm of light to medium industrial space in our facilities in Durban and is in the process of establishing a new 3,000sqm facility in Port Elizabeth. The business is 100% focused on the automotive industry.

THE DCM DEPARTMENTS

The departments are classified as follows: Manufacturing, Engineering, Quality, Marketing and Distribution.

MANUFACTURING

Manufacturing is further divided into the following: Safety Engineering (Roll Over Protection Systems-ROPS), Original Equipment (OE) Components, Truck Components, Tow Bars and Styling Accessories. As of today, Duys has fitted 3,649 ROPS & at customer request, is in the process of assessing the accepted standard for roll over protection. Physical testing is conducted according the specific methodology and risk requirements of the client. These are always validated by independent third parties. Some of the Customers that have purchased this product and technology include BHP Billiton, Anglo American, Rio Tinto and Vale.

ORIGINAL EQUIPMENT (OE) COMPONENTS

Duys' OEM customers include and have included: Toyota South Africa Manufacturing - First Tier; General Motors - First Tier Supplier; Lotus Sports Cars PLC (UK) – First Tier Supplier; MAN Truck and Bus - First Tier Supplier; Renault (France) - Second

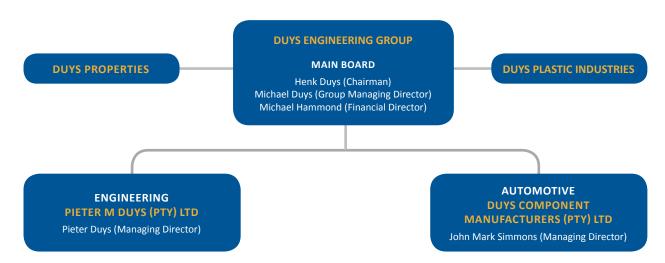


Figure 1: Duvs Manufacturina Components Structure

Tier through Faurecia; Ford Motor Company (UK) – Second Tier through Faurecia and Land rover (UK) – Second Tier through Faurecia

Detailed design and simulation involves the development of a specific product for a specific vehicle to the required standard. All tooling for safety critical equipment is designed first in Pro—Engineer and Solid Works before construction. This then forms the basis for all ongoing calibration of jigs and tooling.

QUALITY

In terms of Quality standards DCM has the TS16949:2009 and the ISO 9001:2008 certificates. Duys applies various other world-renowned methods, testing and technologies to enhance the quality standards, for example, First Off Samples are measured on a 3D measuring arm to determine dimensional conformance; The bend program is automatically adjusted to ensure conformance to nominal; This program is then sent back to the tube benders for a second run. The welds are also subjected to destructive testing; Jigs and Fixtures are set and calibrated internally; Parts are measured on a batch sampling basis and compared against the nominal model; When CAD is not available at a design stage, Duys also use 3D measuring arm for reverse engineering.

JOINING WORKPLACE CHALLENGE PROGRAM

Given the discussion above on the industries that Duys operates in; the stringent standards that are expected by the various customers and the competitive market in which they operate, Duys saw it necessary to fully engage the minds of all employees from the Shop Floor upward. All of the customers demand very high standards on Quality, On Time In Full (OTIF) Delivery, Cost-Saving, and Safety. Duys realised that in order to consistently meet these demands, Duys needed a catalyst, who would partner with them in setting up an infrastructure that would facilitate Continuous and Never-Ending Improvement (CANI).

Duys sought and found a vehicle that could assist them to achieve the above rigorous targets in Productivity SA in the form of the Workplace Challenge Program (WPC). WPC is a Department of Industry (DTI) funded supply side initiative whose aim is to introduce Best Operating practices within business. Best Operating Practices (BOP) are characterised by: Implementing leadership practices that promote teamwork,

participation, continuous learning and flexibility; Focusing on simultaneous improvement of quality, speed/delivery; cost and morale; Establishing close links with customers and suppliers; Driving both linear and non-linear improvement initiatives and Eliminating all forms of waste and making value flow.

