2018/19
Annual Report

Celebrating 50 years

productivity sa
Inspiring a Competitive South Africa

Thank you!

productivity sa
Inspiring a Competitive South Africa

To all the employees, customers, suppliers and strategic partners who have contributed to our success in the most positive way possible.

CONTENTS

PART A

GENERAL INFORMATION

GENERAL INFORMATION

REGISTERED NAME:	PRODUCTIVITY SA
PHYSICAL ADDRESS:	CNR NEW AND SIXTH ROADS INTERNATIONAL BUSINESS GATEWAY MIDRAND
POSTAL ADDRESS:	PRIVATE BAG 235 MIDRAND 1685
TELEPHONE NUMBER:	011 848 5300
FAX NUMBER:	011 848 5555
EMAIL ADDRESS:	INFO@PRODUCTIVITYSA.CO.ZA
WEBSITE ADDRESS:	www.productivitysa.co.za
EXTERNAL AUDITOR:	NEXIA SAB&T
BANK:	NEDBANK
COMPANY/BOARD SECRETARY:	BARBARA THABI TIMOTHY

LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BBBEE	Broad-based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DEL	Department of Employment and Labour
the dti	Department of Trade and Industry
ESD	Enterprise Supplier Development
ETD	Education Training Development
EWS	Early Warning System
GDP	Gross Domestic Product
HDI	Historically disadvantaged individual
ICT	Information and communications technology
ILO	International Labour Organisation
IMD	Institute of Management Development
IPAP	Industrial Policy Action Plan
JICA	Japan International Cooperation Agency
LEDET	Limpopo Economic Development, Environment and Tourism
MTEF	Medium-term Expenditure Framework
MTSF	Medium-term Strategic Framework
NDP	National Development Plan
OCEO	Office of the CEO
OHS	Occupational Health and Safety
PAPA	Pan-Africa Productivity Association
PFMA	Public Finance Management Act
POS	Productivity Organisational Solutions
SEFA	Small Enterprise Finance Agency
SDF	Skills Development Facilitator
SCM	Supply Chain Management
SME	Small and Medium Enterprise
TAS	Turnaround Solutions
TCT	Total Cost to Company
UIF	Unemployment Insurance Fund
WPC	Workplace Challenge Programme

CHAIRMAN'S FOREWORD

INTRODUCTION

It gives me great pleasure to present the Productivity SA Annual Report for the 2018/19 Financial Year that ended on 31 March 2019. This report is particularly special for us as Productivity SA is turning 50 this year. Fifty years is a major milestone. Half a century of existence provides Productivity SA, formerly known as the National Productivity Institute (NPI), with an opportune moment to pause, reflect on the 50-year journey and plough ahead with a view towards greater productivity yield.

It is also a moment to look ahead at the mountains that this entity must still climb to make a tangible difference in the lives of South Africans and within the labour market through the creation of jobs.

As we look back on our 50-year history, there are so many achievements to be proud of and celebrate. We have risen to great challenges, overcome countless barriers and seized many opportunities. The current Board inherited a very challenged organisation and we can pat ourselves on our collective backs for a job well done in ensuring that governance is restored. What remains now as we take it into the future is for it to be given the cash injection it requires to thrive and change people's lives as a way of discharging its mandate.

As renowned Brazilian lyricist and novelist Paulo Coelho said: "The secret of life, though, is to fall seven times and to get up eight times." Neil Gaiman says it differently: "Sometimes you wake up. Sometimes the fall kills you. And sometimes, when you fall, you fly." Since the achievements of an organisation are the combined efforts of every individual, allow me to pay homage to everyone who has contributed to this entity over the past 50 years. Happy 50th anniversary to Productivity SA.

In 2018 we also celebrated the 20th anniversary of the Workplace Challenge Programme, which remains our flagship programme implemented in partnership with the Department of Trade and Industry **(the dti)**.

As we celebrate this milestone, we welcome the political changes in our country ushered in during 2018 towards the end of the fifth administration and proclaimed by, President Cyril Ramaphosa in his State of the Nation Address (SONA), when he pronounced on the seven priorities for the sixth administration. They surely generate buoyancy and give hope to place South Africa on a positive trajectory towards the achievement of the 2030 vision. This also ushers a new era for our country at a time when we need it the most.

Productivity SA is encouraged by the President's acknowledgement of the importance of collaboration with stakeholders, and the power of joint solutions achieved through social dialogue between the government and social partners. We will not achieve economic transformation and job creation, as well as a productive high-income economy that is globally competitive if government does not collaborate with the private sector, labour movement and civil society.

As South Africa gets the sixth administration on the go, Productivity SA remains committed to delivering on its legislative mandate, which is to promote employment growth and productivity, thereby contributing to South Africa's socio-economic development and competitiveness, as outlined in Section 31 of the Employment Services Act, No 4 of 2014.

We also enthusiastically welcome the President's pronouncement to expand the mandate of the Department of Employment and Labour to focus on employment and renaming it the Department of Employment and Labour (DEL). The reconfiguration of the department to focus on employment strategically positions Productivity SA within the labour market system as an important labour market instrument to lead a productivity- and competitiveness-driven growth and development agenda for the country.

We believe that this change is a tangible demonstration that the sixth administration is resolute about improving the competitiveness of our economy to create decent jobs.

As Productivity SA, we are looking forward to taking our rightful place as a labour market instrument vested with promoting employment growth and productivity. We are poised to walk the journey towards leading a productivity driven growth and development agenda, which is inclusive towards the attainment of the goals set out in the National Development Plan (NDP) as well as Sustainable Development Goals (SDGs), particularly SDG 8 that deals with economic growth and decent work. The review of Productivity SA's Business Model in 2018 has enabled us to focus on aligning our Enterprise Support Programmes to respond to the national development agenda and the SDGs. The key focus of Productivity SA's Enterprise Support Programmes in the year under review remained a focus towards the implementation of the NDP. It also focuses on supporting South Africa's strategic objectives to promote long-term industrialisation and transformation of the economy through targeting enterprises within the productive sectors of the economy.

As part of the collective to address the challenges facing the economy, President Cyril Ramaphosa convened a Jobs Summit in October 2018 to seek solutions to job retention and job creation blockages and explore opportunities that each social partner (government, business, labour, community) can work on to stimulate greater participation in the economy. This included finding solutions to unlock the bottle-necks identified in job creation, including where relevant, addressing policy and regulatory uncertainty to unlock inclusive growth and employment and to address the issues of employment creation and preservation of existing jobs in our country. The Jobs Summit laid the basis for more responsive and effective collaboration to deliver on the promise of a better economy for all South Africans, which we applaud.

In contributing to job preservation, Productivity SA will, in partnership with the Commission for Conciliation, Mediation and Arbitration (CCMA) and Business Unity South Africa (BUSA) develop a web-tool with the purpose of improving employer and worker understanding and compliance, reducing red tape and the associated costs and contributing to workplace stability and certainty in small and medium enterprises (SMEs). Furthermore, the DEL will work closely with Productivity SA and appropriate international development partners, including the International Labour Organisation (ILO) to provide better resourcing and training for Productivity SA. This will enable us to develop and implement comprehensive interventions designed to divert firms to sustainable growth paths. This will include developing shop-floor programmes to

assist in identifying firms at risk, and to implement comprehensive interventions designed to ensure sustainable growth for companies.

This is a very positive step. However, it is necessary and urgent for government to resource Productivity SA appropriately, so it acts in accordance with the Employment Services Act. It is completely unacceptable that we should be facing a going concern challenge as an organisation due to the lack of funding we have experienced for the Turnaround Solutions (TAS) Programme. We have been cautioning all stakeholders about this for years now, including making presentations in Parliament. More information on this appears in the CEO's overview.

It is also critical to instil an equally missing urgency of appreciating the importance of productivity in every sector of the economy.

Productivity SA continued to operate in a less than ideal macro environment and it is quite telling of the situation facing South Africa that growth figures for Quarter 1 of 2019 saw the real GDP growth at an alarming -3.2%. The manufacturing sector, which contributes 13% to the GDP, a sector that Productivity SA is largely involved in, experienced a significant decline of 8.8%. The decline in the manufacturing sector was driven largely by petroleum, chemical and plastic products; motor vehicles, parts and accessories; and wood, paper, publishing and printing.

Furthermore, productivity and competitiveness continue to be a challenge facing South Africa. The 2019 global competitiveness rankings released by the Institute of Management Development (IMD) World Competitiveness Yearbook (WCY) (with Productivity SA being the information partner for the IMD in South Africa) indicate a decline in South Africa's overall competitiveness in health infrastructure, higher education achievement and energy infrastructure. South Africa is ranked 56 in health infrastructure and 60 in higher education out of 63 countries. Furthermore, South Africa's overall competitiveness plummeted three places and is now 56 out of 63 countries, from 53 in 2018, and 61 out of 137 countries according to the World Economic Forum (WEF) Competitiveness Index: 2018), with both reports showing an average competitiveness rating of 61 in 2018 for South Africa which is way below the global competitiveness "frontier" of 100 (the aggregate ideal across all factors of competitiveness). It is clear that our country is performing way below what is necessary to have an economy that can respond to the challenges we have of full and productive employment and the creation of decent jobs, which requires urgent intervention.

This has been a consistent annual degradation and erosion in competitiveness in the last few years. Challenges for South Africa include high and increasing unemployment, especially youth unemployment and low economic growth and falling contributions of primary and secondary sectors. In the four competitive factors for 2019, South Africa performed as follows:

- Economic performance remained stagnant with a rating of 59 in 2018 and 59 in 2019.
- Government efficiency dropped a notch from 49 in 2018 to 50 in 2019.
- Business efficiency moved up from 46 in 2018 to 44 in 2019.
- Infrastructure has recorded a major drop, from 56 in 2018 to 60 in 2019.

However, it's not all doom and gloom. Although the economic outlook and projections point to turbulent times ahead, it is encouraging that at the time of writing this foreword, Stats SA reported that employment increased from 10 152 000 in December 2018 to 10 174 000 in March 2019, which was largely due to increases in community services (19 000), mining and quarrying (6 000), manufacturing (5 000), and business services (5 000). There were, however, decreases in trade (-8 000), transport industry (-3 000), electricity industry (-1 000), and construction (-1 000).

It is disheartening though that total earnings paid to employees amounted to R688 billion in March 2019, Stats SA reported, down from R728 billion in December 2018, which represents a quarterly decrease of R40 billion or -5.6%. These numbers remind us that productivity growth is critical for future progress. Without productivity there will be no income growth, the economy loses its competitiveness and wages stagnate, thereby widening the gap between the rich and poor. There is a need for positive action to be taken on a sustained basis aimed at securing a constant increase in the level of productivity in the use of resources, at the individual, enterprise, organisation and national levels, including the adoption of appropriate measures for promoting

productivity growth. It is also to be noted that our sister organisation, the Unemployment Insurance Fund (UIF) is increasingly having an unsustainable model given the ever-decreasing employee deductions from companies matched by progressively increasing and rampant unemployment levels. So, overall urgency to curb our challenges is required.

For Productivity SA to remain relevant, it needs to respond to the above stated socio-economic challenges facing the country.

We are committed to address the issues of employment creation and preservation of existing jobs into the future. To this end our programmes have been re-designed to contribute to sustainable and inclusive growth and development, which are a prerequisite for full and productive employment and decent work for all. We have taken a conscious decision to target the sectors of the economy with a potential for labour absorption, with a focus on SMEs. The focus of our programmes on SMEs is driven by empirical evidence that entrepreneurs and SMEs are innovators and dream of finding untapped niches and starting businesses that will grow to national stature as key drivers of economic growth, creators of jobs, and are the backbone of a thriving society. It is the entrepreneurs that we as policy-makers have in mind when thinking of the generators of future jobs.

Our resolve to focus on SMEs is motivated by our desire to improve the overall competitiveness performance of our SMEs with a focus on those in the townships and rural economies, 1.5 million of which operate in the informal sector, with over 34% of them Black-owned. This focus is motivated further by empirical evidence that shows that our SMEs constitute over 90% of businesses in the country as is the case in various parts of the world. However, they employ less than 60% of the country's workforce and contribute around 34% of GDP, which is below the norm. Coupled with this, the SME sector has been relatively stagnant over the last decade and struggles to graduate from informal operations to established businesses, capping its job creation and economic contribution potential. This is of course not surprising given the continuous year on year erosion of entrepreneurship and the enablement thereof in the country. The situation calls for very urgent action by all of us.

Furthermore, our interventions to lead a productivity-driven growth and development agenda are motivated by our desire to improve the overall competitiveness of our economy. It is time that everyone in the country, from the top down, wraps everything we do in a productive blanket - and the Presidency should be doing this urgently and leading from the front.

Our resolve to focus on SMEs is motivated by our desire to improve the overall competitiveness performance of our SMEs with a focus on those in the townships and rural economies.

We appreciate the support we get from the Japan Productivity Centre (JPC) towards the implementation of the Kaizen Programme in South Africa and the Japan International Cooperation Agency (JICA), which culminated in us successfully hosting the Africa Kaizen Conference in South Africa from the 2 to 4 July 2018. This partnership is valuable for South Africa, noting the global competitiveness of the countries in Asia (Singapore, Hong Kong, Taiwan, Malaysia, Japan, Korea and China). These countries, together with the USA, Germany, the Netherlands, the UK and the Nordic countries (Denmark, Norway, Sweden, Finland and Iceland) show that improving the levels of national productivity and innovation is the most efficient way to realise inclusive and sustainable economic growth.

These countries show strong performance in the overall productivity of both the government and the private sector, which include strong features of a high-income economy, institutional and policy environment. Their policies promote growth and labour market efficiency, enabling infrastructure, including education and training systems. Concomitantly, the result is the promotion of innovation, entrepreneurship and business sophistication, as well as reduced costs of doing business. These are lessons worth emulating by South Africa.

Focusing our energies on attracting foreign direct investment (FDI) on its own, without this necessary reviewing, restructuring and re-engineering of how we do business as a country, will not yield the required results. It is time for change and impact.

Further to the above, the Board plans to host an inaugural Productivity and Competitiveness Summit in October 2019 , with the Minister of Employment and Labour and the Board as champions, working collaboratively with the Nedlac constituencies and the academic community. October is productivity month in our country and sees the hosting of the Annual Productivity Awards.

We would propose having the summit on the same day as the Productivity Awards. We are hopeful that the Minister will be supportive of this initiative and that he will hopefully garner the support of the President and the Presidency for the realisation of this wish, that was initiated by our tripartite stakeholders at the annual general meeting held in September 2018.The Productivity and Competitiveness Summit would afford the relevant stakeholders from government, labour, private sector, community organisations and academia an opportunity to collectively reflect on, and adopt a holistic approach towards, unlocking the productivity and competitiveness potential of our country by addressing the productivity and competitiveness challenges at national, sector and enterprise levels.

The summit would also afford us an opportunity to align ourselves with the Future of Work opportunities and our readiness as a country to respond positively to Them. TAS, as well as other programmes we run would have an opportunity to be interrogated and infused with the necessary innovativeness that will ensure a just transition for our stakeholders. Elements of skilling, reskilling and upskilling as part of preparing ourselves to serve South Africa better would also be revisited.. It is significant that the State President has launched a 4th Industrial Revolution Commission and has invited the DEL Minister to join the Inter-Ministerial Committee, which allows Productivity SA to engage and ensure that the "people factor" is not ignored when dealing with issues of technology and artificial intelligence (AI). We need to be consistently cognisant of human-centred outcomes of all we do as we embrace continued technology evolution and revolution. Lastly, it would also give us an opportunity to align ourselves with the Declaration of the ILO on the Future of Work (FoW) , which was adopted in June 2019 at the centenary celebrations and how the next 100 years should be addressed for increased social justice that involves an increase in the access of opportunities for all, full and productive employment, productivity and decent work. It is also worth noting that South Africa was one of the founders of the ILO in 1919 following the First World War.

It is our view that this new approach to productivity and competitiveness would shift from primarily government-driven initiatives at the national level to targeted actions across industry players and individual enterprises, in line with the spirit of the Presidential Jobs Summit Framework Agreement, as adopted in October 2018.

The Productivity and Competitiveness Summit presents a profound opportunity for a multi-stakeholder dialogue to tackle the needs of the South African economy, which would culminate in the formulation of key recommendations for implementation by various stakeholders. Furthermore, we are of the view that the Productivity and Competitiveness Summit would be a response to the call by President Cyril Ramaphosa when he, inter alia, encouraged social partners to collaborate in taking measures to lower the cost of doing business in South Africa and increase productivity and improve competitiveness.

Once again I take this opportunity to commend Productivity SA's leadership for maintaining an unqualified audit status despite the financial challenges facing the organisation.

In conclusion, as the Board wraps up towards the end of its term in November 2019, I would like to thank

the DEL and **the dti** for their continued support. A special word of thanks to social partners in the labour movement, business and community. I also convey appreciation and gratitude to the CEO, Mothunye Mothiba, his Executive and all Productivity SA staff members for their hard work and Board support given over the years.

Lastly, let me also thank the past Minister of Employment and Labour, Honourable Mildred Oliphant, together with the past Deputy Minister of Employment and Labour, Honourable Inkosi Phathekile Holomisa, for having appointed me as the Chairman of the Board and entrusting this responsibility to me.

I can certainly say it has been a worthwhile journey in the realisation of personal improvement and purpose for me and contributing to my beloved country, to effect change and impact for all our people.

Let me hasten to welcome and congratulate the newly appointed Minister of Employment and Labour, Honourable Thembani Thulas Nxesi. We shall as a Board do all we can to ensure that we assist him in delivering the mandate of the renamed Department in relation to employment.

I take this opportunity as well to thank the Director-General Thobile Lamati and his entire staff at the now renamed Ministry of Employment and Labour.

My fellow Board members have proved to be not only passionate and patriotic in the face of huge difficulties, but also highly governance-oriented, resolute and highly supportive, consequently making it easy for me to lead and take this organisation to the next trajectory!

Let the productivity movement grow from strength to strength driven by the Kaizen spirit!

Thank you.

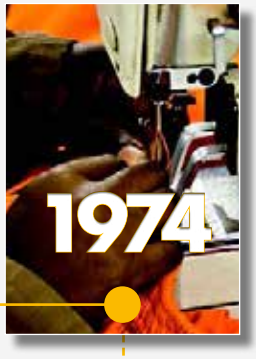
Mthunzi Mdwaba
Chairman
Productivity SA
26 July 2019

Our Journey

The NPI was formally established, with Dr J H Visser as the Executive Director.

The productivity of the knitting, spinning and weaving industry and that of sewing rooms was measured and a report published.

The first release of the Resource Allocation Strategist - REALST - productivity measurement model was developed by the NPI.



The Clothing Industry Productivity Association was founded as an independent company for productivity improvement in the clothing industry.

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

Productivity SA's vision is to lead and inspire a productive and competitive South Africa. Section 32 of the Employment Services Act of 2014 enjoins Productivity SA to: 1) Enhance the competitiveness and sustainability of enterprises; 2) Prevent job losses or minimise the retrenchment of employees; 3) Provide productivity-related value-added information and statistics, best practices and systems; and 4) Promote a productivity culture and mindset across all segments (national, sector and enterprise) of society.

We are proud to present this Annual Report in the year that we are celebrating the 50th anniversary of Productivity SA. The entity has, over time, matured and remained true to its value proposition, which is to provide productivity and competitiveness improvement solutions to enhance the productive capacity and operational efficiency of enterprises throughout the business lifecycle to accelerate the creation of decent work. The underlying principle behind our Enterprise Support Programmes is to promote full and productive employment and decent work for all, as espoused in the Sustainable Development Goals, Goal 8.

The entity's business strategy is premised on entrenching Productivity SA as a provider of choice for SMEs. We use our limited footprint, which is structured into three regional offices (Johannesburg/Midrand, eThekwini/Durban and Cape Town) to achieve this goal. It is through stretching these assets that we have seen an improvement in our initiatives to promote a productivity culture and mindset across all segments (national, sector and enterprise) of society. We have seen the SMEs that we have supported remaining true to the productivity value proposition, which is underpinned by a mindset that embraces the value of 'doing what I do today better than I did yesterday, and even better tomorrow'.

The highlights and key achievements during the 2018/19 Financial Year

Productivity SA's value proposition is carried out through three key programmes, namely Workplace Challenge (WPC), Productivity Organisational Solutions (POS) and Turnaround Solutions (TAS). The three programmes are

designed to fulfil Productivity SA's mandate to promote employment growth and productivity. It is worth noting that over the past 20 years, Productivity SA has promoted enterprise competitiveness and sustainability through the WPC and the POS programmes. The WPC, which remains our flagship programme, is implemented in partnership with **the dti**. The WPC places focus on achieving a productive high-income economy that is globally competitive, targeting manufacturing enterprises with strong growth and employment multipliers within the Industrial Policy Action Plan (IPAP) priority sectors. Enterprises supported through these programmes are capacitated to adopt world-class productivity enhancement best practices focusing on products, processes and people.

During the year under review, Productivity SA redirected the focus of its programmes towards interventions in the strategic economic sectors such as mining (platinum group metals), manufacturing (metal fabrication) and agriculture (agro-processing and agri-business). We have seen an improvement in our offering, including:

- A total of 104 companies ranging from small to large corporates in industry sectors including in the special economic zones (SEZs) and industrial parks were supported through the WPC programme. This intervention resulted in the creation of over 268 jobs and preservation of 146 871 existing jobs in the companies participating in the programme. Seven of the entity's productivity advisers were trained as Kaizen practitioners by the Japan Productivity Centre (JPC) to disseminate the productivity improvement methodology of continuous improvement that is Kaizen.

- This strategic focus was further strengthened when we established a strategic partnership with the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs and other partners to implement the Export Competitiveness Enhancement Programme during the 2018/19 financial year. The KZN Export Competitiveness Enhancement Programme, which runs for over six months for emerging exporters and 10 months for large exporters, focuses on productivity and innovation, value chain efficiency and export market access.

- The targeted enterprises are in the manufacturing (clothing and textile, footwear and leather) industry, agriculture and agro-processing, services industry, and steel and metal engineering industry. Three clusters were established as follows: (i) Cluster 1 comprising five medium to large enterprises with a R323 million turnover and employing 732 employees; (ii) Cluster 2 comprising 15 emerging exporters with a R467 million turnover and employing 871 employees, and (iii) Cluster 3 comprising 15 SMEs. A further achievement is that that 93% of the enterprises participating in the programme are black-owned and 33% female-owned.

- Productivity SA's POS programme provided productivity awareness and business improvement workshops to cultivate a productivity mindset and behaviour among cooperatives and emerging entrepreneurs. Some 5 588 SMEs and cooperatives on Enterprise and Supplier Development Programmes were supported through productivity and operational efficiency enhancement programmes, and 217 productivity champions were trained, including on the Kaizen toolkits. Of the SMEs supported, 194 were participants in the Transnet Enterprise and Supplier Development Programme.

- Over the years, Productivity SA has continued implementing the Declaration of the Presidential Jobs Summit (October 1998) through TAS. The programme provides technical support in the form of turnaround strategies to companies facing economic distress, with the aim to save jobs and create conditions conducive for the creation and retention of jobs. The TAS programme was initially funded through the National Skills Fund and is currently funded by the UIF in response to Section 7 of the Employment Services Act, No 4 of 2014. However, during the year under review, funding challenges resulted in the Board deciding to suspend the programme. The decision is regrettable given the scale of retrenchments and job losses currently occurring within the country.