WPC achieves the above objectives by introducing four modules within the company: Goal Alignment, Cleaning and Organising, Teamwork and Leadership. Goal alignment aims to align goals from top management to the shop floor and facilitates communication from the bottom up to top management. Cleaning and Organising aims to ensure a culture of keeping the workplace neat, organised and safe. Teamwork and Leadership impart qualitative skills to senior managers, middle managers and first line managers. The outcome is determined by managers who manage effectively and support the shop floor and each other in the pursuit of Customer expectations.

Duys Component Manufacturers DCM Three Year (2014-2017) Overall Strategy

Senior Management have clear goals which were extracted from Duys Three-Year (2014-2017) Strategy in terms of:

- Quality, the Key Performance Indicators (KPI) are PPM, Customer Complaints, Lead time to resolve problems and Internal Audits
- Cost, the KPIs are Revenue, Overhead Costs, Material Costs and Cost-Savings
- Stable Production, the KPIs are Green Area Functions, On Time Delivery, In process detection rate and Reduced Inventory
- People, the KPIs are Staff Feedback Meeting and its frequency and Employee Satisfaction survey
- Health/Safety Environment, the KPIs are Injury on Duty and walkabout schedules and
- Sales/Marketing, the KPIs are Market share, Product range,
 Sales from new customers

The above goals are broken down into smaller departmental and section goals such that each team understands exactly what is expected of them on a shift/daily/weekly/monthly and quarterly basis. The mini businesses are the vehicle through which these goals are communicated, monitored and tracked. Goal Alignment hinges upon the ability of the teams to achieve the set goals, how the teams solve problems in case of deviation from standard and how to sustain exceptional results



WPC GOAL ALIGNMENT RESULTS

As part of Goal Alignment Implementation, audits are conducted monthly initially by a Productivity SA Change Facilitator together with an Internal Facilitator. In time, as the Internal Facilitator or Coordinator gains in-depth experience and knowledge on the WPC auditing procedures, they are allowed to conduct the audits independently. The objective is to lend support to the teams in order to ensure that they are adhering to the philosophy and practice of measuring daily performance on Quality, Cost-saving, Delivery, Safety and Morale (QCDSM).

THE GOAL ALIGNMENT AUDIT CRITERIA

The audit comprises a ten point criteria that checks and verifies: the mini business set up; the company vision/values and goals, the actual QCDSM goals targets/actual performance and corrective measures, mini business roles and responsibilities, team leader role and effectiveness, degree of training conducted to develop staff, management involvement and support of the mini business, overall company performance and progress review in general.

DCM has three main Production Lines, namely, MPD, Mild Steel and Stainless Steel. While in 2015 the production teams were obtaining an average of 18 points out a possible 30 points, the last audit in this current year 2016 showed that the teams had achieved an average of 27 points out of a possible 30 points. That indicates a 50% improvement during the period of consideration. The recent results are shown below on Table 1.

As the production teams approach the possible score of 30, it indicates the level of maturity in the achievement of goals in terms of QCDSM and their ability to solve production based problems. This also indicates that there is a general understanding on the part of the lowest level in operations of the overall company goals, their respective role within the organisation and subsequently their understanding of the fundamental principles of problem solving, thinking for themselves, independence and continuous improvement.

CONTINUOUS IMPROVEMENT AND SHOP FLOOR BASED PROJECT RESULTS

An integral part of the implementation of the WPC program is the identification of opportunities to reduce or eliminate waste. Waste is defined as anything other than the adequate amount of resources that is required for the completion of a unit of work. Waste can be categorised into eight different types, namely, Transportation of products or parts that do not add value, Inventory found in between work-stations whereby no value is added to the actual product, motion that strains the operator or leads to fatigue, waiting due to different reasons, overproducing for the next station when there is no demand for the product, over-processing which means that more work or effort is being exerted unnecessarily, defects/rejects or complaints and sometimes under-utilised skills are added as an extra category in certain companies or operations.

The departments have been involved in small, simple CANI projects to reduce the different forms of waste as explained above. Below is a summary of some of them and their respective impact of the department and for the company:

Table 1: Latest (July 2016) Result on Goal Alignment

Manager	Supervisor/Teamleader	Team Name	Crit 1	Crit 2	Crit 3	Crit 4	Crit 5	Crit 6	Crit 7	Crit 8	Crit 9	Crit 10	Total
Ashwin Govender	Guru	MPD/LASER	3	3	3	3	3	3	3	3	0	3	27
Ashwin Govender	Reejay Dabi	PIPE BENDING	3	3	3	3	3	3	3	1	0	3	25
Ashwin Govender	Reejay Dabi	GRINDING	3	3	3	3	3	3	- 3	2	0	- 3	25
Ashwin Govender	Reejay Dabi	POLISHERS	3	3	3	3	1	3	3	- 1	0	3	23
Ashwin Govender	Gabriel Ndwandwe	WELDERS S/S	3	3	3	3	3	1	3	3	0	3	25
Ashwin Govender	Mervin Reddy/Wayne Moodley	ASSEMBLY S/S	3	3	1	3	1	3	3	1	0	3	21
Sagren Govender	Milton Gumede	ROPS ASSEMBLY/AFTERMARKET	3	3	3	3	3	3	- 3	3	0	- 3	27
Sagren Govender	Algeroe April	POWDER COATING	3	1	1	1	3	1	3	1	0	3	17
Sagren Govender	Algeroe April	TRUCK COMP&NISSAN LIGHTS	3	3	3	3	3	3	3	3	0	3	27
Renny Chetty	Mervin Murugasen	QUALITY		3	3	3	3	3	3	3	0	3	24
Ben Naicker	Nolan Pillay	STORES					WIP I	WTT MBU	AREAS				
Ben Naicker	Masibonge Diamini	WAREHOUSE	WIP WIT MBU AREAS										
0-10	11-19.	20-24	25-29 30-34 35-39 40-44		45-48	49 - 50							
1	1,5	2	2,5 3 3,5		4		4.5	5					
Red	Red	Yellow	Yellow	Yellow Green Bronze Silver		Bro	Silver		Gold	Gold			

A SELECTION OF THE CANI PROJECTS IMPLEMENTED AND RESULTS ACHIEVED

PROJECT 1: CHANGING THE TIGHTENING TOOL (FROM TWO SPANNERS TO ONE AIR-POWERED TOOL)

Area: Mild Steel Department: Driver Guard Assembly Section

After the Cost Benefit Analysis; it was found that the speed, accuracy and ergonomic benefits led to significant improvements. Calculations showed that there was a 15 second time saving. This time saved relieved enough capacity to produce three more units per day.

Eventually, in the manner in which the relevant Team Members worked out the saving. This simple improvement led to R529 000 per annum saving as shown below:

COST CALCULATIONS					
Time taken when spanner was used	31	SEC			
Time taken when Air Wrench was used	15	SEC			
Difference in time	16	SEC			
	16x70 =	1.12 hr/day			
	26 minutes to assemble four driver guards				
	26/4 =	6.5 minutes per driver guard			
	3.00				
	OP can p	produce three additional driver guards per day			
ADDE	D VALUE	2 205.00 per day			
ADDE	D VALUE	44 100.00 per month			
TOTAL S	AVINGS	529 200.00 per annum			

Figure 4: Driver Guard Final Assembly Annual Savings



Figure 2: Before - Operator Uses Two spanners



Figure 3: After - Operator Uses an Air Tool



PROJECT 2: GRINDING REDUCTION, CONSUMABLE CONTROL

Area: Stainless Steel Grinding

Countermeasures

Table 2: Countermeasures

POTENTIAL CAUSES	COUNTER MEASURES
1. Excessive causes	Trained grinding team members to identify defects and grind those affected areas
2. Poor consumables control	Improve controls of issuing (created a control log with team leader for consumable supply) A16 Trizact Belt3.s
3. Tight bend angles on product	Problem was bend angles was tight resulting in defects op pipe which required a lot of grinding. Reconfigured bend angles which reduced defects.
4. Poor material handling in mechanical damage due to parts touching	Changes process to peel segments as welding and completion at entrance of grinding-this enabled improved part protection.