Spending trends of the public entity

Over and above the key operating expenses essential to keeping the entity fully functional, the spending trends of Productivity SA are driven by its mandate to promote employment growth and productivity. The majority of the expenditure goes towards rolling out interventions towards achieving the desired impact.

Our value proposition is carried out through TAS, WPC and POS, which are designed to fulfil Productivity SA's mandate. TAS was suspended in the 2018/2019 financial year due to failure by the DEL to ensure that the UIF transferred funding in line with the signed memorandum of agreement (MoA).

The 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 Productivity SA

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 required resources hinders its ability to make a meaningful and desirable impact nationwide.

Constraints and challenges preventing Productivity SA from achieving its mandate include:

- Productivity SA's business environment changed since 2015 with the promulgation of the Employment Services Act, and its mandate was expanded to include promoting employment growth and supporting initiatives aimed at preventing job losses. However, there was no additional funding appropriated by Parliament for this expanded mandate.

- Productivity SA is a national public entity, but its footprint is limited to three provinces resulting in inadequate national coverage and equitable servicing of all the nine provinces. The footprint is reorganised into regional offices (Johannesburg/Midrand servicing Gauteng, North West and Limpopo; eThekwini/Durban servicing KwaZulu-Natal, Eastern Cape and Mpumalanga; and Cape Town servicing the Western Cape, Free State and the Northern Cape).

- The funds received from the three sources of funding i.e. DEL, **the dti** and the UIF are not enough for the entity to deliver on its mandate and provide services to the entire country. The persistent applications for additional funds (bailout) are evidence of the funding problem.

The strategic focus of our Enterprise Support Programmes into the MTSF 2019 – 2024

During the MTSF, our focus will be on assisting the country to achieve full and productive employment and decent work for sustainable development, with a focus on: 1) enterprise competitiveness and sustainability, including enhancing capacities of SMEs and cooperatives to adopt world-class productivity-enhancement best practices, focusing on products, processes and people; 2) supporting enterprises facing economic distress to minimise the retrenchment of employees or initiatives aimed at preventing job losses; and 3) to provide value-added information on productivity and competitiveness, as well as best practice productivity and competitiveness systems through research activities and databases.

The focus will be on:

- Scaling up the enterprise competitiveness and sustainability enhancement programme (WPC) leveraging the KwaZulu-Natal model targeting SMEs, particularly those owned by black people and women, with a focus on township and rural economies as well as the SEZs and industrial parks.

- Enhancing the capacity of the Business Turnaround and Recovery programme to accelerate our support for the implementation of the Presidential Jobs Summit Framework Agreement concluded on 4 October 2018. The interventions will include more innovative, worker-friendly measures and turnaround strategies to assist firms facing challenges, and find solutions to unlock the bottlenecks identified in the creation and retention of jobs.

We will collaborate more with appropriate international development partners, including the ILO to develop and implement comprehensive interventions to divert firms to sustainable growth paths.

Requests for roll over of funds

There were no requests for rollover of funds as there were no funds received from UIF to fund activities for the current 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 under review
- SCM processes and systems are in place and continue to be improved.

Audit report matters in the previous year

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

Productivity SA continues to send letters of demand 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

There were no disciplinary actions taken against non-compliance with SCM prescripts during the financial year.

Economic viability/plans to address financial challenges

Productivity SA is an entity of DEL established in terms of Section 31 of the Employment Services Act, No 4 of 2014 to fulfil an economic or social mandate of government.

Economic viability

At 31 March 2019, Productivity SA had an accumulated deficit of R14 525 321, with total liabilities exceeding its assets by R14 525 321 compared to R14 741 654 at March 2018 and R21 005 015 at 31 March 2017. As much as the situation has improved since 2017 there is still a material uncertainty regarding the liquidity of the entity and/or significant doubt on the entity's ability to continue as a going concern.

The above condition is compounded by failure by DEL/UIF over the past three financial years to transfer funds to TAS in time as per the MoA.

Unless the agreed funding is received as per the signed MoA and the funding by DEL is increased to fully cover the operations of the entity, this situation will persist. This may lead to the Board having to restructure the entity, with possible retrenchment of employees and scaling down of operations.

Plans to address financial challenges

Productivity SA is a Schedule 3A public entity of DEL, with the responsibility to fulfil an economic or social mandate of government, which is to promote employment growth and productivity. Therefore, the entity fully relies on government funding appropriated by Parliament through the budget vote of the department. However, the entity does generate additional income earned from services rendered as provided for in Section 40 (b) of the Act, although on a very small scale given the limited resources.

To address the financial challenges that threaten the entity's ability to continue as a going concern, we have secured a commitment from the Director-General and the Minister of Employment and Labour that the mandate of the entity should be fully funded by government.

Further to this, Productivity SA has reviewed its Business Model and Enterprise Competitiveness and Sustainability Programmes to focus on providing support to SMEs on enterprise support programmes of state-owned entities and multinationals. The current programme with Transnet will be extended to other entities to generate additional revenue as provided for in Section 40 (b) of the Act.

It is worth noting that our initial efforts to generate revenue are bearing fruit in that by 31 March 2019, we had generated R10 476 808 in additional revenue compared to R6 019 137 in 2018.

Events after the reporting date

There were no events that took place after the reporting date.

Acknowledgement/s or appreciation

I would like to take this opportunity on behalf of the executive and staff of Productivity SA to thank the Board for providing visionary leadership. You have consistently provided us with guidance during the past difficult four years during your tenure as the Board, and we appreciate the support. As your tenure comes to an end in November 2019, you can be proud that in the face of difficulties, you will be leaving a Productivity SA that is appropriately governed and compliant with the PFMA and related prescripts, and with an unqualified audit opinion.

A special word of thanks goes to the Ministry and Department of Employment and Labour, **the dti** and social partners for their valued support. Productivity SA appreciates your support and will do all it can to ensure that it delivers on the employment mandate of the renamed department.

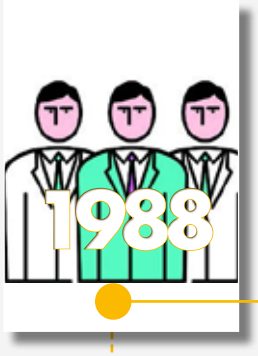
Lastly, let me also thank my executive team and staff for their commitment to ensuring that we deliver on the entity's mandate to promote employment growth and productivity. The task of promoting a productivity mindset and culture in a country facing immense socio-economic challenges of poverty, inequality and unemployment is not an easy one, and requires resilience, which you have shown.

We are called upon to do more with less in ensuring that the entity makes a meaningful impact in promoting and enhancing the competitiveness of South Africa and its enterprises, a challenge to which I am convinced we are equal.

Thank you.

Mothunye Mothiba
CEO.

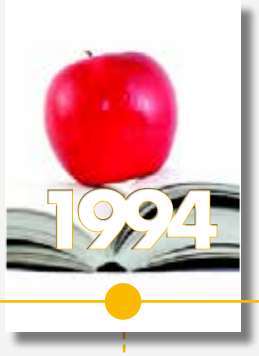
Our Journey



NPI staff served as advisers to the Economic Committee of the President's Council during a comprehensive investigation of factors affecting productivity in South Africa.

The NPI offered assistance to the newly formed trade union cooperative clothing manufacturer, Zenzeleni, which was set up by retrenched workers.

The first Pan-African Productivity Assembly was held, leading to the formation of the Pan-African Productivity Association, with one of the NPI's managers elected as the first President.



The enormously successful Centre for Productive Education was established to extend the range of skills of teachers.

A new tripartite Productivity Advisory Council was appointed, and later renamed the Social Plan and Productivity Advisory Council.

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 issued by National Treasury.

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

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

The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the 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 2019

Yours faithfully

Mothunye Mothiba
Chief Executive Officer
26 July 2019

Mthunzi Mdwaba
Chairman of the Board
26 July 2019

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
- Partnering with stakeholders pursuing solutions to South Africa's productivity challenges
- Honesty, integrity and professionalism are the cornerstone of all our relations

LEGISLATIVE AND OTHER MANDATES

Constitutional Mandate

Productivity SA 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 socio-economic development and competitiveness.

The Act enjoins Productivity SA to develop relevant productivity competencies and competitiveness in workplaces, with a focus on the following core functions:

i. To promote employment and income growth, and workplace productivity;
ii. To improve the employment and re-employment prospects of employees facing retrenchments and those retrenched, which include schemes to provide for turnaround strategies, layoffs, retraining or alternative employment opportunities;
iii. To conduct research on productivity- and competitiveness-related matters, provide productivity improvement and competitiveness measures, and collection and supply of information; and
iv. To promote social dialogue and a culture of productivity and competitiveness in the workplace and all spheres of the nation's economic and community life.

Our value proposition: We offer productivity and competitiveness improvement solutions to accelerate wealth and decent employment creation, by enhancing the productive capacity and operational efficiency of enterprises throughout the business lifecycle.

Other Legislative Mandates

Public Finance Management Act, Act No 1 of 1999, as amended (PFMA)

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 and to provide for matters connected therewith.

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 that, in all respects, complies with the specifications and conditions of tender 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 promotion 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 provides 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 for the establishment of an advisory council for occupational health and safety. This is also a requirement for licensing of gambling operations.

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.

NDP, South Africa's Vision 2030

The NDP provides a long-term vision to 2030 to deal with the challenges of unemployment, inequality and create 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 recognises the importance of improving the quality of economic management for both sustainability and impact on inclusion.

IPAP

The plan requires the country to pursue an industrial development path characterised by increased participation of previously marginalised 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 will be promoted in the green economy, the ocean economy and exports of goods and services to grow African markets. Research and technology development will continue to be supported through tax incentives and partnerships between 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.

Medium-term Strategic Framework 2014 to 2019 (MTSF)

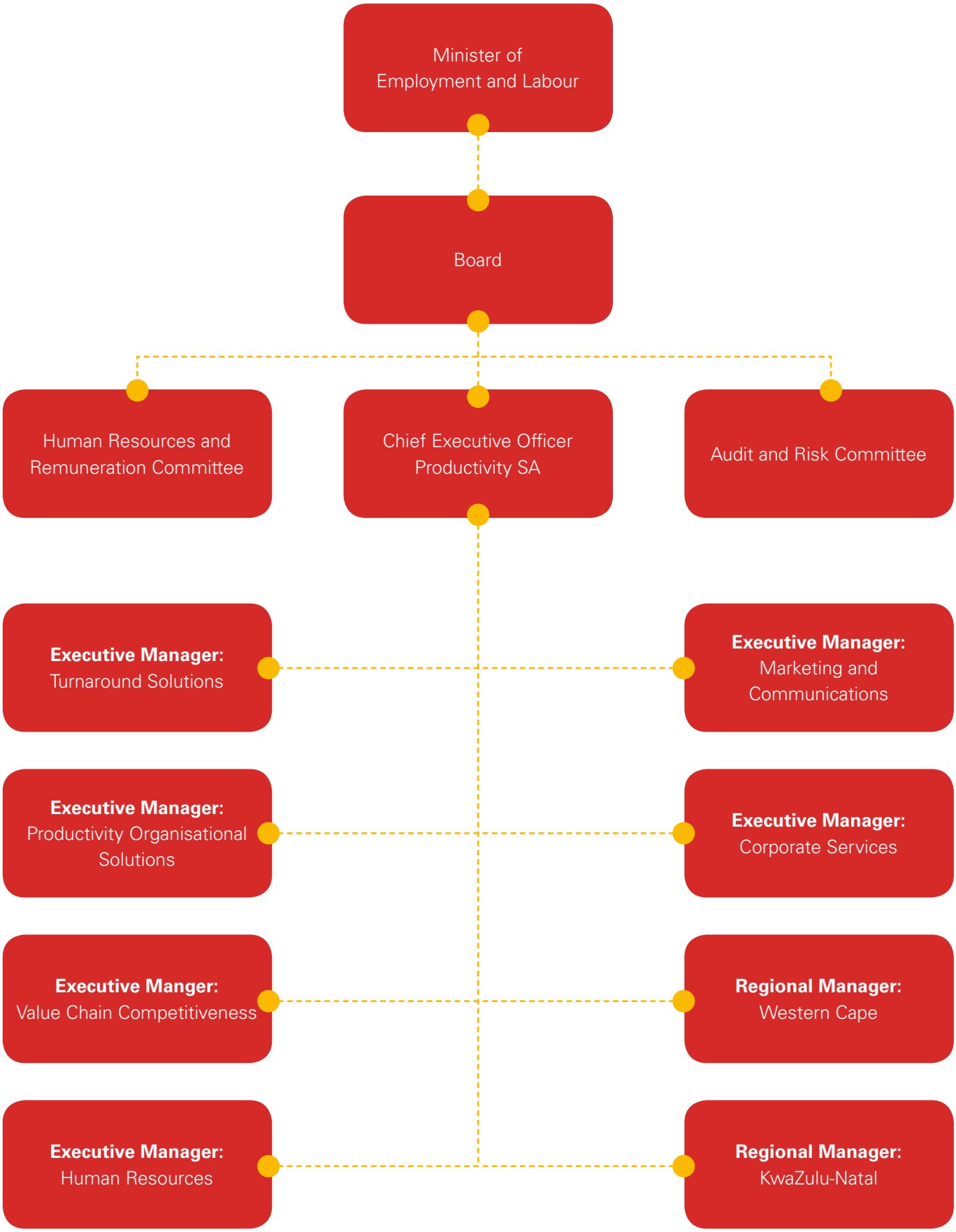
Productivity SA's Strategic Plan is being reviewed to ensure alignment of its strategic objectives and programmes to the national agenda articulated in NDP Vision 2030, IPAP and the MTSF, in particular the following service delivery outcomes:

- **Outcome 4:** Decent employment through inclusive growth;
- **Outcome 5:** A skilled and capable workforce to support an inclusive growth path;
- **Outcome 12:** An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

THE FUNCTIONS AND VALUE PROPOSITION

The Functions in terms of Section 32 of the Act	Value proposition: Provide productivity and competitiveness improvement solutions to enhance the productivity and operational efficiency of enterprises throughout the business lifecycle to accelerate the creation of wealth and decent work.
To promote a culture of productivity in the workplace	**The Strategic Focus is on:** • **Enterprise Competitiveness and Sustainability** Programmes include: (a) **Workplace Challenge** and (b) **Productivity Organisational Solutions.** These programmes support South Africa's strategic objectives in scaling up efforts to promote long-term industrialisation and transformation of the economy targeting enterprises of all sizes within the productive sectors of the economy, with a focus on IPAP priority sectors. • **Prevent job losses.** The **Business Turnaround and Recovery Programme** provides turnaround strategies and plans to restructure and improve the productivity and operational efficiency of the company facing economic distress to save jobs or minimise the retrenchment of employees. • Providing productivity- and competitiveness-related value-added information and statistics, best practices and systems through research activities and databases. • Promoting a productivity culture and mindset as well as driving accountability for productivity performance across sectors (national, sector and enterprise level) and segments of society.
To facilitate and evaluate productivity improvement and competencies in workplaces	
To measure and value productivity in the workplace	
To maintain a database of productivity and competitiveness systems and to publicise these systems	
To undertake productivity-related research	
To support initiatives aimed at preventing job losses	

ORGANISATIONAL STRUCTURE



BOARD MEMBERS

Mthunzi Mdwaba
Non-Executive Chairman

Nico Vermeulen
Non-Executive Director

Monga Phaladi
Non-Executive Director

Esther Tloane
Non-Executive Director

Jocelyn Vass
Non-Executive Director

Leela Reddy
Non-Executive Director

Noel Mbongwe
Non-Executive Director

EXECUTIVE MANAGEMENT

Mothunye Mothiba
Chief Executive Officer

Dr Sibusiso Sabela
Chief Financial Officer

Tracey Wereley
Executive Manager:
Human Resources

Amelia Naidoo
KwaZulu-Natal Regional Manager
and Acting Executive Manager:
Value Chain and Competitiveness

Lalane Janse van Rensburg
Executive Manager:
Productivity Organisational
Solutions

Justice Tshifularo
Executive Manager:
Turnaround Solutions

Nandi Dabula
Executive Manager:
Marketing and Communications

Albert Brink
Regional Manager:
Western Cape

PART B

PERFORMANCE INFORMATION

PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PRE-DETERMINED 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 Pre-determined Objectives heading in the report on other legal and regulatory requirements section of the auditor's report.

Refer to page 61 of the Auditor's Report published on 31 July 2019, published in Part E: Financial Information.

2. OVERVIEW OF PRODUCTIVITY SA'S PERFORMANCE

2.1. SERVICE DELIVERY ENVIRONMENT

The expanded mandate requires of Productivity SA to develop and provide support services in the form of integrated productivity improvement solutions and techniques, productivity-related research and a suite of business processes improvement tools and techniques, which systematically help enterprises of different sizes to optimise operational efficiency, thereby creating wealth for shareholders and decent jobs as well as job retention.

Despite the inclusive and sustainable growth and development challenges, South Africa's overall competitiveness rating remains a challenge. South Africa's global competitiveness ranking has undergone a significant drop, with real GDP growth per capita recording negative growth. This is a significant drop from 2018 global competitiveness, when South Africa registered a real GDP growth per capita of 0.22. For 2019, South Africa's real GDP growth per capita fell to -1.31. real GDP growth per capita is "income per person or average income" and it serves as a measure of a nation's prosperity.

South Africa also experienced a dip in its infrastructure ranking, especially health, energy and higher education who recorded a sizeable drop. This is according to the latest Institute of Management Development (IMD) World Competitiveness Yearbook (WCY). South Africa also experienced a drop in its overall competitiveness, with the country dropping from a ranking of 53 out of the 63 countries in 2018 surveyed by the IMD to 56 out of 63 in 2019.

The picture painted in the two reports is testimony that we cannot continue doing the same things and expect a different outcome. This situation presents Productivity SA with an opportunity to lead a productivity-driven, inclusive and sustainable growth and development strategy.

In the 2018/19 Financial Year we refocused our Enterprise Support Programmes targeted towards interventions in the strategic economic sectors of the economy as identified in the IPAP, with a focus on mining (platinum group metals); manufacturing (metal fabrication) agriculture (agro-processing and agri-business) and in the future the green and energy sectors. This wes done with a view to ensuring that the critical and strategic role of Productivity SA in the economy be understood by the country as a whole and to integrate the culture of productivity and competitiveness in everything we do. Productivity and competitiveness should be the driver of our sustainable and inclusive growth and development strategy as espoused in the NDP.

Productivity SA, in support of the NDP objectives, has in its arsenal programmes to improve the competitiveness of the economy, improve business efficiency of firms (promoting them to world class through the WPC). Operational efficiencies are also improved through the enterprise and supplier development programme to support SMEs in developing their productive competencies and enhancing the quality of their products and improving their production capacity.

Productivity SA is also involved in the Competitive Supplier Development Programme, which helps government achieve broad-based industrialisation as espoused by IPAP. The programmes entails procuring in such a way as to increase the competitiveness, capacity and capability of the local supply base, where there are comparative advantages and potential competitive advantages of local supply.

2.2. ORGANISATIONAL ENVIRONMENT

Productivity SA is South Africa's institution with a responsibility to improve productivity and operational efficiency in all economic sectors with specific focus on the productive sectors of our economy. However, it has not yet optimally exerted its authority and means to influence the efficiency and productivity of sectors that are vital to the competitiveness of our economy. The urgency exists, more than ever before, to reposition Productivity SA to become a centre of excellence and authority to lead the agenda for productivity-driven growth and development.

The entity has positioned itself to support the NDP objectives and has in its arsenal, programmes to improve the competitiveness of the economy, improve business efficiency of firms promoting them to world class through the WPC.

To deliver on its mandate of promoting employment growth and productivity thereby contributing to South Africa's socio-economic development and competitiveness, the entity has a staff complement of only 107. This falls short if we have to deliver services to enterprises and industry clusters in the economy, particularly the productive sectors of our economy and equitably across the nine provinces.

Productivity SA's activities will have to be expanded to cover productivity improvement in areas beyond industry, with the participation of labour and management, academic experts and bureaucrats.

These will include measures to improve the quality of public employment services towards implementation of active labour market policies (almps) and deliver on active labour activation programmes and incentives to grow employment, particularly for young people and in sectors employing relatively low-skilled people, as well as measures to support enterprise development and self-employment programmes.

Furthermore, Productivity SA's challenges lie in addressing its operational and financial obligations, which gave rise to the review of the current Business Model to ensure growth and financial sustainability of the organisation, whilst demonstrating the impact of its mandate to the South African economy in general and to the labour market in particular.

To mitigate the above challenges, we reviewed our Business Model with the objective to improve the sustainability of the organisation, with a focus on (i) financial sustainability - conduct financial reserve and contingency planning, (ii) organisational identity and strategic sustainability - ensure realistic vision, mission, values and goals; (iii) product and programmes sustainability - ensure high-quality products, services and programmes; and (iv) personnel sustainability - ensure personnel can effectively and reliably perform as well as organizational culture. This process provided us with a clear definition of how the entity 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 and business continuity. Notwithstanding its financial difficulties, Productivity SA has received an unqualified audit opinion in the 2018/2019 Financial Year, upon which we should build our performance on corporate governance and compliance in the future.

To make all the initiatives happen, Productivity SA will invest financial resources to enhance our Infrastructure Management Capabilities which include resources and capabilities (infrastructure and equipment, people's competencies), our Key Activities and Processes, and Partners or Strategic Alliances as well as our delivery channels, which are the drivers for revenue generation and financial viability.

2.3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

n/a

2.4. STRATEGIC OUTCOME-ORIENTED GOALS

Strategic Outcome-oriented Goals

Productivity SA embraces NDP - Vision 2030, IPAP, UN Sustainable Development Goal 8 and the MTSF 2014/15 –2019/20 – as reflected in the following key outcomes:

- **Outcome 4:** Decent employment through inclusive growth
- **Outcome 5:** A skilled and capable workforce to support an inclusive growth path
- **Outcome 12:** An efficient, effective and development-orientated public service and an empowered and inclusive citizenship

2.4.1. Objectives of Productivity SA

Productivity SA revised its strategic objectives in line with the Employment Services Act, No 4 of 2014 and developed the following strategic objectives:

- **Strategic objective 1:** Strengthen the institutional capacity of Productivity SA to deliver on its mandate and be financially sustainable **(Outcome 12)**
- **Strategic objective 2:** Provide support to programmes aimed at sustainable employment and income growth **(Outcome 5)**
- **Strategic objective 3:** Provide support to companies facing economic distress to retain jobs **(Outcome 4)**
- **Strategic objective 4**: Contribute to employment and income growth through research, information generation and dissemination **(Outcome 4)**
- **Strategic objective 5:** Promote social dialogue and a culture of productivity and competitiveness in the workplace and community life **(Outcome 12)**

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1. PROGRAMME 1: CORPORATE SERVICES

Programme Purpose

To provide strategic leadership, management and support services to Productivity SA.

Sub-Programmes/Main activities

- Finance, IT and facilities and Office of the CEO

Objectives of the Programme

- To ensure that Productivity SA adheres to governance and general compliance with policies and regulations.
- Financial management capability and the ability to generate revenue for the organisation to be financially sustainable.
- Establishing procedures for reporting and organisational performance management

Performance Indicators

STRATEGIC OBJECTIVE 1: STRENGTHEN THE INSTITUTIONAL CAPACITY OF PRODUCTIVITY SA TO DELIVER ON ITS MANDATE AND BE FINANCIALLY SUSTAINABLE							
Key Performance Indicators	Actual Achieve-ment 2015/2016	Actual Achieve-ment 2016/2017	Actual Achieve-ment 2017/2018	Planned Target 2018/2019	Actual Achieve-ment 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Percentage of exchange revenue generated to improve the financial sustainability of the organisation by year end	New Indicator	New Indicator	85%	10%	74%	64%	Increase in revenue was due to the income generated from the Transnet account.
Percentage of SMEs paid within 30 days of receipt of statement	New Indicator	New Indicator	84%	100%	100%	0	N/a

Strategy to overcome areas of underperformance

We have exceeded our targets and strategy. To overcome underperformance is not required.

Changes to planned targets

There were no changes to the planned targets during the year under review.

Linking performance with budgets

	2018/2019			2017/2018		
Programme/activity/objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	
Finance, IT and Facilities	13 712	14 245	(533)	11 541	13 959	(2 418)
OCEO	4 560	4 854	(294)	4 380	4 336	44
TOTAL	**18 272**	**19 099**	**(827)**	**15 921**	**18 295**	**(2 374)**

3.2. PROGRAMME 2: 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

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 who will support and implement organisational strategy.
- Leadership: To have competent and skilled leaders who will drive organisational strategy.

Performance Indicators

STRATEGIC OBJECTIVE 1: STRENGTHEN THE INSTITUTIONAL CAPACITY OF PRODUCTIVITY SA TO DELIVER ON ITS MANDATE AND BE FINANCIALLY SUSTAINABLE							
Key Performance Indicators	Actual Achieve-ment 2015/2016	Actual Achieve-ment 2016/2017	Actual Achieve-ment 2017/2018	Planned Target 2018/2019	Actual Achieve-ment 2018/2019	Devia-tion from planned target to Actual Achieve-ment for 2018/2019	Comment on deviations
Percentage of workplace skills plan and training interventions achieved to capacitate the workforce for effective delivery of Productivity SA's mandate	New Indicator	New Indicator	88%	80% Completion of Annual Training Plan	49%	(31%)	Due to financial constraints the HR & R Committee reached a resolution that all external training should be placed on hold. Although internal training took place, the external training could not be implemented due to lack of funding.

Strategy to overcome areas of underperformance

Implement Training Plan 2019/20 by 31 March 2020

Changes to planned targets

We have exceeded our targets and strategy. To overcome underperformance is not required.

Linking performance with budgets

	2018/2019			2017/2018		
Programme/activity/ objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Talent Management	-	-	-	-	-	-
Training and Development	780	299	481	770	538	232
TOTAL	**780**	**299**	**481**	**770**	**538**	**232**

3.3. PROGRAMME 3: MARKETING AND COMMUNICATIONS

Programme Purpose

Drive the productivity movement by promoting a culture of productivity in the workplace and in society in general.

Sub-programmes/Main activities

- Productivity Awards
- Stakeholder Management
- Milestone and Awareness Workshops
- Public Relations and Publications

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 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. Tiso Black Star

Performance Indicators

STRATEGIC OBJECTIVE 5: PROMOTE SOCIAL DIALOGUE AND A CULTURE OF PRODUCTIVITY AND COMPETITIVENESS IN THE WORKPLACE AND COMMUNITY LIFE							
Performance Indicator	Actual Achieve-ment 2015/2016	Actual Achieve-ment 2016/2017	Actual Achieve-ment 2017/2018	Planned Target 2018/2019	Actual Achieve-ment 2018/2019	Deviation from planned target to Actual Achieve-ment for 2018/2019	Comment on deviations
Number of productivity awards and regional milestone workshops hosted	8	8	8	10	10	0	N/a

Strategy to overcome areas of underperformance

We have met our targets and strategy. To overcome underperformance is not required.

Changes to planned targets

There were no changes to the planned targets during the year under review.

Linking performance with budgets

	2019/2020			2018/2019		
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
Marketing and Communication	8 590	8 835	(245)	11 842	8 871	2 971
TOTAL	**8 590**	**8 835**	**(245)**	**11 842**	**8 871**	**2 971**

3.4. PROGRAMME 4: PRODUCTIVITY ORGANISATIONAL SOLUTIONS

Programme Purpose

Enterprise development and productivity training programmes to enhance the appropriate capacities of small and medium enterprises and co-operatives to adopt world-class productivity enhancement best practices, with a focus on products, processes and people.

Sub-programmes

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

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.

Performance Indicators

STRATEGIC OBJECTIVE 2: PROVIDE SUPPORT TO PROGRAMMES AIMED AT SUSTAINABLE EMPLOYMENT AND INCOME GROWTH							
Key Performance Indicators	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual A chievement for 2018/2019	Comment on deviations
Number of small and medium enterprises and cooperatives on esd programmes supported through productivity and operational efficiency enhancement programmes	4837	5527	5 523	5 500	5 588 Prov. / Target / Actual EC 450 347 FS 450 178 GP 1000 2652 KZN 750 916 LP 750 174 MP 450 49 NC 450 54 NW 450 41 WC 750 1177 **Total 5500 5588**	88	Productivity awareness sessions for strategic partner: Gauteng Enterprise Propeller required more of our presence due to nature of the project being launched in 5 regions.

STRATEGIC OBJECTIVE 5: PROMOTE SOCIAL DIALOGUE AND A CULTURE OF PRODUCTIVITY AND COMPETITIVENESS IN THE WORKPLACE AND COMMUNITY LIFE							
Key Performance Indicators	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of productivity champions, education, training and skills development facilitators (ETDs) and beneficiaries trained	New Indicator	New Indicator	327	200	217 Prov. / Target / Actual EC 20 0 FS 20 0 GP 30 130 KZN 20 70 LP 20 0 MP 20 0 NC 30 0 NW 20 0 WC 20 17 **Total 200 217**	17	There was a demand from our strategic partner seda for training of more beneficiaries and the internal MOUs with the Productivity SA HRM department for staff training.

Strategy to overcome areas of underperformance

We have exceeded our targets and strategy. To overcome underperformance is not required.

Changes to planned targets

There were no changes to the planned targets during the year under review.

Linking performance with budgets

	2018/19			2017/18		
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
Productivity Organisation Solutions	11 482	11 193	289	11 211	11 401	(190)
TOTAL	**11 482**	**11 193**	**289**	**11 211**	**11 401**	**(190)**

3.5. PROGRAMME 5: VALUE CHAIN COMPETITIVENESS

Programme Purpose

To promote employment, growth and workplace productivity; and provide cutting-edge productivity related research, statistics and innovative solutions to improve the productivity and competitiveness of the economy and industry.

Sub-programmes

Research, Innovation and Knowledge Management
Workplace Challenge Programme

Objectives of the Programme

- **The Research unit**: To undertake research through generating information and knowledge which influences policy debates and decision-making as well as supports industrial policy implementation.
- The **statistics unit**: To collect and collate productivity related statistics which presents a comprehensive overview of recent and long-term trends on productivity levels and growth in South Africa.
- **Knowledge and Innovation Management unit (KIM)**: To develop and maintain a database of productivity improvement and competitiveness system and tools, and measures as well as evaluating the efficacy thereof in the workplace and industry.
- **Workplace Challenge:** Improvement of the productivity and competitiveness of enterprises; and to increase the competitiveness and therefore employment in the previously underdeveloped regions of the country.

Performance Indicators

Research, Innovation and Knowledge Management:

STRATEGIC OBJECTIVE 4: CONTRIBUTE TO EMPLOYMENT AND INCOME GROWTH THROUGH RESEARCH, INFORMATION GENERATION AND DISSEMINATION							
Key Performance Indicators	Actual Achieve-ment 2015/ 2016	Actual Achieve-ment 2016/ 2017	Actual Achieve-ment 2017/ 2018	Planned Target 2018/ 2019	Actual Achieve-ment 2018/ 2019	Deviation from planned target to Actual Achieve-ment for 2018/2019	Comment on deviations
Number of research reports and publications on priority sectors produced and disseminated	1	6	2	4	2	(2)	The reports were ready for publishing in March but due to financial constraints there was a delay in the design and layout with the printers.
Number of statistical reports on productivity and competitiveness published	New Indicator	New Indicator	3	2	1	(1)	The 2016 and 2017 Productivity Statistics reports were done concurrently to catch up on the backlog from past years, therefore the reports couldn't be completed by year end.

Workplace Challenge Programme:

STRATEGIC OBJECTIVE 1: STRENGTHEN THE INSTITUTIONAL CAPACITY OF PRODUCTIVITY SA TO DELIVER ON ITS MANDATE AND BE FINANCIALLY SUSTAINABLE							
Key Performance Indicators	Actual Achieve-ment 2015/ 2016	Actual Achieve-ment 2016/ 2017	Actual Achieve-ment 2017/ 2018	Planned Target 2018/ 2019	Actual Achieve-ment 2018/ 2019	Devia-tion from planned target to Actual Achieve-ment for 2018/2019	Comment on deviations
Number of productivity consultants and practitioners trained as Kaizen practitioners	New Indicator	New Indicator	Accredited programme not in place	5	7	2	More productivity practitioners were invited from PAPA member countries to be trained in South Africa as Kaizen practitioners by the experts from Japan Productivity Centre

STRATEGIC OBJECTIVE 2: PROVIDE SUPPORT TO PROGRAMMES AIMED AT SUSTAINABLE EMPLOYMENT AND INCOME GROWTH							
Key Performance Indicators	Actual Achieve-ment 2015/ 2016	Actual Achieve-ment 2016/ 2017	Actual Achieve-ment 2017/ 2018	Planned Target 2018/ 2019	Actual Achieve-ment 2018/ 2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of companies capacitated to improve productivity and business efficiency	New Indicator	New Indicator	215	100	104	4	Target has been exceeded due to implementation of acceleration plan.

Strategy to overcome areas of underperformance

Enhance the capacity of staff to deliver on a more focused research agenda to ensure timeous delivery of the reports.

Changes to planned targets

There were no changes to the planned targets during the year under review.

Linking performance with budgets

	2018/2019			2017/2018		
Programme/activity /Objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Research Development	9 449	8 683	766	10 166	10 755	(609)
Workplace Challenge	12 859	12 879	(20)	18 666	16 474	2 191
TOTAL	**22 308**	**21 562**	**746**	**28 832**	**27 250**	**1 582**

3.6. PROGRAMME 6: 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. The Turnaround Solutions Programme is funded by the Unemployment Insurance Fund in response to section 7 of the Employment Services Act, No. 4 of 2014.

Objectives of the Programme

The programme provides technical support to companies facing financial and operational distress with the aim to:

- Save jobs and create conditions conducive for job retention and creation.
- Assist in the reduction of unemployment. The drive is to assist businesses to improve their efficiencies and productivity to promote their sustainability and stay competitive.
- Lessening the social and economic impact on individuals, companies, regions and the national economy.
- Sustain existing jobs as a proactive solution; Productivity SA assists in identifying inefficiencies and solutions to ensure improved organisational efficiencies and job retention
- Productivity SA capacitates Future Forums (workplace forums) to establish early warning systems (EWS) so as to manage enterprise problems proactively.

Key performance indicators, planned targets and actual achievements

STRATEGIC OBJECTIVE 3: PROVIDE SUPPORT TO COMPANIES FACING ECONOMIC DISTRESS TO RETAIN JOBS							
Key Performance Indicators	Actual Achieve-ment 2015/ 2016	Actual Achieve-ment 2016/ 2017	Actual Achieve-ment 2017/ 2018	Planned Target 2018/ 2019	Actual Achieve-ment 2018/ 2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of jobs saved in companies facing economic distress	6976	4760	8504	10000	0	(10000)	Funding for 2018/19 has not been received. The programme is still placed on hold.
Number of companies facing economic distress supported through turnaround strategies to retain jobs (nurturing)	56	55	99	200	0	(200)	Funding for 2018/19 has not been received. The programme is on hold.
Number of workplace Future forums members trained and capacitated on productivity improvement solutions	39	53	71	600	0	(600)	Funding for 2018/19 has not been received. The programme is on hold.

Strategy to overcome areas of underperformance

Funding for 2018/19 has not been received. The programme is on hold.

Changes to planned targets

The Board of Productivity SA at its sitting on the 06 December 2018 approved that Productivity SA Annual Performance Plan for 2018/2019 be amended to remove the TAS indicators, the reason being that the TAS Programme targets could not be achieved due to lack of funding. The memo requesting the amendment of the APP was submitted to the department but did not reach the Minister's office by year end.

Linking performance with budgets

	2018/2019			2017/2018		
Programme/activity/ objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Turnaround Solutions	60 326	1 099	59 227	78 720	33 622	45 098
TOTAL	**60 326**	**1 099**	**59 227**	**78 720**	**33 622**	**45 098**

4. REVENUE COLLECTION

	2018/2019			2017/2018		
Sources of Revenue	Estimate	Actual Amount Collected	(Over-)/Under collection	Estimate	Actual Amount Collected	(Over-)/Under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Transfers and subsidies						
DEL	53 261	66 776	13 515	50 341	60 064	9 723
UIF	60 326	1 099	(59 227)	78 720	33 622	(45 098)
the dti	9 231	9 231	-	8 949	8 949	-
Limpopo Department of Economic Development, Environment and Tourism (LEDET)	350	400	50	350	350	-
Other income						
Sales of goods and services, interest and other income	21 715	10 477	(11 238)	21 767	6 019	(15 748)
TOTAL	**144 883**	**87 983**	**(56 900)**	**160 127**	**109 004**	**(51 123)**

The bulk of revenue collection activities relates to transfers by way of grants from three main sources, namely DEL, UIF and **the dti**. The main and guaranteed source of funds is DEL and amounted to R66.776 million, which includes a R13.515 million bailout received in March 2019. Transfers and grants account for 88% of total funding, whilst the balance is made up of other income and subsidy received from LEDET.

Transfers/grants have, to a great extent, been received on time via the service level agreements and memoranda of understanding agreed with the funders. There were no transfers from UIF to fund the Turnaround Solutions Programme during the financial year, resulting in the programme being suspended.

4.1. CAPITAL INVESTMENT

During the financial year ended 31 March 2019, capital expenditure continued to be focused on the replacement of outdated hardware within the organisation.

In March 2019, Productivity SA received additional funding of R11.585 million from DEL for an information and communication technology (ICT) refresh, as follows:

- Hardware replacement, consisting mainly of servers (R7.402 million);
- Accounting package replacement (R3.450 million); and
- Unified communications (R1.093 million)

These ICT projects are at different levels of implementation and all will be implemented during the 2019/20 financial year after the necessary internal supply chain processes and National Treasury Regulations are met.

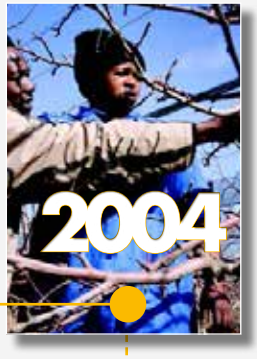
To comply with the requirements of the PFMA and GRAP, measures were taken to ensure that the public entity's asset register remained up to date during the period under review. These included maintaining an up-to-date asset register with asset descriptions, identification codes and a record of all acquisitions, 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 motor vehicles, 95% of which are in good condition. Should certain assets be identified as not fit and proper for the entity's use, they are disposed of via donations or outright sale and replaced.

No major maintenance projects were undertaken during the period under review.

Our Journey

Initiatives were undertaken to fulfil the NPI's tripartite mandate to champion the development of South Africa's productive capacity, such as the Social Plan.

This was the era of transformation and reorganisation of the NPI to align with government priorities.



Launch of the Productivity Capacity Building Programme.

PART C

GOVERNANCE

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 in public entities is applied through the precepts of the PFMA and run in tandem with the principles contained in the King Code of Governance and the King Report on Corporate Governance (King IV).

Parliament, the Executive Authority and the Accounting Authority of the public entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEES

Productivity SA and its sister entities that report to DEL are part of the Portfolio Committee on Labour. Productivity SA attended meetings with the Portfolio Committee on Labour on the following dates:

- 15 May 2018 – Budget Vote 2018
- 29 August 2018 – Briefing on fourth quarterly performance of 2018/2019
- 12 September 2018– Tabling of the annual report for 2017/2018
- 5 December 2018 – Briefing on first quarterly performance (QPR 1) impact assessment report for 2018/2019
- 20 February 2019 – Presentation of second quarterly performance of 2018/2019
- 27 February 2019 – Meeting of Portfolio Committee on Labour with the Board

The committee did not identify any risk areas but noted that Productivity SA operates on limited resources for the marketing, funding and implementation of its programmes and the need to increase the entity's footprint.

3. EXECUTIVE AUTHORITY

Productivity SA regular reports include the APP 2018/2019 and Strategic Plan 2018/2019.

The first draft of the APP 2018/2019 and Strategic Plan 2018/2019 were due on 28 August 2017 and the final draft submitted on 29 November 2017 and approved by the Minister.

No significant issues relating to the APP and the Strategic Plan were raised by DEL.

4. ACCOUNTING AUTHORITY/BOARD

The importance and purpose of the 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 PFMA, No 1 of 1999, as amended by Act 29 of 1999.
Board's responsibilities and accountability for the public entity's performance and strategic direction.
The Board as the Accounting Authority of Productivity SA meets at least four times a year.
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 Board's role and responsibilities are to:

- Determine the strategic direction of Productivity SA and oversee the performance of the organisation in executing its mandate.
- Formulate general policy,
- Appoint a Chief Executive Officer (CEO) on terms stipulated in the Constitution and subject to the Labour Relations Act and other relevant legislation.
- 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 deemed necessary to perform its duties.

Constitution

Provide commentary on the Board Constitution and comment on the progress made on complying with the Constitution.

Composition of the Board

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 and Risk Committee/ Ministerial Task Team)	Number of Meetings Attended
Mthunzi Mdwaba	Non-executive Chairman	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 and Honours	Business	Productivity SA	Board/Audit and Risk Committee	10
Monga Phaladi	Non-executive	9 Dec 2014	Current	Diploma on Business Management	Business	Productivity SA	Board/Human Resources and Remuneration Committee	9
Esther Tloane	Non-executive	9 Dec 2014	Current	Bachelor of Arts Social work, Bachelor of Arts Psychology	Government	Productivity SA	Board/Human Resources and Remuneration Committee	10
Jocelyn Vass	Non-executive	9 Dec 2014	Current	MA (Econ) Labour Studies	Government	Productivity SA	Board/Audit and Risk Committee	1
Leela Reddy	Non-executive	9 Dec 2014	Current	Matric	Labour	Productivity SA	Board/Audit and Risk Committee	11
Noel Mbongwe	Non-executive	9 Dec 2014	Current	Matric	Labour	Productivity SA	Board/Human Resources and Remuneration Committee	9

Committees

Committee	Number of meetings held	No of members	Name of members
Audit and Risk Committee	5	4	Yaswant Gordhan Nico Vermeulen Leela Reddy Jocelyn Vass
Human Resource and Remuneration Committee	4	3	Noel Mbongwe Monga Phaladi Esther Tloane

Remuneration of Board members

The Board members' rates are paid whether meetings last the whole day or only a few hours.

- No fees will be payable should a Board member not attend a scheduled meeting or if a completed document and signed claim form have not been received.
- Fees will also apply when a Board member is asked by Productivity SA to officiate at a meeting or function on behalf of Productivity SA.

Government representatives do not receive fees or refunds for travel and accommodation.

Rates are reviewed annually in line with Productivity SA as guided by National Treasury.

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

- Travel and accommodation to the functions or meetings on behalf of Productivity SA is incurred by Productivity SA
- Remuneration rates for the Board of Productivity SA

Non-executive Chairman of the Board	R4 317 per meeting
Independent Chairperson of the Audit and Risk Committee	R4 317 per meeting
Non-executive Board/alternate/co-opted member	R2 619 per meeting

Name	Remuneration for attendance
Mthunzi Mdwaba	R38 983
Nico Vermeulen	R22 484
Monga Phaladi	R17 875
Leela Reddy	R28 176
Noel Mbongwe	R16 664
Yaswant Gordhan	R60 869
TOTAL	**R185 051**

5. RISK MANAGEMENT

Due to its size and quest for value and independence, Productivity SA outsources the risk management to internal auditor, Rakoma and Associates.

Senior management, with the assistance of the outsourced internal audit function, is committed to assessing, on an ongoing basis, the major operational, business and fraud-related risks that Productivity SA faces. Internal audit plans are drawn up and progress is monitored constantly against these plans. A risk management workshop was facilitated by Rakoma and Associates at which senior management revisited the risks facing Productivity SA.

The Audit and Risk Committee evaluates reports prepared by Rakoma and Associates to identify areas where further management 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, Rakoma and Associates carried out the annual internal audit plan as approved by the Audit and Risk Committee, which included the following internal audit work:

- Performance information review
- Human resource management review;
- ICT review
- Financial management review; and
- SCM review.

Rakoma and Associates's findings were reported to the Audit and Risk Committee and communicated to management, which has adequately addressed them.

While periodic evaluations by management and independent reviews by internal and external auditors identified areas for 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 procedures, and with legislation.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

Rakoma and Associates independently examines and evaluates Productivity SA's internal controls. Rakoma and Associates is charged in particular with 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. Rakoma and Associates meets with external auditors regularly and discusses plans for and results of the audits carried out during the year. The committee meets periodically with management, external auditors and internal auditors, and 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 whether management demonstrates 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, ensuring that sufficient emphasis is placed on issues that, 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; and
- Safeguarding the directors' liability by informing the Board of Directors about issues that impact on the business and the status of financial reporting.

The tabled below discloses information on Audit and Risk Committee members

Name	Qualifications	Internal or External	If Internal, Position in the Public Entity	Date Appointed	Date Resigned	Number of Meetings Attended
Yaswant Gordhan	CA(SA) and Master of Science (Bus Admin)	External	N/A	1 July 2016	Current	5
Nico Vermeulen	Bachelor of Commerce and Honours	External	N/A	9 Dec 2014	Current	5
Leela Reddy	Matric	External	N/A	9 Dec 2014	Current	5
Jocelyn Vass	MA (Econ) Labour Studies	External	N/A	9 Dec 2014	Current	1

8. COMPLIANCE WITH LAWS AND REGULATIONS

Productivity SA regularly commissions a firm of attorneys to evaluate and advise it on compliance with legislation. 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.

9. FRAUD AND CORRUPTION

Management has developed a multi-pronged plan to address 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 were covered.

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

The emerging risks mentioned above are reported quarterly at the Audit and Risk Committee and monthly at the Executive Committee meeting. The combination of management efforts, internal audit and 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 continuously investigates allegations and, where warranted, commissions forensic investigations.

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 service provider violated the provisions of this clause.

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

All employees of the entity signed the declaration of interest 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 breach be addressed according to the policy that covers it.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Although the entity observed certain health and safety standards, Productivity SA engaged the services of an expert in the establishment of occupational health and 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:

1. Inspections by means of audits for 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 Act and Compensation for Occupational Injuries and Diseases Act.
3. Establish an OHS committee.
4. Appoint and coach health and safety representatives.
5. Establish an effective evacuation instruction.