All of the above were implemented and the cost-savings, based on the calculation from the factory is as follows:

Table 3: Cost Savings after the counter measures

	COSTS IN APRIL	CURRENT COSTS	SAVINGS
Daily	R3 766	R2 447	R1 318
Weekly	R18 830	R12 239	R6 590
Monthly	R75 322	R48 959	R26 362
Per annum	R903 864	R587 511	R316 352



Figure 5: Before: Many parts get damaged after excessive grinding



Figure 7: Part after 80% grinding

Overall Results

The overall results from the Stainless Steel Department for the last year (2016-2017) as a result of focused actions aimed at clarifying goals, constant monitoring, implementing CANI small projects, the results are as follows on Table 4 Below:

Table 4: Mild Steel Department Results

	2016								2017					
	APR	MAY	JUN	JUL	AUG	SEP	ОСТ	NOV	DEC	JAN	FEB	MAR	APR	MAY
Safety incidents	2	0	1	0	2	0	4	0	1	1	0	1	0	0
First time through	98.5	99	99.5	99.5	99.6	99.5	99.6	99.4	99.5	99.6	99.7	99.5	99.6	99.5
Customer return	11	9	5	6	3	6	6	11	9	7	9	13	15	13

The Mild Steel Department has also shown strong People results in the last six months as shown below on Table 5 and 6 below.

Table 5: Mild Steel Department People Results

MORALE										
Attendance	97.50	96.05	98.5	96.00	99.00	98.00	98.00			
Headcount	40.00	41.00	35.25	53.00	63.00	0.00	0.00			
Safety incidents	1.00	0.00	0.00	1.00	1.00	0.00	0.00			
IOD hours	0.00	0.00	0.00	1.00	0.00	0.00	0.00			
Short time	0.00	0.00	90.75	0.00	0.00	312.00	505.00			
Disciplinary hearings	0.00	0.25	0.00	0.00	1.00	4.00	1.00			
Bright ideas				2.00	1.00	1.00	1.00			

Table 6: Mild Steel Department Results

First time through	98.00	96.85	73.75	98.00	98.00	98.00	98.00
Customer return	0.00	1.00	1.00	5.00	2.00	18.00	14.00
Scrap	0.00	18.25	1.75	37.00	39.00	27.00	12.00
NCR		0.50	0.25	4.00	0.00	4.00	2.00



OVERALL RESULTS

The net effect of the above results is that last year DCM was able to record a profit with a gross profit margin of between 50 to 60 percent and a net profit margin of between 5 to 10 percent. Employment is stable at the Durban factory at 172 employees, of whom 170 are permanent and two are on contract. DCM also takes Interns from surrounding academic institutions in order to offer them the opportunity to obtain work-related experience in the fields of Industrial and Mechanical Engineering which increases the potential for employability at the completion of their qualification.

DCM hires locally within a 50 kilometre radius of the factory in Durban. The majority of employees come from previously disadvantaged backgrounds.

The fact that DCM also exports some of the ROPS product as far afield as Tanzania and Mexico bears testimony to the effectiveness of the organisation's control systems, persistence on QCDSM improvement and people-driven continuous improvement small projects.

CONCLUSION

The aim of this discussion was to present Duys Components Manufacturing (DCM), their overall company goals, why they chose WPC, their Goal Alignment results, the results from their small continuous improvement projects, the cost saving and the overall organisational results. DCM continues to receive visits from Productivity SA, more opportunities have been identified and more work is being done to ensure that operators on the shop floor are skilled in the identification of waste, problem solving to analyse and resolve problems, make suggestions and record improvements.

NOTES



NOTES



Measured productivity is the ratio

to a measure of inputs used in the same and saving measure of inputs used in the same and saving measure of the same and saving the saving sa to a measure of inputs used in the standard services. Productivity measure of or ody sources are used to produce of the or of sources of the or of the of the or of the of the of the or of the of the



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