OHS in Productivity SA revolves around five main areas, namely the premises, regulation of the facilities, stacking and storage, fire protection and electrical machinery. Audits are conducted on each. In addition, Productivity SA is audited on it administrative function, where 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 yet having been implemented.

This administrative process initiated the management structures and appointment of key health and safety representatives.

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2019.

Audit and Risk Committee members and members' attendance

The Audit and Risk Committee 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 Audit and Risk Committee confirms that it has discharged its responsibility in terms of the Productivity SA Audit and Risk Committee Charter.

NAME	AUDIT AND RISK COMMITTEE				
	7/5/2018	19/7/2018	14/8/2018	1/11/2018	21/2/2019
Yaswant Gordhan	√	√	√	√	√
Nico Vermeulen	√	√	√	√	√
Leela Reddy	√	√	√	√	√
Jocelyn Vass	S	S	S	S	√

√= Present A = Apology S = Sabbatical leave

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51(1) (a) (ii) of the Public Finance Management Act of 1999 and Treasury Regulations 27.1. The Audit and Risk Committee 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 contained therein.

Effectiveness of Internal Control

The Audit and Risk Committee reviewed the findings by the internal auditors, which were based on the risk assessment conducted and revealed certain weaknesses, and these were raised with management. We are satisfied with the additional controls that management has implemented in addressing these internal audit findings.

Internal Audit

Rakoma and Associates Inc was appointed in September 2018 for the provision of internal audit services for the financial year 2018/2019. The following reviews were conducted:

- Performance information review;
- Human resource management review;
- ICT review;
- Financial management review; and
- SCM review.

From these internal audit reports and those of the external auditor, the Audit and Risk Committee recommended improvements in the internal control environment. Management has committed to addressing these and the Audit and Risk Committee will continue to monitor remedial action in the ensuing year.

In-year Management and Monthly/Quarterly Report

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

Evaluation of Audited Annual Financial Statements

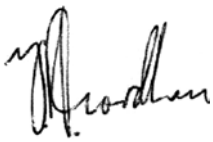
We have reviewed the audited Annual Financial Statements and we are satisfied that they conform to the applicable and appropriate accounting standards. The Audit and Risk Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the annual report with the auditor and the Accounting Authority;
- Reviewed the auditor's management report and management's response thereto;
- Reviewed the accounting policies and practices reported in the entity's Annual Financial Statements;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed the information on predetermined objectives included in the annual report.
- Reviewed material adjustments resulting from the audit;
- Reviewed the effectiveness and adequacy of the internal audit function and adequacy of its annual workplan;
- Reviewed the results of the work performed by the internal audit and any significant investigation and management responses thereto;
- Reviewed the external auditor's findings and reports submitted to management; and
- Reviewed the independence and objectivity of the external auditors.

The Audit and Risk Committee recommended the audited Annual Financial Statements to the Board for approval and adoption.

Auditor's Report

We reviewed Productivity SA's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved. The Audit and Risk Committee 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
Chairman of the Audit and Risk Committee
Productivity SA
23 July 2019

PART D

HUMAN RESOURCES MANAGEMENT

1. INTRODUCTION

OVERVIEW OF HUMAN RESOURCES OBJECTIVES

During the 2018/2019 financial year, the Human Resources Department aimed to create a high-performance organisational culture to drive the expanded legislative mandate of Productivity SA.

Key positions filled during this period included the Executive Manager: Corporate Relations and Senior Productivity Adviser Cape Town and KwaZulu-Natal positions. The organisation experienced financial constraints which resulted in a moratorium being placed on subsequent vacancies. Fixed-term contract appointments took place where possible based on project-related revenue generated. Acting appointments continued to take place for senior positions to bring stability to programmes/departments. This included the Acting Executive Manager: Value Chain Competitiveness, Acting Executive Manager: Human Resources Management and Acting Senior Manager: Workplace Challenge positions.

The organisation appointed two graduates from June 2018 at the KwaZulu-Natal regional office. Both candidates had successfully completed an internship programme funded by the Education, Training and Development Practices Sector Education and Training Authority in partnership with the Durban University of Technology during 2017/2018. The organisation provided practical exposure to the candidates in line with their academic qualifications.

Although 82% of the planned internal training was implemented, only 49% of the Training and Development Plan was implemented against an annual target of 80%. External courses could not be implemented due to financial constraints.

The bargaining forum reached an agreement in May 2018 on salary increases for 2018/2019. The agreement was based on gap closure for affected employees against the Equate salary scales 2017/2018, followed by 5.7% salary increases across the board, with an additional 1.3% increase being settled once the financial situation of the organisation improves. The salary increase was backdated to 1 April 2018.

The Board resolved during December 2018 that pensioner medical aid payments should end from 1 April 2019. The Human Resources Department officially communicated the Board's decision to the affected pensioners and eligible employees during January and February 2019. A High Court matter ensued during March 2019, through which 28 applicants sought a court order preventing the organisation from ceasing the payment of their medical aid contributions. DEL and Discovery Health were listed as additional respondents. The organisation and DEL were jointly represented by the State Attorney. The High Court ruled in favour of the organisation and pensioners' medical aid payments ceased.

The Human Resources Department experienced resource challenges due to the resignation of the Human Resources Business Partner Generalist during June 2018. Although the position was filled internally, it led to the creation of another vacancy, the Human Resources Business Partner Payroll and Administration. Due to the moratorium on recruitment, the position remains vacant, which has placed pressure on existing resources.

HUMAN RESOURCES PRIORITIES

The following key priorities were identified for the year under review:

- Human resources policies
- Organisational design
- Employee wellness
- Performance management
- Learning and growth

HUMAN RESOURCES PLANNING FRAMEWORK AND STRATEGIES

The Organisational Review and Design Task Team, headed by the Executive Manager: Human Resources Management, designed an organisational structure that would meet the requirements of the business model in terms of the legislated mandate. The design was based on expansion of the organisation's provincial representation and required funding. Subsequently, the Executive Committee resolved during October 2018 that the organisational review and design project should be placed on hold pending the availability of financial resources. The Board considered and approved this recommendation during December 2018.

EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM

During the period under review, the organisation contracted its employees during May 2018 and finalised review 1 during October 2018 for the period April to September 2018. Some 94% of employees have submitted their performance contracts and reviews, with the remaining 6% attributable to resignations, probations and employee relations matters.

Performance review 2 for the period October 2018 to March 2019 will be finalised by 17 May 2019 and performance contracting for 2019/2020 will be finalised by 31 May 2019.

The Human Resources Department revised the Performance Management Policy during this period and the policy will be reviewed by the relevant internal structures during the next financial year.

EMPLOYEE WELLNESS PROGRAMME

The Employee Wellbeing Programme Policy was presented to the bargaining forum during March 2019 and will be reviewed by the remaining internal structures during the next financial year. The programme has been enhanced by an addition to the normal counselling services being offered by I-CAS, whereby I-CAS sends out monthly health motivations to try to improve employees' health. The Human Resources Department is monitoring sick leave utilisation levels to determine whether there has been a reduction due to the new service offering.

The engagement rate for March 2018 to February 2019 was 45.9%, which is substantially higher than the industry average of 19.6%. The employee wellness report reflected the following top three reasons for employee referrals:

- Relationship issues
- Stress
- Mental illness/psychiatric

Due to the private and confidential agreement that I-CAS has with Productivity SA, the exact nature of the interventions cannot be divulged, but the following aided and assisted employees to address their issues

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

HUMAN RESOURCES POLICY DEVELOPMENT

The Human Resources Department submitted the following six policies to the bargaining forum for review during this period:

- Training and Development Policy
- Remuneration Policy
- Performance Management Policy
- Employee Wellbeing Programme Policy
- Bereavement Policy
- Code of Ethics Policy

These policies are subject to finalisation and approval and will go through the internal policy approval process during the new financial year, i.e. the Executive Committee, Human Resources and Remuneration Committee and Board.

HUMAN RESOURCES HIGHLIGHTS AND CHALLENGES

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

Highlights		Details
1.	Employee wellness	A new service offering by I-CAS was introduced whereby I-CAS sends out monthly health motivations to try to improve employees' health.

Challenges		Details
1.	Legal matters	Employee relations matters resulted in Commission for Conciliation, Mediation and Arbitration/labour court referrals and have incurred high legal costs
2.	Resource constraints	A moratorium on recruitment due to financial constraints resulted in the organisation being unable to fill 22 vacancies. This has placed strain on existing resources
3.	Implementation of Training and Development Plan 2018/2019	Although 82% of planned internal training was completed, only 49% of the Training and Development Plan was implemented as external training could not take place due to financial constraints

FUTURE HUMAN RESOURCES PLANS AND GOALS

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

- Finalise the review of human resources policies
- Review job profiles
- Implementation of the revised organisational structure
- Finalise the Resource and Capability Framework
- Implementation of learnership or internship programmes

2. HUMAN RESOURCES OVERSIGHT STATISTICS

2.1. 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)	69 853	47 560	54%	68	699
Workplace Challenge	12 879	9 323	11%	13	717
Turnaround Solutions	5 034	3 332	4%	4	833
TOTALS	**87 766**	**60 215**	**69%**	**85**	**708**

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)	69 853	542	0.8%	3	181
Workplace Challenge	12 879	0.00	%	0	0
Turnaround Solutions	5 034	0.00	%	0	0
TOTALS	**87 766**	**542**	**0.6%**	**3**	**181**

2.2. HUMAN RESOURCES COST BY SALARY BAND

The amounts reflected in the tables below exclude leave provisions.

Permanent 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	8 159	14%	6	1 360
Senior management	16 367	27%	15	1 091
Professional qualified	26 504	44%	38	697
Skilled	7 897	13%	20	395
Semi-skilled	1 288	2%	6	215
Unskilled	0	0%	0	0
TOTAL	**60 215**	**100%**	**85**	**708**

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	0	0	0	0
Senior management	0	0	0	0
Professional qualified	378	70%	1	378
Skilled	0	0	0	0
Semi-skilled	164	30%	2	82
Unskilled	0	0	0	0
TOTAL	**542**	**100%**	**3**	**181**

Note: In addition to the personnel expenditure figures reflected above, the organisation spent R3.863 million on pensioners' medical costs for 2018/2019.

2.3. PERFORMANCE REWARDS

Programme/activity/ objective	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**

3. TRAINING AND DEVELOPMENT

The purpose of the Training and Development Plan is to have competent and skilled employees who will support and implement organisational strategy, the mandate in terms of the Employment Services Act No 4 of 2014 and the revised business model. This section highlights efforts to uplift the skills of employees through the organisation's financial assistance and training programmes.

3.1. TRAINING INITIATIVES

Due to financial constraints, the Executive Committee resolved during January 2019 that all external training should be placed on hold. Although 82% of the planned internal training took place, only 49% of the Training and Development Plan was achieved by 31 March 2019 against the annual target of 80%.

The training budget for 2018/2019 was R0.780 million, but only R0.299 million, or 38%, was used.

3.1.1. Training intervention attendance:

Level	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	% Race
	M	F	M	F	M	F	M	F				F	HDI
1	0	0	0	0	0	0	0	0	0	0	0	0%	0%
2	0	1	0	1	0	0	0	0	2	0	2	100%	0%
3	3	1	0	0	0	1	0	0	2	3	5	40%	60%
4	4	2	0	0	0	1	0	0	3	4	7	43%	57%
5	13	15	2	0	1	1	0	2	18	16	34	53%	47%
6	2	4	0	0	0	2	0	0	6	2	8	75%	25%
7	0	5	0	1	0	1	0	0	7	0	7	100%	0%
8	3	0	0	0	0	0	0	0	0	3	3	0%	100%
9	1	2	0	0	0	1	0	0	3	1	4	75%	25%
GRAND TOTAL	**26**	**30**	**2**	**2**	**1**	**7**	**0**	**2**	**41**	**29**	**70**	**58%**	**97%**

3.2. TRAINING COSTS

Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	Number of Employees Trained	Average Training Cost per Employee
Productivity SA (all except WPC and TAS)	47 560	247	0.5%	56	R 4 411
Workplace Challenge	9 323	44	0.5%	10	R 4 400
Turnaround Solutions	3 332	8	0.2%	4	R 2 000
TOTAL	**60 215**	**299**	**0.5%**	**70**	**R 4 271**

3.3. FINANCIAL ASSISTANCE

Productivity SA offers financial assistance towards the costs of tertiary level studies to assist employees to obtain formal qualifications that are in line with organisational objectives. This ensures that employees are equipped to achieve the organisational mandate as espoused in the business model and the Employment Services Act No 4 of 2014. After employees have acquired the qualification, they are required to demonstrate a return on investment by fulfilling a service obligation agreement with the organisation.

Financial assistance amounting to R141 894 was given to 12 employees towards costs for academic qualifications.

Applications submitted were for the following qualifications:

- Master's in Business Administration (two)
- Master of Engineering Management
- Accredited Chartered Accountant
- Bachelor of Commerce: Business Management
- Bachelor of Communications
- Bachelor of Arts Communications
- Bachelor of Arts Honours Psychology
- Programme in Marketing Management
- Financial Accounting Certificate
- Programme Strategic Management and Corporate Governance
- Postgraduate Diploma Business Management

4. 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:

4.1. CULTURE AND VALUES PILLAR

Purpose:

Define the desired culture, values and associated behaviours to support a performance-driven environment.

Deliverables:

- Implementation of climate survey
- Define desired behaviours that will depict organisational values.

Progress:

- The climate survey was not implemented in 2018/2019 due to the financial constraints experienced. It will be implemented during 2019/2020 subject to availability of funds.

4.2. ORGANISATIONAL DESIGN AND REVIEW PILLAR

Purposes:

- Create a flexible structure
- Enable career growth
- Support a performance-driven culture
- Improve Productivity SA's footprint and service delivery access points in all the provinces to ensure that the organisation delivers the full spectrum of its service offering closer to where clients are;
- Improve head office leadership and management capacity to deliver on the mandate of Productivity SA;
- Enhance Productivity SA's research and knowledge management capacity to undertake cutting-edge productivity-related research and modernisation of knowledge management;
- Systems and productivity improvement solutions to add value to the efforts of the rest of government and industry; and
- Secure funding to promote a culture of productivity in the workplace and in society in general.

Deliverables:

- Redesign organisational structure
- Review job profiles
- Conduct job evaluation and regrading exercises.

Progress:

- The South African Parastatal and Tertiary Institutions Union raised concerns during the bargaining forum meetings in June and September 2018 of redundancy, job security and uncertainty and requested that the Organisational Review and Design Task Team address these concerns.
- The Executive Committee discussed these concerns and resolved during October 2018 that the organisational review and design project be placed on hold pending availability of funds. The Board considered and approved this recommendation during December 2018.

- Job evaluations took place during March 2019 for a few existing positions created through major changes to the scope of positions or where inconsistencies were identified. The job evaluation report recommended that certain positions be upgraded, but this is subject to funds availability.

4.3. PERFORMANCE MANAGEMENT PILLAR

Purpose:

- Review and redesign the current performance management system to reward and recognise performance excellence
- Cascade 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 2018/2019 and performance review 1 submission rate was 94%.
- Performance review 2 for 2018/2019 was due on 30 April 2018 and an extension was granted until 17 May 2019.
- Performance contracting 2019/2020 must be submitted by 31 May 2019.

4.4. LEARNING AND GROWTH PILLAR

Purpose:

Have competent and skilled employees who will support and implement organisational strategy.

Deliverables:

- Skills audit
- Training and Development Plan
- Talent management strategy, plan, processes and tools.

Progress:

- Due to financial constraints, 49% of the Training and Development Plan for 2018/2019 was implemented against an annual target of 80%.
- Talent management career path discussions were placed on hold pending the implementation of the proposed organisational structure.
- The skills audit will be conducted during the next financial year.
- The Training and Development Plan for 2019/2020 is currently being finalised and must be submitted to the Public Sector Education and Training Authority by 31 May 2019.

4.5. REWARD AND RECOGNITION PILLAR

Purpose:

Implement a reward and recognition system that will recognise performance excellence.

Deliverables:

- Salary benchmarking
- Remuneration policy
- Incentive scheme.

Progress:

The draft reward and recognition policy and short-term incentive scheme were placed on hold pending funding.

4.6. LEADERSHIP PILLAR

Purpose:

Have competent and skilled leaders that will drive organisational strategy.

Deliverables:

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

Progress:

Leadership development programme will be launched and the new organisational structure will be implemented, funds permitting.

5. RECRUITMENT AND SELECTION

5.1. EMPLOYMENT AND VACANCIES

Permanent Employees

Programme/activity/objective	2017/2018 Number of Employees April 2018	2018/2019 Approved Posts	2018/2019 Number of Employees March 2019	2018/2019 Vacancies	% of Vacancies
Productivity SA (all except WPC and TAS)	72	77	70	7	6%
Workplace Challenge	12	22	11	11	10%
Turnaround Solutions	6	8	4	4	4%
TOTAL	**90**	**107**	**85**	**22**	**20%**

Temporary Employees

Programme/activity/objective	2017/2018 Number of Employees April 2018	2018/2019 Approved Posts	2018/2019 Number of Employees March 2019	2018/2019 Vacancies	% of Vacancies
Productivity SA (all except WPC and TAS)	1	3	3	0	0%
Workplace Challenge	0	0	0	0	0%
Turnaround Solutions	0	0	0	0	0%
TOTAL	**1**	**3**	**3**	**0**	**0%**

Permanent Employees

Programme/activity/ objective	2017/2018 Number of Employees March 2019	2017/2018 Approved Posts	2017/2018 Number of Employees April 2019	2017/2018 Vacancies	% of Vacancies
Top management	6	7	6	1	5%
Senior management	15	21	16	6	27%
Professional qualified	38	52	39	14	63%
Skilled	20	20	19	0	0%
Semi-skilled	6	7	5	1	5%
Unskilled	0	0	0	0	0%
TOTAL	**85**	**107**	**85**	**22**	**100%**

Note: An employee's position was upgraded, which changed the salary band from skilled to professional.

Temporary Employees

Programme/activity/ objective	2017/2018 Number of Employees March 2019	2017/2018 Approved Posts	2017/2018 Number of Employees April 2019	2017/2018 Vacancies	% of Vacancies
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Professional qualified	1	1	1	0	0
Skilled	2	2	2	0	0
Semi-skilled	0	0	0	0	0
Unskilled	0	0	0	0	0
TOTAL	**3**	**3**	**3**	**0**	**0%**

5.2. EMPLOYMENT CHANGES

Permanent Employees

Salary Band	Employment at Beginning of Period April 2018	Appointments	Terminations	Employment at End of the Period March 2019
Top management	7	1	2	6
Senior management	16	0	1	15
Professional qualified	41	2	5	38
Skilled	20	0	0	20
Semi-skilled	6	0	0	6
Unskilled	0	0	0	0
TOTAL	**90**	**3**	**8**	**85**

Temporary Employees

Salary Band	Employment at Beginning of Period April 2018	Appointments	Terminations	Employment at End of the Period March 2019
Top management	0	0	0	0
Senior management	1	0	1	0
Professional qualified	0	1	0	1
Skilled	0	0	0	0
Semi-skilled	0	2	0	2
Unskilled	0	0	0	0
TOTAL	**1**	**3**	**1**	**3**

5.3. REASONS FOR STAFF LEAVING

Eight permanent employees left the organisation – six resigned and two retired.

The labour turnover through resignation of employees (permanent and temporary) represented 9% of the overall workforce against the target of 5%.

Reasons for resignation included uncertainty regarding the financial stability of the entity..

The below table reflects both permanent and temporary terminations:

Reason	Number	% of Total Number of Staff Leaving
Death	0	0%
Resignation	6	75%
Dismissal	0	0%
Retirement	2	25%
Ill health	0	0%
Expiry of contract	0	0%
Other: Internal movements	0	0%
TOTAL	**8**	**100%**

6. LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of Disciplinary Action	Number
Verbal warning	0
Written warning	2
Final written warning	1
Dismissal	0
TOTAL:	**3**

7. WORKFORCE PROFILE

7.1. PERMANENT WORKFORCE PROFILE:

Level	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	% Race
	F	M	F	M	F	M	F	M				F	HDI
1	0	1	0	0	0	0	0	0	0	1	1	0	100
2	1	2	1	0	0	0	1	0	3	2	5	60	80
3	1	3	0	0	1	0	0	1	2	4	6	33	83
4	2	5	0	0	1	0	0	1	3	6	9	33	89
5	17	14	2	2	1	1	2	0	22	17	39	56	95
6	5	2	0	1	2	0	2	0	9	3	12	75	83
7	5	0	1	0	1	0	0	0	7	0	7	100	100
8	0	3	0	0	0	0	0	0	0	3	3	0	100
9	2	0	1	0	0	0	0	0	3	0	3	100	100
GRAND TOTAL	**33**	**30**	**5**	**3**	**6**	**1**	**5**	**2**	**49**	**36**	**85**	**56**	**92**

7.2. TEMPORARY WORKFORCE PROFILE, INCLUDING FIXED-TERM EMPLOYEES AND GRADUATES:

Level	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	% Race
	F	M	F	M	F	M	F	M				F	HDI
1	0	0	0	0	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0	0	0	0	0
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	1	0	0	0	0	0	0	0	1	1	0	100
6	0	0	0	0	0	0	0	0	0	0	0	0	0
7	0	0	0	0	0	0	0	0	0	0	0	0	0
8	0	0	0	0	0	0	0	0	0	0	0	0	0
9	0	1	0	0	1	0	0	0	1	1	2	50	100
GRAND TOTAL	**0**	**2**	**0**	**0**	**1**	**0**	**0**	**0**	**1**	**2**	**3**	**33**	**100**

Table 7.2 is broken down as follows:

Fixed-term employees:	1
Productivity SA graduates:	2
TOTAL	**3**

8. EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Targets below include the workforce profile for 2018/2019 and targets for the 2019/2020 period.

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	4	0	0	0	0	0	0
Senior management	8	8	0	0	0	0	2	2
Professional qualified	14	15	2	2	1	1	0	0
Skilled	2	2	1	1	0	0	0	0
Semi-skilled	3	3	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**30**	**32**	**3**	**3**	**1**	**1**	**2**	**2**

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	1	1	0	0	1	1
Senior management	3	4	0	0	2	2	0	0
Professional qualified	17	17	2	2	1	1	2	3
Skilled	10	12	1	1	3	3	2	2
Semi-skilled	2	2	1	1	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**33**	**36**	**5**	**5**	**6**	**6**	**5**	**6**

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**

PART E

FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON PRODUCTIVITY SA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Productivity SA out on pages 68 to 102, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the 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 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Standards (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 this auditor's report.

We are independent of the entity in accordance with section 290 and 291 of the Independent Regulatory Board for Auditors' Code of professional conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

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

Material uncertainty relating to going concern

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

We draw attention to Note 29 to the financial statements, which indicates that, as of 31 March 2019 the entity had an accumulated deficit of R14 525 321 (2018: R14 741 654) and, the entity's liabilities exceeded its total assets by R14 525 321 (2018: R14 741 654). As stated in Note 29, these events or conditions, along with the other matters as set forth in Note 29 of the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

Responsibilities of accounting authority for the financial statements

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 Productivity SA'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 appropriate governance structure 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 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 this 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 included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, 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 2019:

Programmes	Pages in the annual performance report
Programme 4: Productivity Organisational Solutions	32
Programme 5: Value Chain Competitiveness	34 - 35

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 raise any material findings on the usefulness and reliability of the reported performance information for these programmes:

- Programme 4: Productivity Organisational Solutions
- Programme 5: Value Chain Competitivieness

Other matter

We draw attention to the matter below. Our opinions are not modified in respect of this matter.

Achievement of planned targets

Refer to the annual performance report on pages 25 to 38 for information on the achievement of planned targets for the year and explanations provided for the under / over achievement of a 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 on compliance with specific matters in key legislations are as follows:

Expenditure management

Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R169 231, as disclosed in note 24 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest and penalties on late payment of accounts.

OTHER INFORMATION

The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this 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.

We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matter reported below is limited to the significant internal control deficiency 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.

Financial and performance management

Although management implemented controls to ensure compliance with laws and regulations, non-compliance was identified.

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 7 years.

Nexia SAB&T

Nexia SAB&T
Per. C. Chigora
Engagement Director
Registered Auditor
31 July 2019

119 Witch Hazel Avenue
Highveld Technopark
Centurion
0146

ANNEXURE – 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 this 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes 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's 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 us at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing 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.


productivity sa
National Productivity
Awards 2018 Finalist
Productivity SA
awards this certificate to
Core Energy (Pty) Ltd
for outstanding achievement in Productivity
Improvement in the category:
CORPORATE SECTOR

ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR-ENDED 31 MARCH 2019

The reports and statements set out below comprise the Annual Financial Statements presented to the Parliament:

Statement of Financial Position

for the year ended 31 March 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current assets			
Inventories	5	221 832	188 853
Receivables from exchange transactions	6	1 489 706	1 465 801
Cash and cash equivalents	7	24 283 189	14 373 955
		25 994 727	**16 028 609**
Non-current assets			
Property, plant and equipment	3	2 116 293	2 139 224
Intangible assets	4	11 520	12 677
Receivables from exchange transactions	6	882 000	882 000
		3 009 813	**3 033 901**
Total assets		**29 004 540**	**19 062 510**
Liabilities			
Current liabilities			
Finance lease obligation	8	459 955	418 427
Operating lease liability		1 317 142	985 409
Payables from exchange transactions	11	2 557 653	10 021 810
Unspent conditional grants and receipts	9	38 463 120	21 406 338
Provisions	10	651 011	431 245
		43 448 881	**33 263 229**
Non-current liabilities			
Finance lease obligation	8	80 980	540 935
Total liabilities		**43 529 861**	**33 804 164**
Accumulated deficit		(14 525 321)	(14 741 654)
Net liabilities		**29 004 540**	**19 062 510**

Statement of Financial Performance

for the year ended 31 March 2019

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Sale of goods		-	1 083
Rendering of services		4 495 597	2 652 705
Other income	12	5 505 859	2 809 737
Interest received		475 352	553 845
Gain on disposal of assets		-	1 767
Total revenue from exchange transactions		**10 476 808**	**6 019 137**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	13	77 105 795	102 635 477
Donation from LEDET		400 000	350 000
Total revenue from non-exchange transactions		**77 505 795**	**102 985 477**
Total revenue		**87 982 603**	**109 004 614**
Expenditure			
Employee related costs	14	(64 595 216)	(64 899 763)
Depreciation and amortisation		(616 655)	(401 323)
Finance costs		(124 072)	(381 453)
Lease rentals on operating lease		(5 731 928)	(5 538 671)
Debt impairment	15	-	(590 134)
Legal fees		(758 714)	(590 137)
Loss on disposal of assets		(17 491)	-
Operating expenses	16	(15 922 194)	(30 339 772)
Total expenditure		**(87 766 270)**	**(102 741 253)**
Surplus for the year		**216 333**	**6 263 361**

Statement of Changes in Net Liabilities

for the year ended 31 March 2019

Figures in Rand	Net liabilities	Total net liabilities
Balance at 01 April 2017	**(21 005 015)**	**(21 005 015)**
Surplus for the year	6 263 361	6 263 361
Balance at 01 April 2018	**(14 741 654)**	**(14 741 654)**
Surplus for the year	216 333	216 333
Balance at 31 March 2019	**(14 525 321)**	**(14 525 321)**

Cash Flow Statement

for the year ended 31 March 2019

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Receipt from customers		9 977 551	7 929 258
Grants		77 105 795	102 635 477
Interest income		475 352	553 845
Other receipts		400 000	350 000
		87 958 698	**111 468 580**
Payments			
Employee related costs		(64 595 215)	(64 899 763)
Payments to suppliers and others		(12 301 693)	(53 194 423)
Finance costs		(124 072)	(381 453)
		(77 020 980)	(118 475 639)
Net cash flows from operating activities	17	**10 937 718**	**(7 007 059)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(620 394)	(226 901)
Proceeds from sale of property, plant and equipment		10 336	5 800
Net cash flows from investing activities		**(610 058)**	**(221 101)**
Cash flows from financing activities			
Finance lease payments		(418 427)	(380 650)
Net increase / (decrease) in cash and cash equivalents		**9 909 233**	**(7 608 810)**
Cash and cash equivalents at the beginning of the year		14 373 955	21 982 765
Cash and cash equivalents at the end of the year	7	**24 283 188**	**14 373 955**

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2019

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual Amounts on comparable basis	Difference between budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	1 324 000	(1 324 000)	-	-	-	
Rendering of services	22 672 000	(8 301 000)	**14 371 000**	4 495 597	**(9 875 403)**	22
Other income	3 667 000	3 091 000	**6 758 000**	5 505 859	**(1 252 141)**	22
Interest received	704 000	(118 000)	**586 000**	475 352	**(110 648)**	
Total revenue from exchange transactions	**28 367 000**	**(6 652 000)**	**21 715 000**	**10 476 808**	**(11 238 192)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	258 929 000	(136 111 000)	**122 818 000**	77 105 795	**(45 712 205)**	22
Donation from LEDET	350 000	-	**350 000**	400 000	**50 000**	
Total revenue from non-exchange transactions	**259 279 000**	**(136 111 000)**	**123 168 000**	**77 505 795**	**(45 662 205)**	
Total revenue	**287 646 000**	**(142 763 000)**	**144 883 000**	**87 982 603**	**(56 900 397)**	
Expenditure						
Employee related costs	(77 825 000)	13 305 000	**(64 520 000)**	(64 595 216)	**(75 216)**	
Depreciation and amortisation	(720 000)	295 000	**(425 000)**	(616 655)	**(191 655)**	
Finance costs	(73 000)	(318 000)	**(391 000)**	(124 072)	**266 928**	
Lease rentals on operating lease	(6 193 000)	337 000	**(5 856 000)**	(5 731 928)	**124 072**	
Contracted services	(178 374 000)	122 284 000	**(56 090 000)**	(758 714)	**55 331 286**	22
Operating expenses	(24 461 000)	6 860 000	**(17 601 000)**	(15 922 194)	**1 678 806**	22
Total expenditure	**(287 646 000)**	**142 763 000**	**(144 883 000)**	**(87 748 779)**	**57 134 221**	
Operating surplus	**-**	**-**	**-**	**233 824**	**233 824**	
Loss on disposal of assets	-	-	-	(17 491)	**(17 491)**	
Surplus for the year	**-**	**-**	**-**	**216 333**	**216 333**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**216 333**	**216 333**	
Reconciliation						
Basis difference						
Depreciation				616 655		
Finance costs				124 072		
Loss on sale of asset				17 491		
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement				**974 551**		

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act No.1 of 1999.

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

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

These accounting policies are consistent with the previous period.

1.1. PRESENTATION CURRENCY

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the entity.

1.2. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10.

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.

Allowance for doubtful debts

An impairment loss on debtors is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3. GOING CONCERN ASSUMPTION

These Annual Financial Statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.4. INVENTORIES

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity. The entity's inventories consist of only consumables.

1.5. LEASES

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

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

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 of on the remaining balance of the liability.

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.

1.6. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment are tangible non-current assets (including infrastructure 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 the entity; 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.

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

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

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

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

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

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of Property, Plant and Equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Library	Straight line	3-5 years
Furniture and fixtures	Straight line	6-10 years
Motor vehicles	Straight line	5-8 years
Computer equipment	Straight line	3-5 years
Finance lease asset	Straight line	5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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.

1.7. INTANGIBLE ASSETS

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity 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 the entity; and
- the cost or fair value of the asset can be measured reliably.

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

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

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.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	2-5 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8. FINANCIAL INSTRUMENTS

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

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

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

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

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

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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

Class	Category
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.
The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

The entity derecognises a financial asset only when:

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

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

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

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

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

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its Statement of Financial Position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

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

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

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

1.9. EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Other post retirement obligations

The entity provided post-retirement health care benefits upon retirement to some retirees.

1.10. PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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 the 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.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficit.

If an entity 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 27.

1.11. COMMITMENTS

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

Commitments are disclosed in note 26.

1.12. REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is 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;
- 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.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is 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;
- 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; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

1.13. REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions takes the form of grants from Department of Employment and Labour, Unemployment Insurance Fund and Department of Trade and Industry.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

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

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

1.15. FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.16. IRREGULAR EXPENDITURE

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

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

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 Annual Financial Statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the Annual Financial Statements.

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

1.17. SEGMENT INFORMATION

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's Annual Financial Statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's Annual Financial Statements.

1.18. BUDGET INFORMATION

Entities are typically subject 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 entity 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 functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 Apr 2018 to 31 Mar 2019.

The budget for the economic entity includes all the entities approved budgets under its control.

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 have been included in the Annual Financial Statements.

1.19. RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's Annual Financial Statements to understand the effect of related party transactions on its Annual Financial Statements.

1.20. EVENTS AFTER REPORTING DATE

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

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

The entity will adjust the amount recognised in the Annual Financial Statements to reflect adjusting events after the reporting date once the event occurred.

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

2. NEW STANDARDS AND INTERPRETATIONS

2.1. STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact

3. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Library	178 088	(154 097)	23 991	178 088	(94 979)	83 109
Furniture and fixtures	2 014 050	(1 541 773)	472 277	2 046 002	(1 652 447)	393 555
Motor vehicles	157 601	(123 057)	34 544	157 601	(133 722)	23 879
Computer equipment	2 759 900	(1 629 908)	1 129 992	2 575 746	(1 782 818)	792 928
Finance lease asset	1 949 159	(1 493 670)	455 489	1 949 159	(1 103 406)	845 753
Total	**7 058 798**	**(4 942 505)**	**2 116 293**	**6 906 596**	**(4 767 372)**	**2 139 224**

Reconciliation of Property, Plant and Equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Library	83 109	-	-	-	(59 118)	23 991
Furniture and fixtures	393 555	-	(695)	4 905	74 512	472 277
Motor vehicles	23 879	-	-	-	10 665	34 544
Computer equipment	792 928	620 394	(27 132)	(4 905)	(251 293)	1 129 992
Finance lease asset	845 753	-	-	-	(390 264)	455 489
	2 139 224	**620 394**	**(27 827)**	**-**	**(615 498)**	**2 116 293**

Reconciliation of Property, Plant and Equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Library	23 746	-	-	59 363	83 109
Furniture and fixtures	311 456	20 979	-	61 120	393 555
Motor vehicles	10 666	-	-	13 213	23 879
Computer equipment	758 408	205 922	(18 229)	(153 173)	792 928
Finance lease asset	1 236 016	-	-	(390 263)	845 753
	2 340 292	**226 901**	**(18 229)**	**(409 740)**	**2 139 224**

Pledged as security

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.

There were no repairs and maintenance incurred on assets.

Assets subject to finance lease (net carrying amount)

Figures in Rand	2019	2018
Finance lease asset	455 489	845 753

4. INTANGIBLE ASSETS

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	104 580	(93 060)	11 520	104 580	(91 903)	12 677

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	12 677	(1 157)	11 520

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	4 214	8 463	12 677

5. INVENTORIES

	2019	2018
Inventories	221 832	188 853
Inventories recognised as an expense during the year	51 752	117 890

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2019	2018
Inventories	221 832	188 853
Inventories recognised as an expense during the year	51 752	117 890
Trade debtors	1 467 025	877 230
Deposits	882 000	882 000
Other receivables	-	565 991
Accrued receivables	22 681	22 580
	2 371 706	**2 347 801**
Non-current assets	882 000	882 000
Current assets	1 489 706	1 465 801
	2 371 706	**2 347 801**

Trade and other receivables impaired

As of 31 March 2019, trade and other receivables of R168 776 (2018: R97 543) were written off.

The amount of the provision was R0 as of 31 March 2019 (2018: R507 884).

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(782 210)	(371 869)
Provision for impairment	-	(507 884)
Amounts written off as uncollectable	168 776	97 543
	(613 434)	**(782 210)**

The creation and release of provision for impaired receivables have been included in operating expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

7. CASH AND CASH EQUIVALENTS

Figures in Rand	2019	2018
Cash and cash equivalents consist of:		
Bank balances	162 908	322 302
Short-term deposits	24 120 281	14 051 653
	24 283 189	**14 373 955**

8. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	491 659	491 659
- in second to fifth year inclusive	81 943	573 602
	573 602	**1 065 261**
less: future finance charges	(32 667)	(105 898)
Present value of minimum lease payments	**540 935**	**959 363**
Present value of minimum lease payments due		
- within one year	459 955	418 427
- in second to fifth year inclusive	80 980	540 935
	540 935	**959 362**
Non-current liabilities	80 980	540 935
Current liabilities	459 955	418 427
	540 935	**959 362**

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 five years and the average effective borrowing rate is 10% (2018: 10%).

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

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

9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

These are government grants received that will be recognised in future accounting periods. This conditional revenue will be recognised in future period upon completion of Turnaround Solutions and Transnet projects in the 2019/20 Financial Year.

	2019	2018
Unspent conditional grants and receipts comprises of:		
Turnaround Solutions	18 971 139	9 355 816
Transnet	7 168 981	12 050 522
Productivity SA	12 323 000	-
	38 463 120	**21 406 338**
Movement during the year		
Opening balance - TAS	9 355 816	27 990 329
Opening balance - Transnet	12 050 522	14 073 033
Amount received - TAS	10 701 179	14 780 255
Amount received - Productivity SA	13 120 000	-
Interest capitalised - TAS	12 938	207 708
Interest capitalised - Transnet	529 555	743 452
Amount utilised - TAS	(1 098 796)	(33 622 476)
Amount utilised - Transnet	(5 411 094)	(2 765 963)
Amount utilised - Productivity SA	(797 000)	-
	38 463 120	**21 406 338**

10. PROVISIONS

	Opening Balance	Additions	Utilised during the year	Total
Reconciliation of provisions - 2019				
Audit fee	431 245	651 011	(431 245)	651 011
Reconciliation of provisions - 2018				
Audit fee	479 399	431 245	(479 399)	431 245

Audit fees are based on the scope of work and time allocated to Productivity SA to complete the audit.

11. PAYABLES FROM EXCHANGE TRANSACTIONS

	2019	2018
Accrued bonus	404 887	537 846
Accrued leave pay	1 317 610	1 622 219
Accrued payables	756 435	2 042 971
Trade payables	78 721	5 818 774
	2 557 653	**10 021 810**

12. OTHER REVENUE

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

	2019	2018
Bad debts recovered	5 000	-
Commitment fee	8 166	-
Staff development	81 599	43 774
Transnet income	5 411 094	2 765 963
	5 505 859	**2 809 737**

13. GOVERNMENT GRANTS

	2019	2018
Operating grants		
Department of Employment and Labour	66 775 999	60 064 001
Conditional grants		
Unemployment Insurance Fund	1 098 796	33 622 476
Department of Trade and Industry	9 231 000	8 949 000
	77 105 795	**102 635 477**

14. EMPLOYEE RELATED COSTS

	2019	2018
Basic	59 897 619	60 147 766
Leave pay provision charge	(25 701)	614 083
Medical aid - Pensioners	3 863 048	3 246 058
SDL	537 526	554 192
UIF	322 724	337 664
	64 595 216	**64 899 763**

15. DEBT IMPAIRMENT

	2019	2018
Debt impairment	-	82 250
Provision for impairment	-	507 884
	-	**590 134**

16. OPERATING EXPENSES

Figures in Rand	2019	2018
Auditors remuneration	1 080 241	1 333 483
Bank charges	40 329	44 696
Board fees	183 679	147 749
Communications	1 209 119	1 307 499
Computer expenses	568 608	469 648
Consumables	111 053	128 497
Insurance	320 003	322 705
Magazines, books and periodicals	5 550	2 438
Motor vehicle expenses	22 668	21 543
Office maintenance	268 997	266 758
Other expenses	220 368	918 879
Penalties	120 713	247 651
Placement fees	219 404	348 113
Printing and stationery	471 032	783 564
Project Implementation costs - TAS	838 078	13 103 111
Promotions	216 070	385 399
Seminars	245 883	253 045
Staff welfare	56 330	57 416
Subscriptions and membership fees	197 168	216 966
Support / consulting services	4 296 587	4 406 047
Training	221 936	429 851
Travel - local	3 775 321	4 027 591
Travel - overseas	93 984	85 746
Utilities	1 139 073	1 031 377
	15 922 194	**30 339 772**

17. CASH GENERATED / (USED IN) FROM OPERATIONS

Figures in Rand	2019	2018
Surplus	216 333	6 263 361
Adjustments for:		
Depreciation and amortisation	616 655	401 323
Loss / (gain) on sale of assets	17 491	(1 767)
Debt impairment	-	590 134
Movements in operating lease assets and accruals	331 733	689 461
Movements in provisions	219 766	(48 154)
Changes in working capital:		
Inventories	(32 979)	(16 062)
Receivables from exchange transactions	(23 905)	2 465 734
Debt impairment	-	(590 134)
Payables from exchange transactions	(7 464 158)	3 896 069
Unspent conditional grants and receipts	17 056 782	(20 657 024)
	10 937 718	**(7 007 059)**

18. TAXATION EXEMPTION

The entity is exempted from income tax in term of section 10(1) (cN) of the Income Tax Act, No. 58 of 1962.

19. VAT EXEMPTION

The entity was granted exemption for VAT from July 2005 as its activities no longer comply with the definition of "enterprise" in section 1 of VAT Act and the requirement of 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.

20. RELATED PARTIES

	2019	2018
Related party balances		
Department of Employment and Labour	11 585 000	-
Unemployment Insurance Fund	18 971 139	9 355 816
The KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs	738 000	-
Transnet	7 168 981	12 050 522
Total	**38 463 120**	**21 406 338**

The nature and extent of government grants recognised in the Annual Financial Statements is an indication of other forms of government assistance from which the entity has directly benefited.

Related party transactions

	2019	2018
Department of Employment and Labour	66 775 999	60 064 001
Unemployment Insurance Fund	1 098 796	33 622 476
Department of Trade and Industry	9 231 000	8 949 000
The KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs Affairs	797 000	-
Total	**77 902 795**	**102 635 477**

Productivity SA received a transfer payment of R98 293 179 for funding its administrative activities from The National Revenue Fund through Department of Employment and Labour, Unemployment Insurance Fund and Department of Trade and Industry.

Members and Executives' emoluments (executives and non-executives) are disclosed in note 21.

21. MEMBERS AND EXECUTIVES' EMOLUMENTS

Executive
2019

	Designation	Emoluments	Other Benefits*	Total
Mothiba M	Chief Executive Officer	1 493 703	127 318	1 621 021
Sabela S	Chief Financial Officer	1 301 087	111 015	1 412 102
Janse van Rensburg L	Executive - POS	1 186 747	101 169	1 287 916
Wereley T	Executive - HR	1 358 034	115 834	1 473 868
Phalatse R - (Resigned 30/04/2018)	Executive - MC	181 707	15 208	196 915
Mosai S - (Resigned 23/04/2018)	Executive - VCC	83 708	10 005	93 713
Dabula N	Executive - MC	852 610	92 237	944 847
Tshifularo J	Executive - TAS	1 200 077	96 403	1 296 480
		7 657 673	**669 189**	**8 326 862**

2018

	Designation	Emoluments	Other Benefits*	Total
Mothiba M	Chief Executive Officer	1 403 410	107 261	1 510 671
Sabela S	Chief Financial Officer	812 773	62 366	875 139
Janse van Rensburg L	Executive - POS	1 112 673	85 410	1 198 083
Wereley T	Executive - HR	1 274 910	97 603	1 372 513
Phalatse R	Executive - MC	1 094 679	104 043	1 198 722
Mosai S	Executive - VCC	1 440 308	110 224	1 550 532
		7 138 753	**566 907**	**7 705 660**

* Other benefits comprise of UIF, SDL, medical aid, and pension contributions made by the entity.

Productivity SA does not pay salaries to non-executive Board members. However, expenses incurred are compensated as an allowance.

2019

	Designation	Members' fees	Travel and subsistence	Total
Mdwaba M	Chairman - Board	36 068	2 915	38 983
Phaladi M	Member	14 542	3 333	17 875
Reddy L	Member	27 630	546	28 176
Mbongwe N	Member	13 088	3 576	16 664
Vermeulen N	Member	18 905	3 579	22 484
Gordhan Y	Chairperson - Audit and Risk Committee	60 869	-	60 869
		171 102	**13 949**	**185 051**

2018

	Designation	Members' fees	Travel and subsistence	Total
Mdwaba M	Chairman - Board	24 046	1 366	25 412
Phaladi M	Member	14 542	3 188	17 730
Reddy L	Member	10 179	-	10 179
Mbongwe N	Member	17 450	4 594	22 044
Vermeulen N	Member	17 450	2 788	20 238
Gordhan Y	Chairperson - Audit and Risk Committee	40 106	12 040	52 146
		123 773	**23 976**	**147 749**

22. BUDGET DIFFERENCES

Material differences between budget and actual amounts

Exchange transactions revenue was below budget mainly due to resignations in the WPC program which were not replaced due to funding constraints. Also the suspension of the TAS program contributed to the lower exchange revenue than budgeted.

Productivity SA, being a schedule 3A entity it is mandated to fulfil a specific economic or social responsibility of government. Schedule 3A entities rely on government funding and public money, either by means of a transfer from the revenue fund or through statutory money. As such, Productivity SA prioritises APP targets before generating additional revenue.

Non-exchange revenue was below budget due to failure by the DEL to ensure that the UIF transfers funds to the entity in full and on time in line with the funding agreement.

Operational expenses were below budget mainly due to the suspension of the TAS program.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The Annual Financial Statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance. The Annual Financial Statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from 01 Apr 2018 to 31 Mar 2019. The Annual Financial Statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the Annual Financial Statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the Annual Financial Statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the Statement of Comparison of Budget and Actual Amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are as a consequence of changes in the budget for TAS programme due to failure by DEL to ensure that UIF transfers funds on time and in full in line with the MoA.

23. RISK MANAGEMENT

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2019

	Less than 1 year	Between 1 and 2 years
Finance lease obligation	459 955	80 980
Unspent conditional grants and receipts	38 463 120	-
Payables from exchange transactions	2 557 652	-
Total	**41 480 727**	**80 980**

At 31 March 2018

	Less than 1 year	Between 1 and 2 years
Finance lease obligation	418 427	540 935
Unspent conditional grants and receipts	21 406 338	-
Payables from exchange transactions	10 021 810	-
Total	**31 846 575**	**540 935**

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

	2019	2018
Financial instrument		
Current	772 682	157 081
0-30 days	59 625	162 953
31-60 days	72 661	-
61-90 days	165 982	61 352
Over 90 days	418 756	1 084 415
Total	**1 489 706**	**1 465 801**

24. FRUITLESS AND WASTEFUL EXPENDITURE

	2019	2018
Opening balance	518 093	1 207 960
Add: Fruitless and wasteful expenditure - current year	169 231	518 093
Less: Amounts condoned	-	(1 207 960)
	687 324	**518 093**

Fruitless and wasteful expenditure includes interest and penalties on late payment of accounts.

25. IRREGULAR EXPENDITURE

	2019	2018
Opening balance	152 780	11 178 536
Add: Irregular expenditure - current year	-	152 780
Less: Amounts condoned	(152 780)	(11 178 536)
	-	**152 780**

Details of irregular expenditure - 2018	Condoned by the Board	
Inconsistency in the evaluation of functionality and preference points	Consequence management effected	85 500
calculation Not following SCM process	Consequence management effected	67 280
		152 780

26. COMMITMENTS

	2019	2018
Authorised operational expenditure		
Already contracted for but not provided for		
• Outstanding contracted obligations at year-end	4 358 323	3 960 840
• Other	-	3 264
	4 358 323	**3 964 104**
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	5 710 760	5 235 985
- in second to fifth year inclusive	10 354 562	15 925 623
	16 065 322	**21 161 608**

Operating lease payments represent rentals payable by Productivity SA for its office properties. Leases are negotiated for an average term of five years and rentals are smoothed over the term of the lease. No contingent rent is payable.

	2019	2018
Rental expenses relating to operating leases		
Minimum lease payments	5 731 928	5 538 671

27. CONTINGENCIES

There is currently a dispute between Productivity SA and Read Swatman & Voigt (SA) whereby the latter is claiming an amount of R554 090 for services rendered. Productivity SA is disputing the amount and has requested a meeting with the service provider. The service provider indicated that it will initiate legal proceedings to recover the amount in dispute.

Productivity SA, with the assistance from DEL, successfully defended a court case relating to payment of pensioners' medical aid benefit amounting to about four million rands per annum. However, the pensioners have appealed the matter. In the event that they win the court case, Productivity SA may be expected to continue making these payments annually.

28. CHANGE IN ESTIMATE

Property, Plant and Equipment

In terms of the requirement of GRAP 17 Property, Plant and Equipment, management revised the estimated useful life of computer equipment, furniture, motor vehicle, library and computer software. The impact on the Statement of Financial Performance is R458 851.

29. GOING CONCERN

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

As the entity had an accumulated deficit of R14 525 321 and the entity's total liabilities exceed its assets by R14 525 321 as at 31 March 2019, a material uncertainty exists regarding the liquidity position of the entity.

The ability of the entity to continue as a going concern, is dependent on a number of factors, which may indicate the existence of a material uncertainty. These include the following significant factors:

- The agreed funding will be received as per the signed memoranda of agreement, and
- The funding by the Department of Employment and Labour (DEL) is increased to fully cover the operations of the entity.

Management have made an assessment of the entity's ability to continue as a going concern in line with GRAP 1 paragraph 27. In determining the going concern assumption, management considered the signed MoA with DEL for the 2019/20 Financial Year and there has been no indication that the DEL will not continue to fund the enity. Furthermore, DEL provides financial assitance to Productivity SA to cover shortfall in operational expenditure. In considering the uncertainties described above, management have a reasonable expectation that the entity has adequate resources to continue operations for the foreseeable future and therefore continues to adopt the going concern basis of accounting to prepare the financial statements.

30. EVENTS AFTER THE REPORTING DATE

Productivity SA received a payment of R3 145 750 from UIF of the funds due to the entity. The effect was that the TAS program was able to settle outstanding liabilities. Furthermore the entity is engaging with UIF to pay the grant.

31. SEGMENT INFORMATION

General information Identification of segments

The entity is organised and reports to management on the basis of three major functional areas: Productivity SA, Turnaround Solutions 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 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.

Segment surplus or deficit, assets and liabilities

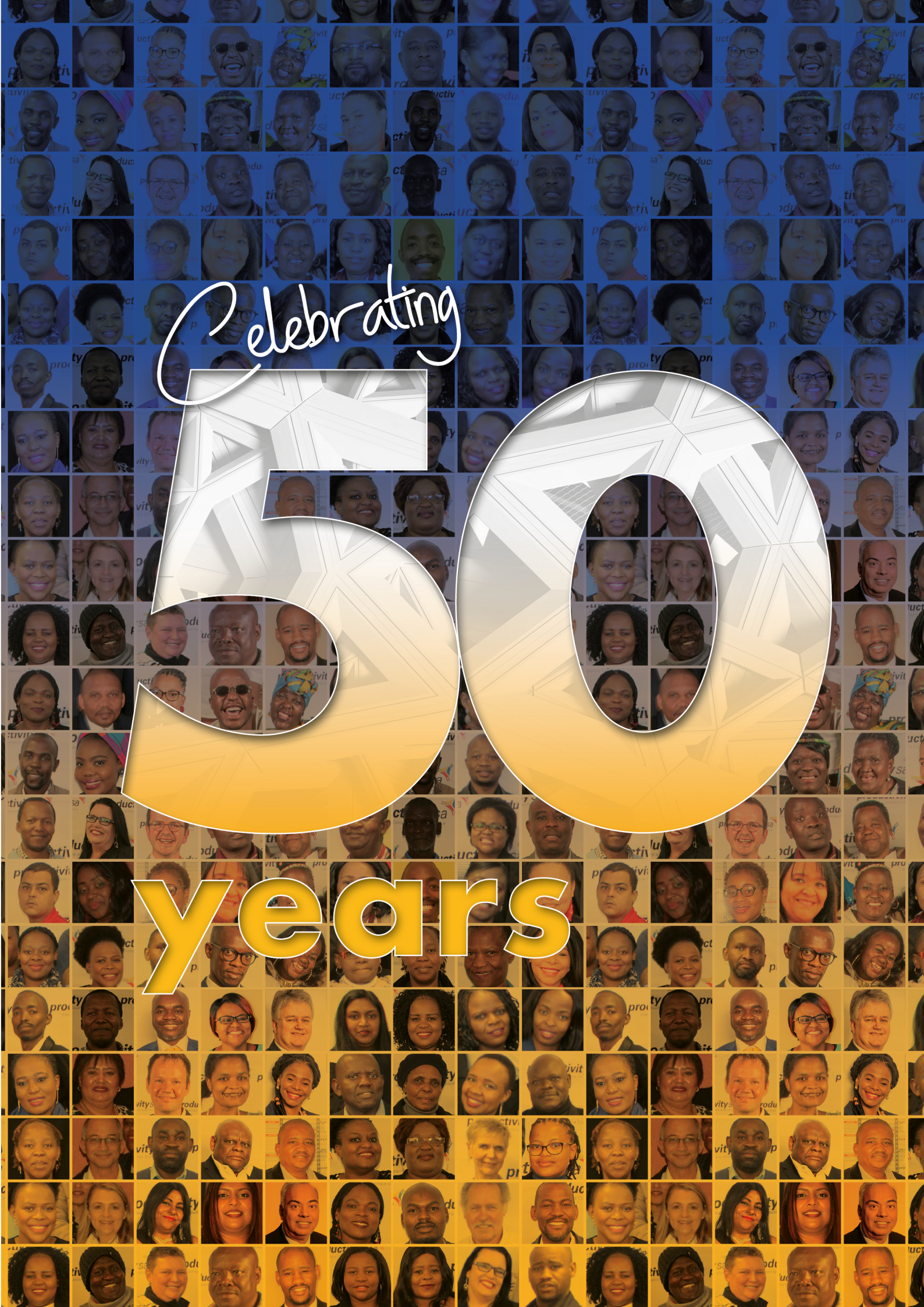
2019

	Productivity SA	TAS	WPC	Eliminations	Total
Revenue					
Revenue from non-exchange transactions	66 775 999	1 098 796	9 231 000	-	77 105 795
Revenue from exchange transactions	12 918 304	-	3 068 414	(5 585 263)	10 401 455
Interest revenue	392 441	-	82 911	-	475 352
Loss on disposal of assets	(17 491)	-	-	-	(17 491)
Total segment revenue	**80 069 253**	**1 098 796**	**12 382 325**	**(5 585 263)**	**87 965 111**
Entity's revenue					**87 965 111**
Expenditure					
Employee related costs	55 267 931	-	9 327 283	-	64 595 214
Goods and services	24 088 485	1 098 796	3 551 546	(5 585 263)	23 153 564
Total segment expenditure	**79 356 416**	**1 098 796**	**12 878 829**	**(5 585 263)**	**87 748 778**
Total surplus for the year					**216 333**
Assets					
Segment assets	48 304 060	36 379 786	1 197 534	(56 876 840)	29 004 540
Total assets as per Statement of Financial Position					**29 004 540**
Liabilities					
Segment liabilities	60 958 201	24 493 370	14 955 130	(56 876 840)	43 529 861
Accumulated (deficit) / surplus	(12 654 141)	11 886 416	(13 757 596)	-	(14 525 321)
Total segment liabilities	**48 304 060**	**36 379 786**	**1 197 534**	**(56 876 840)**	**29 004 540**
Total net liabilities as per Statement of Financial Position					**29 004 540**

30. SEGMENT INFORMATION (CONTINUED)

2018

	Productivity SA	TAS	WPC	Eliminations	Total
Revenue					
Revenue from non-exchange transactions	60 064 001	33 622 476	9 299 000	-	102 985 477
Revenue from exchange transactions	20 529 959	-	2 190 312	(17 256 746)	5 463 525
Interest revenue	523 497	-	30 348	-	553 845
Gains on disposal of assets	1 767	-	-	-	1 767
Total segment revenue	**81 119 224**	**33 622 476**	**11 519 660**	**(17 256 746)**	**109 004 614**
Entity's revenue					**109 004 614**
Expenditure					
Employee related costs	48 298 030	4 117 918	12 483 815	-	64 899 763
Goods and services	21 602 717	29 504 558	3 990 961	(17 256 746)	37 841 490
Total segment expenditure	**69 900 747**	**33 622 476**	**16 474 776**	**(17 256 746)**	**102 741 253**
Total surplus for the year					**6 263 361**
Assets					
Segment assets	41 293 352	36 390 517	1 034 590	(59 655 949)	19 062 510
Total assets as per Statement of Financial Position					**19 062 510**
Liabilities					
Segment liabilities	54 660 329	24 504 101	14 295 683	(59 655 949)	33 804 164
Accumulated (deficit) / surplus	(13 366 977)	11 886 416	(13 261 093)	-	(14 741 654)
Total segment liabilities	**41 293 352**	**36 390 517**	**1 034 590**	**(59 655 949)**	**19 062 510**
Total net liabilities as per Statement of Financial Position					**19 062 510**


Celebrating
50
years

PART F

CASE STUDIES

PROGRAMME TWO CASE STUDIES

PRODUCTIVITY ORGANISATIONAL SOLUTION CASE STUDY

TRANSNET-SPONSORED ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD) – SUPPORT PROGRAMME

By Matthews Moatli

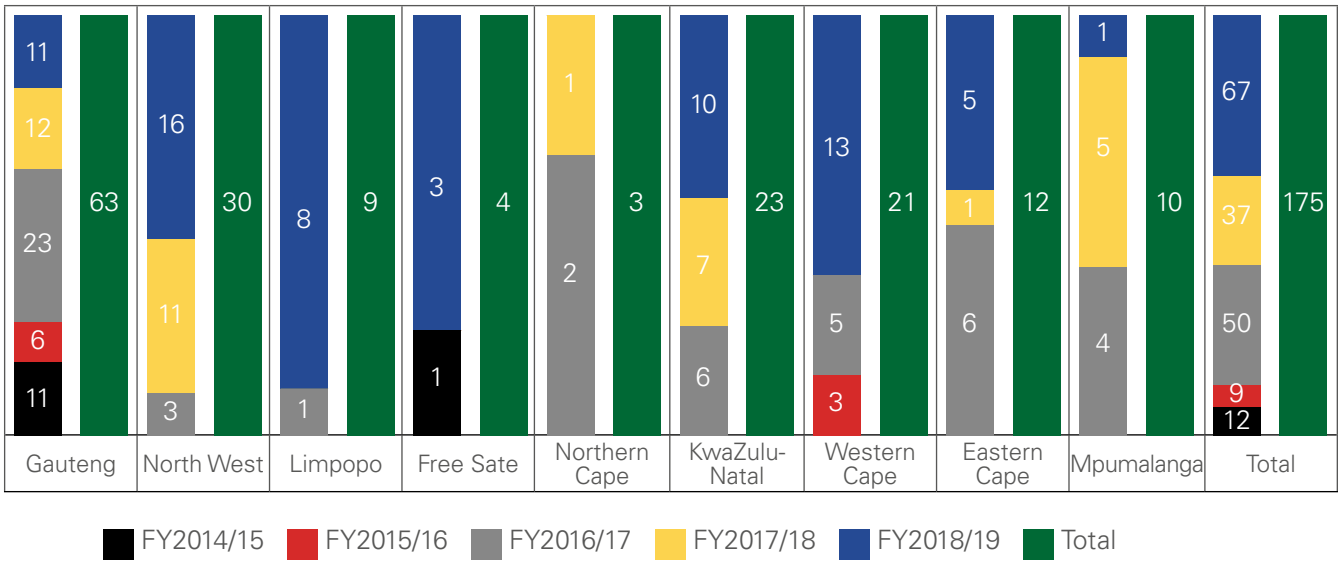
The project is part of Transnet Enterprise Development Department's plan to develop small/medium businesses by creating a range of developmental products and services for SMEs, which target specific sectors within the Transnet supply chain. Productivity SA, as a fund manager, has supported 175 black-owned manufacturing and related support service businesses since the programme's inception in 2014.

The Transnet ESD project has assisted-black owned enterprises to establish systems and procedures to address challenges affecting operational performance of suppliers that may affect product/service delivery to Transnet and has contributed to economic growth and job creation.

The programme supports approved enterprises over 11 weeks to reduce waste by 5%, improve use of resources by 10%, improve efficiency by 10% and improve quality by 5%.

Since the start of the programme in 2014, 175 enterprises qualified to participate. The 2018/2019 financial year achieved 134% (67/50) approved participants for the programme.

Transnet ESD support programme national footprint



Achievements for 2018/2019: Gauteng (67), North West (31), Limpopo (10), Free State (four), Northern Cape (three), KwaZulu-Natal (25), Western Cape (24), Eastern Cape (12) and Mpumalanga (10)

PRODUCTIVITY SA NATIONAL PRODUCTIVITY AWARDS CONTRIBUTION

A Transnet R1 million sponsorship made it possible to assess 29 enterprises that participated in the National Productivity Awards. Seven (24%) are Transnet Enterprise Development Programme participants and winners of the provincial productivity awards in the following productivity awards categories and provinces:

National Productivity Awards category	Transnet Enterprise Development Programme participant name	Province
Emerging sector	Punda Maria Brick and Pavers	Limpopo
	Agnisto Trading and projects	North West
	Golden Rewards 1591 cc	KwaZulu-Natal
	Maiktronix Aluminium Glass and Steel	Northern Cape
	Tunnel Engineering	Gauteng
Cooperative sector	Onke Amasiko Dressmaking Cooperative	
	Druzaray Aluminium and Glass	North West

TRANSNET ENTERPRISE AND SUPPLIER DEVELOPMENT CASE STUDY

NAME OF COMPANY: Auto Prism
REGION: Region 2 – Western Cape
PROJECT LEADER: Charlene Steyn

INTRODUCTION

From humble beginnings, as a small panelbeating operation with limited resources in a business unit in Woodstock, Cape Town, Auto Prism began operations in 2001 when Brian Minaar acquired the operation. Today, Auto Prism, a family business that meets all South African Motor Body Repairers' Association (SAMBRA) requirements, is a black empowerment success story: A fully empowered, independent major structural repairer with a highly motivated team with a winning attitude.

Mr Minaar is well respected in the panelbeating industry and his skills, knowledge and passion have been instrumental in the success of the business.

Auto Prism's vision:

Auto Prism strives for service excellence through its ethos of exceeding client expectations. It aims to create an enjoyable working environment and employ focused and driven staff who are always willing to go the extra mile to deliver the best possible product and service. It plans to implement an ongoing training programme to ensure that the best people are hired to fill each position. With the focus on becoming trendsetters and being the best body and auto body repair shop in the market, it is innovative in using leading-edge equipment and products.

By ensuring that it has a happy and satisfied client base, Auto Prism will maintain profitability and create a sustainable business that is transparent to all its customers.

Auto Prism's service offering includes:

- Valets.
- Panelbeating and spraypainting (insurance approved and private).

- Polyurethane payloads, trailers and colour coded.
- Mag repair and diamond cut.
- Fault-finding diagnostics.
- HID headlamp and spot lamp modifying.
- Mechanical service.
- Tinting – Illuma smash and grab.
- Paintless dent repairs.
- Carbon fibre wrap.

Auto Prism's many factory approvals and industry accreditations make it a preferred supplier among short-term insurance companies, which make up for more than 85% of its client base.

EXECUTIVE SUMMARY

The Transnet Enterprise Development Project implementation at Auto Prism included:

- Financial analysis: To determine, via basic ratio analysis, the financial soundness of the business
- Analysis of cost drivers
- Analysis of core business processes
- Establishing a visual performance monitoring system.

Management systems and controls required the most improvement, and recommendations were made and implementation of performance-improvement systems was facilitated.

PROJECT INFORMATION

Project purpose

The project was initiated in response to an application from Auto Prism to improve its productivity. The company is a member of SAMBRA, a Productivity SA stakeholder in the Western Cape, and was informed about the Transnet Enterprise Development Programme through one of SAMBRA's sector interventions. An initial exploratory discussion with the owner and human resources manager indicated that although Auto Prism was technically competent, management systems and controls were deficient.

Solutions implemented

At the outset, it was recognised as beneficial to conduct a project purpose clarification workshop as well and a productivity awareness workshop for the management team to give management and the implementing consultants a common understanding of intent of the project and of productivity concepts. The financial assessment was made at this workshop.

The following interventions were recommended and where time permitted, assistance given with implementation:

Redesign of the job card to ensure job duration is captured, and all parts and consumables used for the job.
Review structure and content of communication forums to improve the effectiveness of communication with employees – not only what was being communicated but how it was communicated.
Train shopfloor personnel to conduct housekeeping audits to maintain the workshop in a pristine condition.
Review and implement protocols and procedures to ensure that practices are carried out consistently.

Roles and responsibility workshop was facilitated by Productivity SA with the management team and draft roles and responsibilities were documented for each manager.

Productivity awareness training was conducted by Productivity SA with the management team.

The following KPIs were set up for review and sharing with employees: Absenteeism, planned versus actual income, vehicle status (as indicated on a production planning board).

HIGHLIGHTS

Auto Prism is a family business, which has challenges that non-family businesses do not have. It is critical that roles and responsibilities are clarified and that principles guiding decision-making be documented. During the implementation of the Transnet Enterprise Development Project, the organisation made a number of significant changes, including the following:

- Initiating Project 360 – an initiative that involves staff in driving productivity, ensuring that employees buy into the process. This has improved Auto Prism's weekly output and improved employee morale.
- Staff are engaging directly with customers whenever a customer complaint is raised so that they understand the consequences of delivering work that is not acceptable to customers.
- Using Veculim, a software tool for managing auto body repair workshops, Auto Prism has implemented a system that requires staff to log in when a job starts and allows the company to monitor labour use.
- Weekly management meetings are held to discuss issues such as finances, cash flow situation, staff matters and planning.
- A production planning board has been introduced that indicates when vehicles need to leave the shop and tracks progress against target.

CHALLENGES

Auto Prism is a busy body repair shop with a relatively fat structure. During the project, senior managers were often involved on the shopfloor e.g. resolving technical issues or assisting with reprioritisation of jobs. This impacted the time management of senior managers when conducting management review meetings and hampered implementation of the project as availability of key personnel could not be guaranteed.

Auto Prism's abnormally high staff turnover (almost one employee per month) also posed a problem since the induction of new employees into the company negatively impacted productivity.

RECOMMENDATION

It is recommended that Productivity SA continue to mentor the management team, checking in by email to ensure that improvements have been sustained and that further improvement is sought.

NAME OF COMPANY: Mamoshalagae Trading and Projects 30
REGION: Region 1 – Limpopo
PROJECT LEADER: Entle Pule
PROJECT: Transnet Enterprise Development Programme

INTRODUCTION

Mamoshalagae Trading and Projects 30 was established as a close corporation by Refiloe Stephen Masoga in 2011. The business is based in Mokopane under Mogalakwena Municipality in Limpopo's Waterberg District. The owner is a previously disadvantaged individual and the business is 100% black owned.

Mr Masoga is a qualified auto electrician with ten years' experience and his co-director, Masoga Letjedi Jonas, has a diploma and 20 years' experience as a petrol and mechanical fitter.

CUSTOMERS AND SERVICES

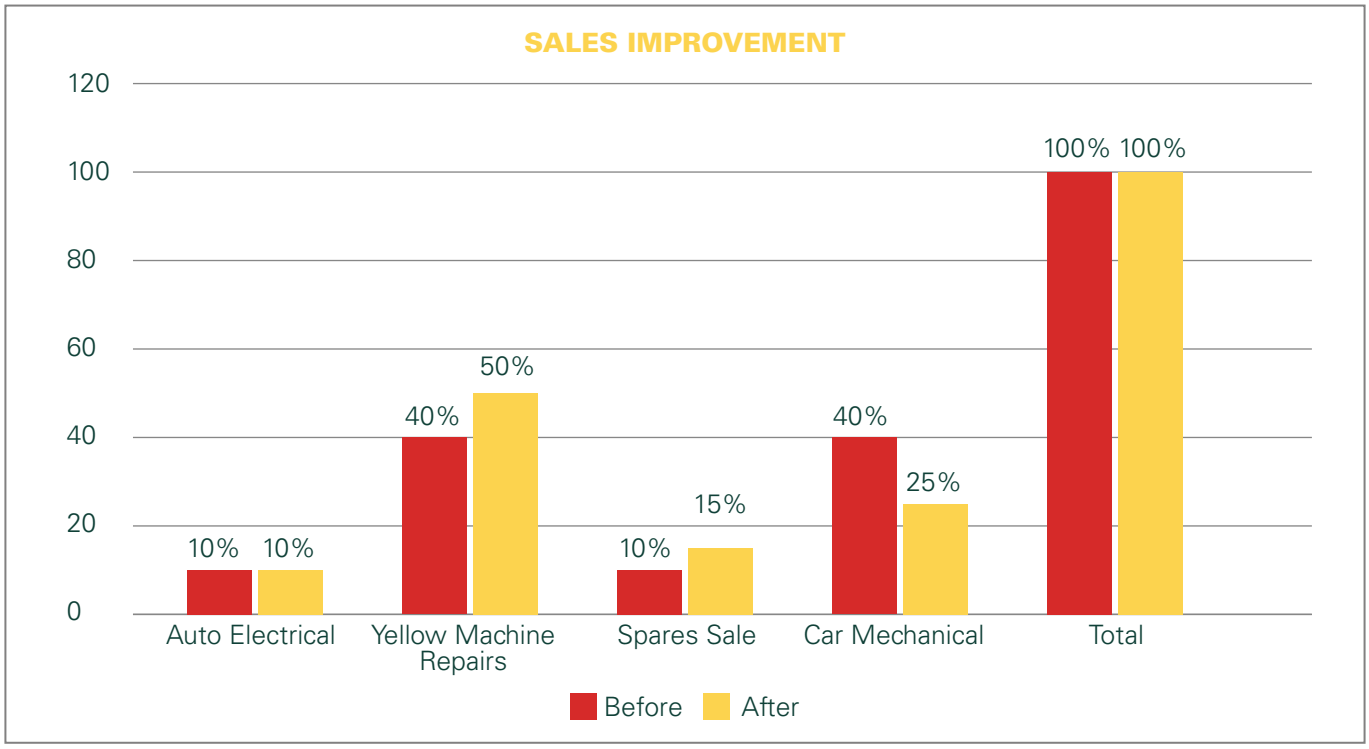
The business's core services are mechanical and auto electrical repairs and servicing of earthmoving machinery. It specialises in auto electrical, mechanical repairs, parts sales, and heavy duty machinery, transmission and hydraulics. Key customers include members of the public, government departments, municipalities, and private companies around Limpopo. Mamoshalagae Trading and Projects 30's main motivations are maximisation of profit and creation of job opportunities for local people.

PROJECT INTERVENTIONS AND DELIVERABLES

The following interventions and deliverables were provided to Mamoshalagae Trading and Projects 30:

Intervention	Objectives	Key Activities	Deliverables	Target Impact
Intervention 1: Financial Assessment	• Understand current levels of productivity and financial soundness • Understand the current state of the organisation • Prepare the organisation for productivity	• Collect and analyse financial data • Conduct observational studies • Produce assessment reports and feedback • Prepare enterprise for project activities and benefits	• On-site evaluation report • Financial assessment report	• Annual increase in turnover/sales • Annual increase in gross and net profits
Intervention 2: Cost Driver and Operations Analysis	• Identify opportunities for improvement • Define the implementation approach and business priorities	• Select productivity improvement opportunities • Develop implementation roadmap • Show changes to cost of sales and key drivers to become profitable	Cost driver and operations analysis report	% improvement in quality, efficiency, waste resource use and jobs created over time
Intervention 3: Formalising Core Processes	• Implement the productivity solution • Activate an enabling culture • Create an enabling environment • Capture core processes and procedures	• Focus on developing productivity competencies • Mentoring and coaching to support management • Workplace transformation plan that enables a culture of continuous improvement	Formalisation of core processes and improvement report covering coaching and mentoring if applicable	
Intervention 4: Performance Monitoring EWS	• Assess impact • Track benefits	• Visual management • Benefits realisation and tracking • Championing and sustaining improvement culture	Visual performance implementation EWS monitoring report with clear KPIs	

Mamoshalagae Trading and Projects 30 consists of four business units that contribute to sales, as shown the graph below:



Earthmoving machine repair sales improved 10%
Spare sales improved by 5%

KEY CHALLENGES

- The decrease in the return on operating assets was driven by a decrease in the use of assets. This is evident in the car mechanical division and auto electrical.
- Sales value decreased by 34.4%, which had a negative impact on the use of fixed resources (labour and overheads). The cost of both these resources increased relative to sales, which had a negative impact on the operating profit margin. This was also due to heavy reliance on one customer: Department of Public Works (Limpopo), whose contracts were mainly short term.
- Lack of quality management system to outline processes and quality objectives clearly.

KEY RECOMMENDATIONS

- Develop a strategy to find new customers, and ensure that their expectations are achieved or exceeded.
- Work planning and scheduling to avoid staff waiting for work.
- Employee productivity capacity building to increase efficiency and throughput.
- Prepare for ISO 9001 certification.
- Product portfolio analysis.
- Maintain a visual performance culture using EWS to monitor the following key performance indicators and their set targets:
  - 5% improvement in quality
  - 10% improvement in efficiency
  - 5% reduction in waste
  - 10% improvement in use of resources
  - Number of jobs preserved and created.

TRAX INTERCONNECT (PTY) LTD CASE STUDY

BECOMING SUSTAINABLE IN A TOUGH ECONOMIC CLIMATE

By Faranaaz Janodien

BACKGROUND

Trax Interconnect (Pty) Ltd (hereafter called Trax), was formed in 1991 by Andy Chisholm, Dave Delbridge and Viv James after they bought Renak Alumet Circuits, which Andy Chisholm had originally started in his garage in 1975.

In 2015 Andy Chisholm and shareholders started actively investigating ways in which to exit the business. During this time, they were approached by senior management with an offer to purchase the business.

In September 2015, the management buyout was concluded and the Production Director of the company, Iegsaan Khan, and Group Marketing Director, Daniel Dock, became the new owners. Over the last two years the new owners have focused strongly on productivity and quality and aim to build on the reputation that Trax already enjoys in the local electronics manufacturing sector.

Although Trax is not a large company, it offers real value and service in small to medium runs of high-quality printed circuit boards (PCBs) for on-time delivery to its customers. This philosophy is what they hope will ensure their continued growth and development through the current worldwide PCB rationalisation. Trax is currently a Level 2 B-BBEE company.

VISION

To be the leading supplier of world-class printed circuit boards locally.

MISSION

Strive to:

- Build a culture of excellence through staff development
- Exceed customer expectations through consistent service, quality and on-time delivery.
- Be technology leaders through innovation.

JOINING THE WORKPLACE CHALLENGE PROGRAMME (OCTOBER 2016)

For many years, Trax had been suffering from shrinking margins. This is largely due to competition from Asia as the internet has caused massive business disruption in many industries, as it makes it easier to source products online. Well above industry average pay increases during the good times meant that the business was stuck with a very expensive workforce and reducing order volumes.

Shareholders had very little appetite for re-investment and the electronics industry was in decline. The business was bought by Daniel Dock and Iegsaan Khan in October 2015. They knew that the business needed a shakeup and they stumbled on the Workplace Challenge programme (WPC) after visiting asupplier, Gasket and Shim, which was implementing the programme. The owners realised that the WPC contained all the essential elements of what they were trying to change in the business.

They faced the following challenges:

- A bloated workforce with above industry remuneration
- Competitive Chinese factories tapping into the Trax customer base
- Rising energy costs
- Water reduction and escalating water tariffs
- Low staff morale
- Restructuring of the business.

IMPLEMENTATION

Trax signed the WPC contract on 26 August 2016. Sensitisation sessions were held during September 2016 with all staff to obtain buy-in for the continuous improvement journey ahead. Unfortunately, two to three months after starting the journey, the owners needed to restructure the organisation.
The programme was put on hold for three months during the restructuring process. In the end 35 jobs were sacrificed to save 50 jobs. The programme commenced thereafter but the morale was very low. The programme was use to upskill and motivate the staff. Clear communication was essential and the owners were committed and involved throughout the process.

MANAGEMENT SYSTEM TRAINING (OCTOBER 2016)

Management system training took place in October 2016. This was a half-day workshop with the management team to reach the following objectives:

- Crafting a vision, mission and values for the organisation
- Get an understanding what world class means in the PCB industry
- Understand the SWOT for the business
- Identify critical success factors for change in the organisation
- Define key performance areas for the business
- Determine WPC roles and responsibilities
- Establishing a way forward (implementation plan)

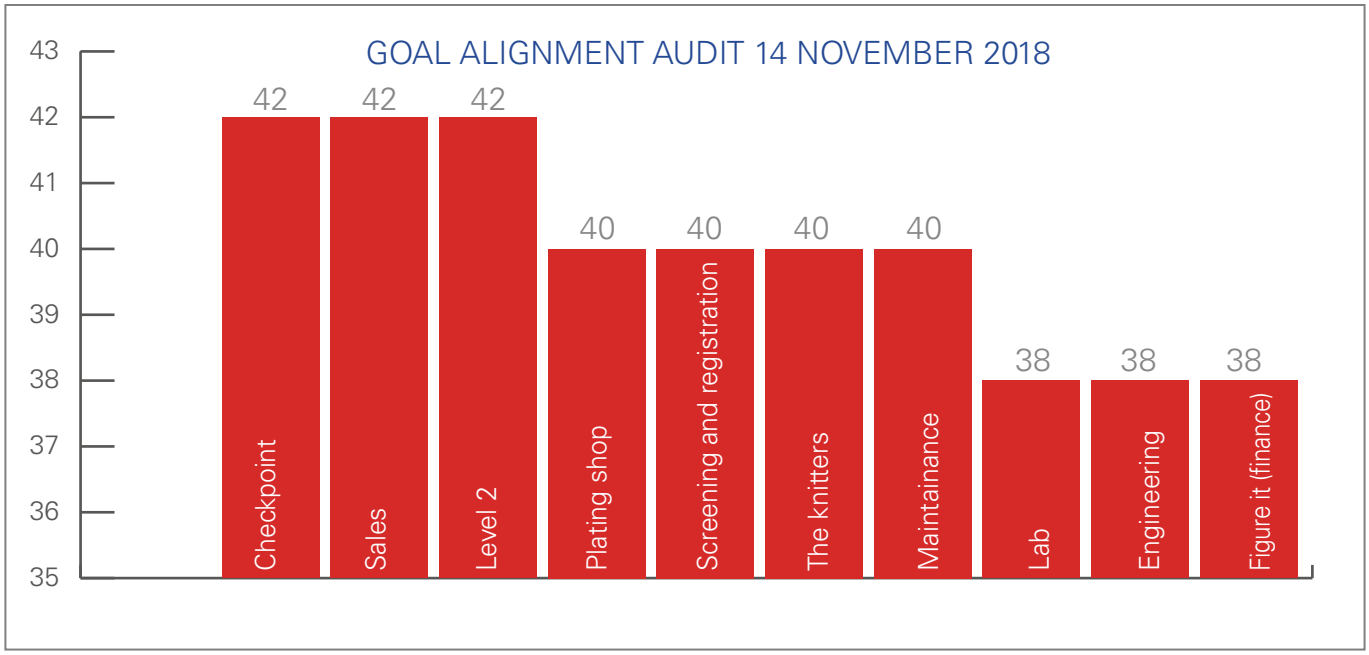
The management system workshop proved value adding and outcomes were documented. These objectives were communicated to all staff so that they too understood what is required to make the WPC programme a success.

GOAL ALIGNMENT (JANUARY 2017)

It was important that the staff understood the role they play in making the business a sustainable entity. Goal alignment would ensure that everyone works together in the same direction and shares the same common vision, mission, values and goals.

In the beginning it was challenging defining key performance indicators and targets for each mini-business unit. The process allowed for input from the staff and goals were defined that would add value to each department. It also created a competitive spirit among the teams and staff became involved and took ownership for their respective areas. The morale seemed to improve as the implementation progressed. Teams were energised and came up with improvement ideas that impacted their work areas in a positive way. The importance of morning meetings was instilled and value-adding discussions took place around quality, waste, on-time delivery, safety and attendance.

An audit score of 20 (Level 2) was reached in November 2017. The graph below illustrates the final audit results at the end of the programme. An audit score of 40 (Level 4) was reached for goal alignment in November 2018. This was a 100% improvement on the previous year.



A good example of a mini-business board at Trax.

TEAMWORK (JANUARY – APRIL 2018)

The next toolkit, teamwork, was implemented in January 2018.

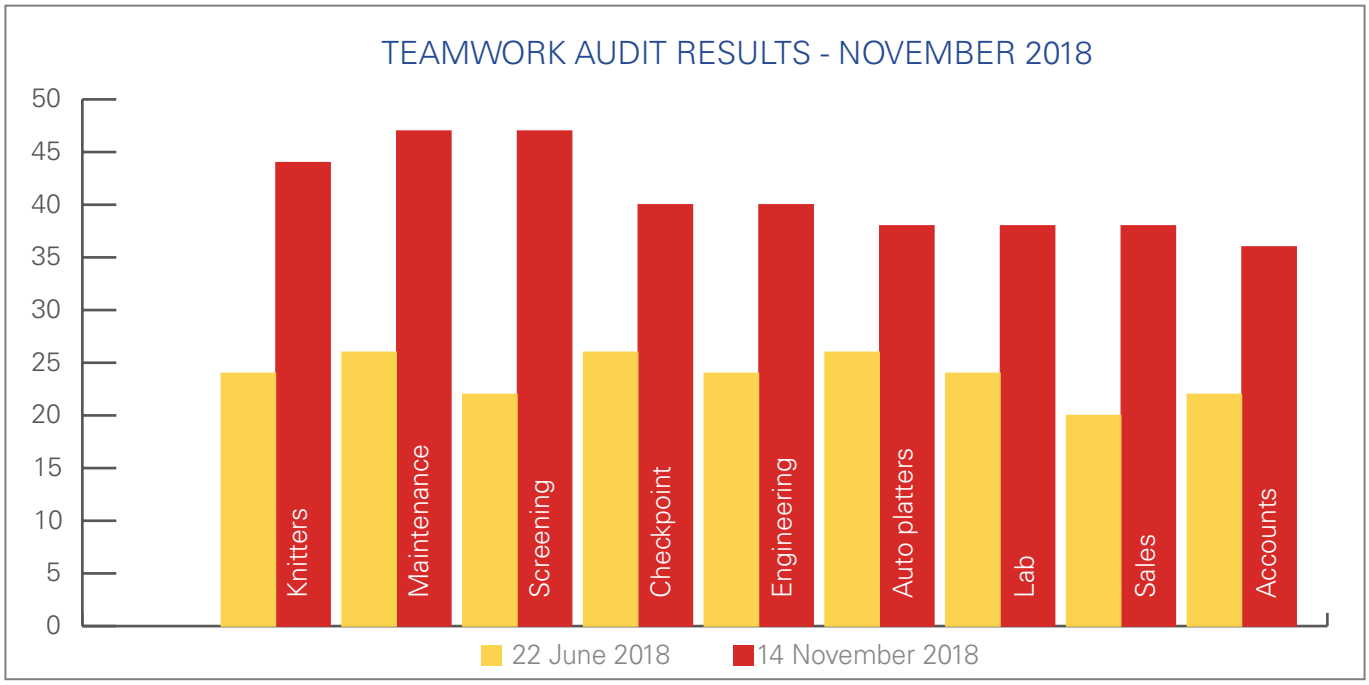
This toolkit covered areas such as the seven wastes, ideas management, small group activities, skills versatility and problem solving.

Small group activities focused on cost saving initiatives. Each area embarked on a small group activty per month. The results were evident and they were motivated to do even more to realise cost reduction in their areas.

WATER SAVING PROJECT

An example of a small group activitiy would be the water saving project. There was a realisation that the company needed to save water and become self-sufficient. They used 75 000 litres of council water per day. This has since been reduced to 15 000 litres a day. This would equate to a saving of R500 000 – R600 000 per annum on the water bill.

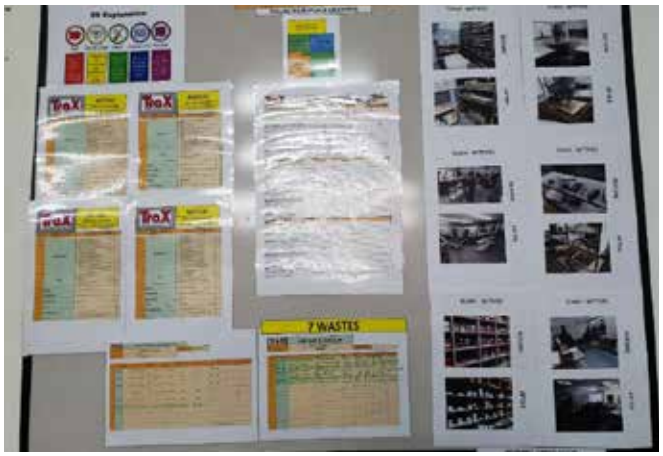
A good example of a teamwork board at Trax. The board contains information on problem solving and small group activities.



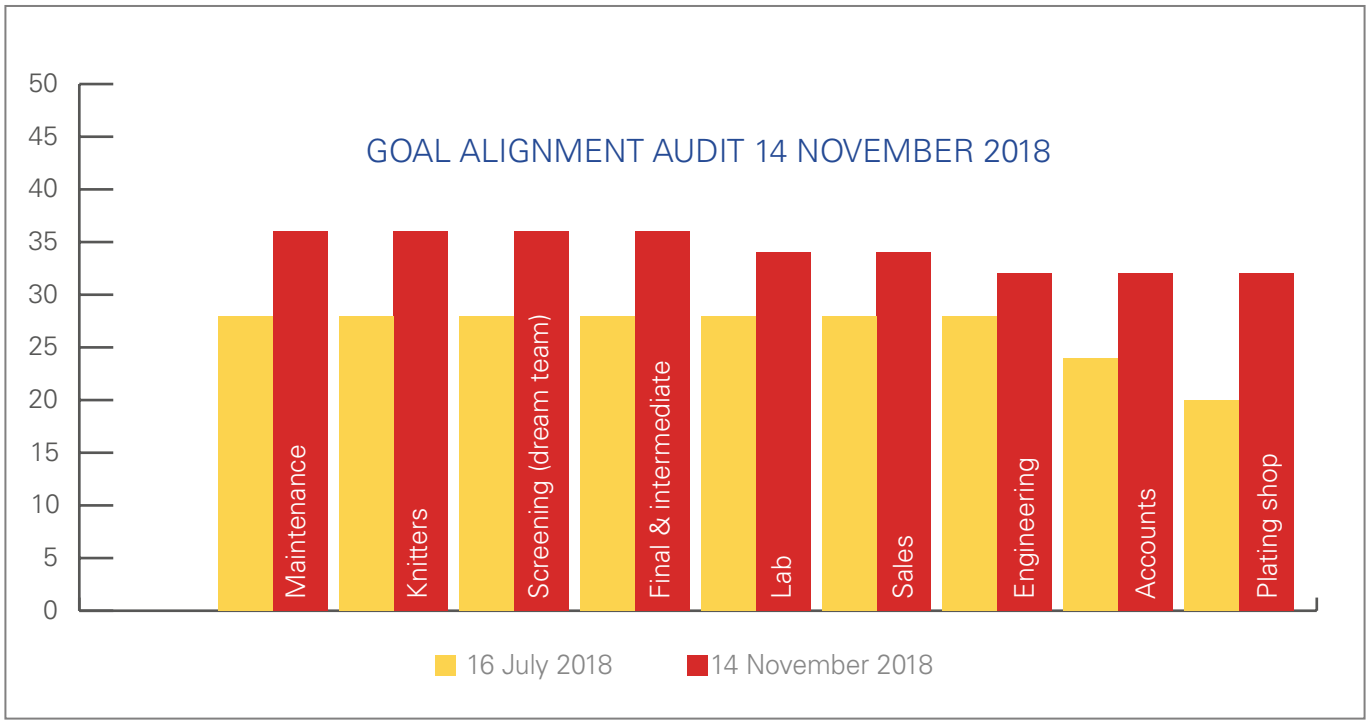
The graph above shows the teamwork audit results. In June 2018 an average score of 24 was reached by all teams. This increased to 40 in November 2018. This is an improvement of 67%. Teams focused on improving their skills and coming up with ideas for improvement. A lot of effort and time was spent on the implementation of small group activities that resulted in savings for the company.

WORKPLACE ORGANISATION (MAY – JUNE 2018)

The cleaning and organising toolkit was implemented between May and June 2018 to incorporate the 5S principles in each and every area A visually organised workplace was created with improved productivity as wasteful activities were reduced. Teams embarked on the first S of the 5S process. All unneeded items were removed from the workplace and the needed items were sorted according to frequency of use. Signposting and labelling were done to reduce time spent on searching for equipment and material. Demarcations were used to increase safety around walkways and work in progress.



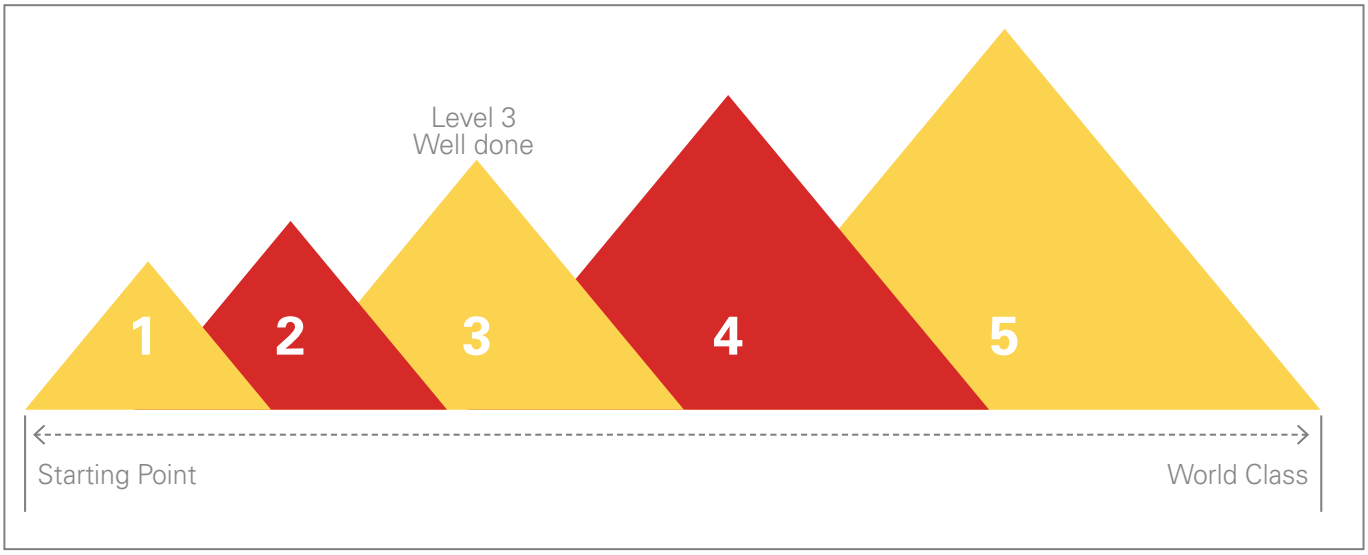
The photo above depicts a storyboard on cleaning and organising displaying before and after pictures. Signposting, labelling and demarcations were some of the techniques used.



The graph above reflects cleaning and organising audit results that show an improvement from a score of 27 to 34. This is a 26% improvement on the previous score.

LEADERSHIP

The leadership toolkit brought together all the other toolkits and assisted the management team in leading and inspiring productive teams. The majority of the middle management team had no formal education and had been promoted from the shop floor. This toolkit provided them with useful problem solving tools and techniques, but most importantly assisted in creating a culture of continuous improvement in the company. The leaders reached an average of Level 3 for their audits.



OVERALL IMPACT

The programme assisted in putting together structures of sustainability. A culture of value-adding meetings was created by discussing the measures that impact the teams. Teams are now able to measure and track performance and put corrective actions in place. There has been a strong focus on quality, more specifically quality at departmental level to ensure overall quality of the product.

The overall impact of the WPC was good. There was buy-in and participation from all levels. Management was committed to the programme and proved serious about the changes that needed to be implemented. The WPC programme has helped Trax remain sustainable in difficult times. It ultimately saved the business from closing down. This means that 50 jobs were saved in the process. the organisation has embedded principles of continuous improvement.

SUCCESSES ACHIEVED:

- Material costs reduced by 6%
- On-time delivery improved by 10%.
- Customer returns are at their lowest.
- Staff morale improved.

IMPLEMENTING WPC TO IMPROVE PRODUCTIVITY

By Nathi Mthethwa

INTRODUCTION

Board Express is a finishing specialist manufacturing company based in Marburg, Port Shepstone, KwaZulu-Natal.

Board Express started in 1999 manufacturing furniture out of chipboard. It grew and started upgrading chipboard and Supawood into foil boards for furniture and coffin manufacturing.

Over the years Board Express added wrap doors, post-form tops and door skins to the factories manufacturing sector. Due to large imports into the country of ready-to-assemble furniture, Board express discontinued upgrading the foil board range and the post-form tops range and placed large emphasis on the interior door market.

In 2017 Director Fahiem Bux bought out a door manufacturing plant, which is now called Findoors, and increased the production from 2000 doors per month to just over 12000 doors per month. Findoors acquires its upgraded moulded door panels from Board Express.

THE PRODUCTIVITY SA WAY

As Board Express improved its productivity, management, in consultation with Productivity SA took a decision to implement a productivity improvement programme, which started during October 2017 with the primary aim to improve productivity, thereby enabling an increase in production and a reduction in costs.

In the first three months, employees were trained on principles of productivity. An assessment was done of company performance and strategic direction, which included gauging and measuring perceptions employees had about Broad Express and its direction and how employees formed part of the broader picture within the company, including achievement of goals.

A huge gap was identified in terms of where management wanted to go and the company's goals.

There was minimal movement towards the company's intended direction and this was made worse by the limited production information being captured at the time. A stark discrepancy lay in the fact that the order book was generally full but not enough products were leaving the factory to satisfy the demand captured in the order book. On-time delivery and cash flow were also identified as challenges.

The WPC set out to assist Board Express and Findoors to capture performance information and quantify performance.
The following were part of the initial items implemented in response to the company's situation:

- An employee satisfaction survey was done, which captured the environment and context from the employee perspective. The results indicated clear gaps on more than half of the measures.
- Goal setting with leadership to give direction to operations, which also helped align things by enabling communication of expectations.
- Sensitising and training people at different levels on the importance of being productive and its centrality in improvements.
- Recording of information on performance on a daily basis; especially production, quality and adherence to times expected by customers.
- Introducing the concept of 5S.

CHALLENGES

During the implementation of the WPS and five months into the implementation of the programme some of the challenges identified were:

- Board Express experienced high product returns
- Products were not passing the internal quality standards.
- A number of products had to be re-graded as "B" or total reject.

The challenges meant that due to low sales the company had to retrench some staff at all levels, which took morale to an all-time low.

SOLUTION

Board Express used the information gathered from the assessment of the company to come up with areas of improvement. Challenges were broadly separated into strategic and operational.

What became significant in the approach was that it acknowledged that some of these were merely symptomatic. As a result of implementation of solutions, the process yielded results as follows:

STRATEGIC

PROJECT	ACTIVITIES	PROGRESS/ STATUS
No return on investment for shareholders (profitability)	• Introduce concept of value creation	30%
Poor cash flow to finance quality input materials	• Do debtors age analysis • Negotiate incentive for early payment by customers	55%
Invest in maintenance or source new equipment	• Ensure there is enough personnel • Ensure scheduled preventative maintenance • Plan to replace old equipment	40%
On-time and full delivery to customers/ customer satisfaction	• Improve efficiency levels • Enough materials for smooth production	80%
Communication between management and shop floor	• Ensure meetings happen at team and supervisory level • priorities vs production changes • Morale	50%

Management and leadership were each given detailed and clear task(s) with agreed timelines with individuals reporting to the team led by a WPC consultant.

OPERATIONAL

PROJECT	ACTIVITIES	PROGRESS/ STATUS
Poor performance of staff (absenteeism, sleeping on duty etc)	• improve the quality of work • on time delivery.	80%
Equipment	• minor maintenance • reporting faulty equipment system Tracking	50%
Insufficient and quality of stock/materials	• source reliable suppliers • ensure materials level is monitored	70%
Failure to deliver on time	• ensure technical skills are correct • train people on expected outcome. • morale	82%
Commitment time wastage in factory	• influencing attitudes • responsibility and ownership	45%
Lack of proper planning and scheduling	• Ensure Daily Meetings Happen • review plan and actual.	60%
Discipline, quality and delivery	• stop interruption order by 'urgent' one • Prioritising of Production	50%

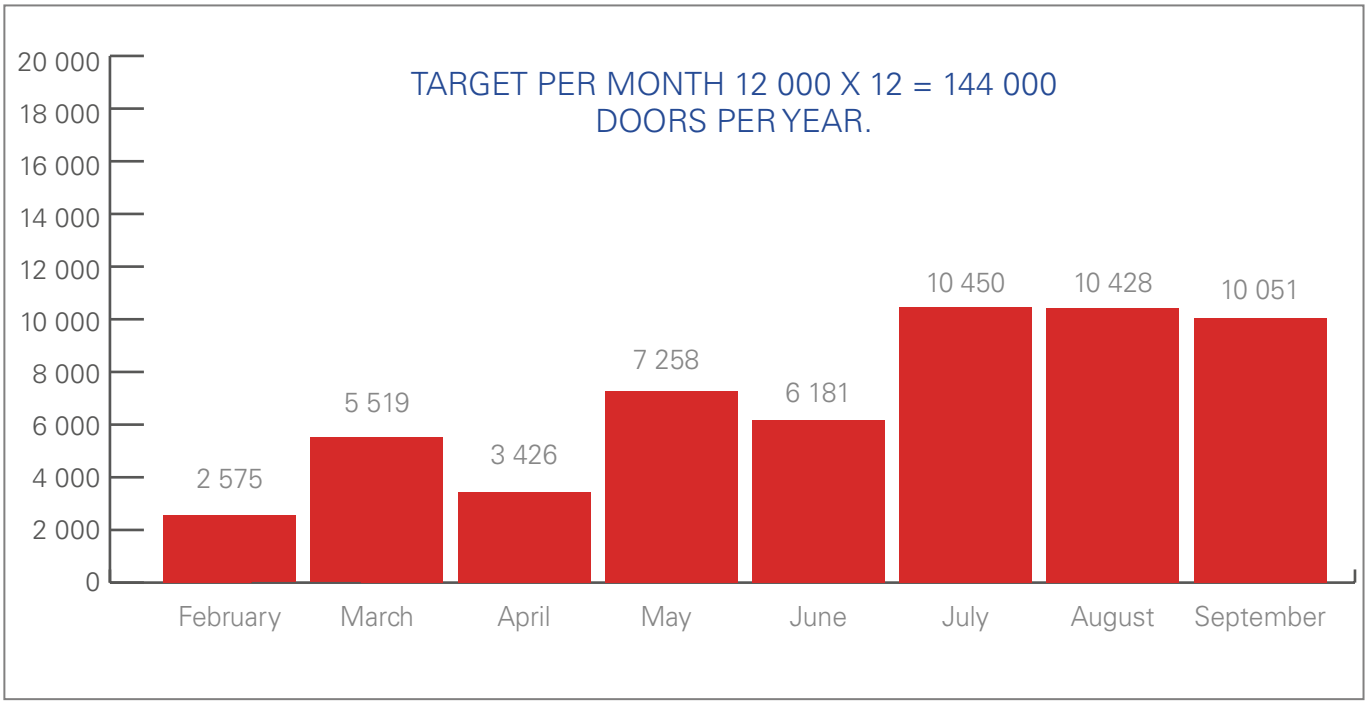
0

CONCLUSION

When Board Express joined the WPC programme, one of the requirements was clear and quantifiable targets or goal with which the journey can be measured. One important goal is the output or production. The company wanted to achieve a target of 600 doors a day, compared to the daily output on a good day of just over 300 units.

Looking at the production figures, there has been improvement, especially from July to October, when, for the first time, units per month were over 10 000.

	P/MONTH	P/DAY	%CHANGE
January	0		
February	2 575	116	
March	5 519	262.8	126.5
April	3 426	163.1	37.9
May	7 258	345.6	182.5
June	6 181	294.3	51.3
July	10 450	497.6	203.3
August	10 428	496.6	1
September	10 051	478.619	18



WAY FORWARD

The support, attitude, commitment and cooperation that is offered by leadership and teams at Board Express made the current results possible. In the coming 12 months one can expect even better results in terms of performance as the implementation of the WPC continues.

The company has already started servicing international customers on the African continent, such as those in Ghana, Zambia and Zimbabwe. New products are currently being introduced into the market, with new customers on the waiting list.

Our Journey

This year saw the exciting launch of the partnership programme with the Asian Productivity Organisation.

The biggest and most impactful milestone of this time was the rebranding of the NPI to Productivity SA.

The World Productivity Congress was held in Africa for the very first time.

Productivity SA celebrates 40 years of productivity in South Africa, and internationally.

TURNAROUND SOLUTIONS CASE STUDY

COMPANY BACKGROUND

Wagner Systems (Pty) Ltd, a privately owned South Africa company, specialises in the production of fine mechanics components and assemblies. It has extensive micromachining capability, producing and delivering parts and assemblies, but also provides customers with advice on design for manufacturing issues, prototype development and series production.

The company does conventional and computer numerical control turning and milling with mechanical tolerances routinely to ISO 2768f, reduced to a few micrometres as specified. It also does certain surface treatment, assembly and acceptance testing.

Production runs range from fewer than 10 for prototyping to thousands and tens of thousands for regular production.

Use is made of specialist tooling and machines using raw materials such as titanium, precipitation (hardenable) stainless steels, cobalt chromium, engineering plastics and precious metal alloys sourced from global suppliers.

Currently, Wagner does contract manufacturing mainly for the medical device and defence industries.

CHALLENGES

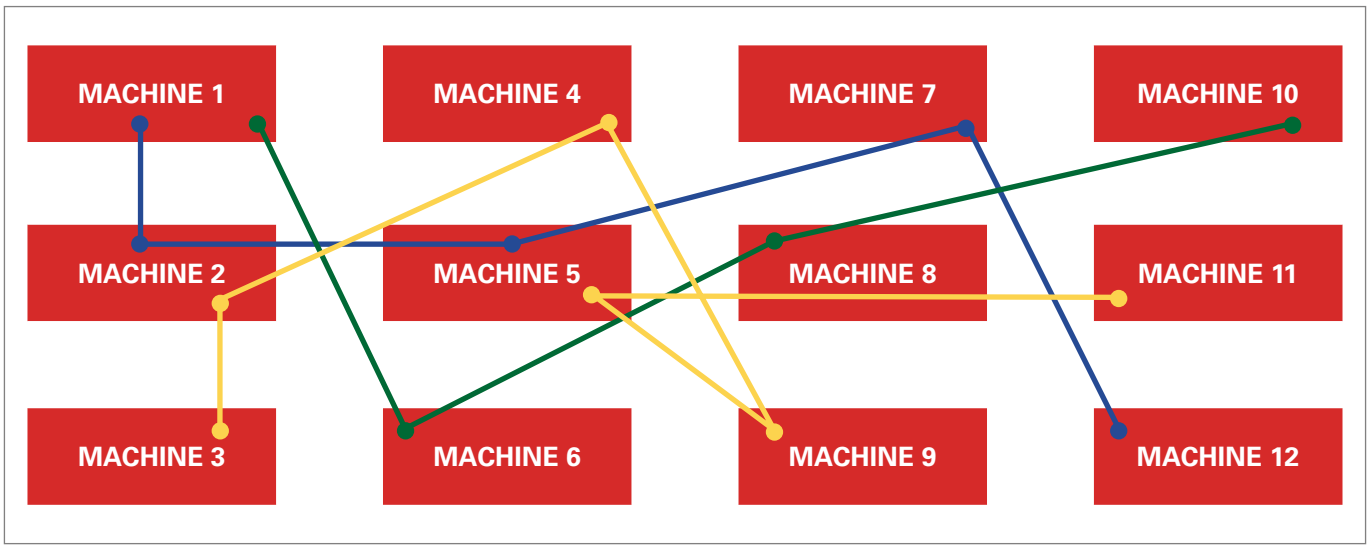
When Productivity SA started with the project, one of the key constraints for Wagner was the inability to deliver products to the customer on time, with much time spent on trying to make amends and catching up on the backlog. Attention was needed on productivity improvement and elimination of wasted time. Delays and time-consuming changeovers slowed down production. Problems were not sufficiently addressed and solved. Staff members needed training on how to address and solve problems. There was no formal structure for implementing and following up on existing solutions or ideas to improve productivity. When these ideas are forgotten, their potential is lost.

A lack of clear targets against which employees could be measured contributed to production problems.

PRODUCTIVITY SA APPROACH

The production environment at Wagner is typical of a-job shop environment. There are two main streams of work, the precious metal workshop and the non-precious metal workshop.

Traditionally, in a job shop, various types of parts are produced across a subset of the population of machines. Each unique batch or part may require a different path through the machines. A typical flow might be the following:



Because of the nature of the job-shop environment, there is no set flow of material through the workshop, but rather an interrelationship among machines, processes and even personnel with specific skills.

Jobs need to go to various machines as well as other production areas such as surface treatment to complete all the production requirements for the product. Certain heat and surface treatment operations are outsourced, adding further complexity to the production planning and scheduling function. The result is constant planning to obtain the highest possible production time from the workshop, taking the various changeovers and availability of machines and operators into account.

Another delay was caused by constant machine setups with small production runs, fewer than 50 components, due to small order quantities from the company's single biggest customer. Such orders typically make up around 15% of production on the floor, but sometimes increase to around 30%. Constant lengthy changeovers slow production.

Productivity SA implemented a TAS project with the focus on improving throughput times and eliminating waste by means of changeover analysis and training, among other things, to be implemented as per the workplan.

The focus was on improving changeover time and identifying areas of improvement in production. While the company had implemented wide-ranging improvements to machining efficiency, the process for overall production planning and control was not driven by all. Jobs were merely planned and there was no control of how long they should take to complete, measured against actual times.

INTERVENTIONS

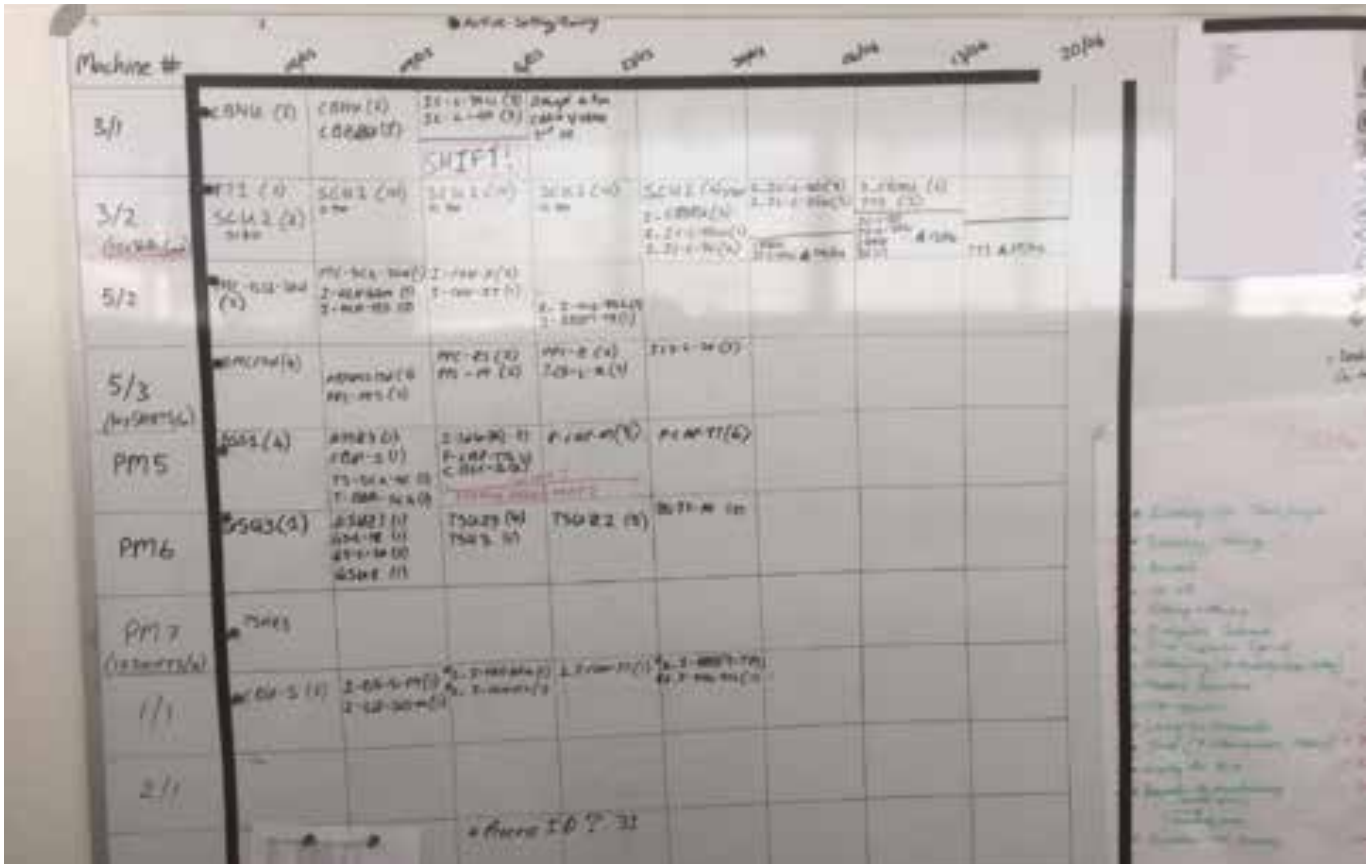
Production planning and execution of production were analysed, and all shop floor staff completed a changeover analysis training programme and received projects to implement in their own areas. They were taught the theoretical component of best changeover practices, as well as how to analyse and improve their current changeovers in a practical way.

RESULTS & IMPACT

Teams started to analyse their own changeover and production times, identifying wasteful activities and trying to work more efficiently. New tool trolleys were suggested to eliminate unnecessary walking and searching..

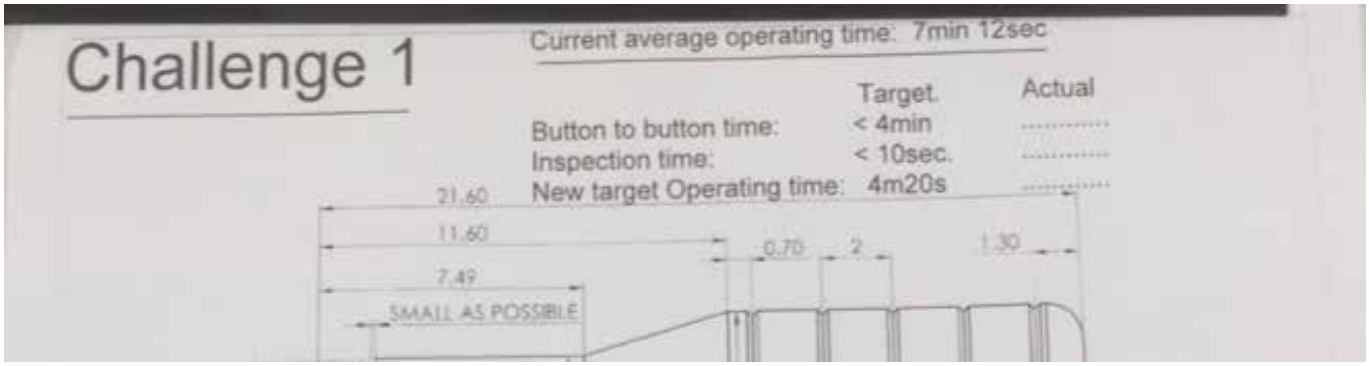
Below is the first tool trolley used on the shop floor.

A new planning board was introduced to keep track of orders and to plan more efficiently, but this was subsequently computerised.



Teams also created mini projects called ‘challenges’.

Once an improvement was achieved, the process was repeated to strive for further improvement. With challenge 1, the first exercise reduced the production time from 7 min 12 sec to 4 min 20 sec. The time was then improved further to 2 min 30 sec.



The table below shows the challenges that Wagner created to improve production time on certain products, and the results.

Challenge	Original Time	Improved Time	Improvement
1	7 min 12 sec	2 min 30 sec	65%
2	6 min	2 min 20 sec	61%
3	9 min	3 min 20 sec	63%

The company now produces the products at lower prices and secured an initial order for the product of challenge 1 for 3 000 units after having not been able to compete previously due to cost and prices.

Subsequently, the order was extended to 50 000 units (monthly standing order of 5 000 for ten months).

Reducing production and changeover times also freed up capacity. Wagner has also implemented double shifts on some of its critical/bottleneck machines.

The company can better determine when jobs need to start, what tools are required and which machines to allocate for optimum production.

It consistently completes the scheduled work for the week and sometimes produces more than the planned production output.

In addition, Wagner consistently invoices 80% more per month from its non-precious metal workshop and has produced a record amount of 320% more than the previous 'usual' during one month in that workshop. The biggest investment made during the TAS was R10 000 on a tool trolley, with some funds spent on improved cutting tools in selected areas.

These results would not have been possible without the hard work, dedication and eagerness to learn and improve of all Wagner staff.

EVENTS

THE AFRICA KAIZEN ANNUAL CONFERENCE

Productivity SA has identified the instutionalisation of Kaizen as one the goals the entity would like to achieve. As part of an effort to walk that journey, Productivity SA, in collaboration with the Japan International Cooperation Agency (JICA), hosted the Africa Kaizen Annual Conference in Durban from 2 to 4 July 2018.

Organised by JICA in partnership with the New Partnership for Africa's Development (NEPAD) and Productivity SA, under the auspices of the Pan-Africa Productivity Association (PAPA), the Africa Kaizen Annual Conference aimed to promote the application of Kaizen in African countries through mutual learning processes and practical experiences of Kaizen activities in Africa, Asia and Latin America as well as sharing information on the African Kaizen Initiative.

One of the highlights of this conference was that other than substantial theory, delegates had the opportunity to observe Kaizen first-hand at the renowned automotive manufacturer Toyota, the pioneer of Kaizen. Professor Hiroshi Osada, an expert on Kaizen, said Kaizen was known to improve a firm's capabilities as shown by the Toyota Motor Corporation, which currently sells over 10 million units per annum globally. He said several corporations around the world were implementing Kaizen and reaping the benefits. Productivity SA is currently developing a South African Kaizen Action Plan that will entail instilling the Kaizen culture of continuous performance improvement as a way of life.

WORKPLACE CHALLENGE PROGRAMME CELEBRATES 20 YEARS

Productivity SA in partnership with the Department of Trade and Industry (**the dti**) has been traversing the width and breadth of South Africa celebrating 20 years of successfully improving the working conditions in factories through the WPC. The 20th anniversary of the WPC was celebrated acrss all nine provinces. WPC was launched as a government intervention aimed at driving productivity and competitiveness of SMEs in the manufacturing sector. The programme seeks to assist enterprises to meet the challenge of entering domestic and global markets by becoming more productive and competitive.

PRODUCTIVITY MONTH

October marks Productivity Month in South Africa. The objective of Productivity Month is primarily to promote the importance of productivity to every South African and to highlight productivity as a catalyst for sustainable and inclusive growth and development as well as the creation of decent jobs. Productivity Month aims to inculcate a productivity culture and mindset in all that we do as a country and society. During Productivity Month, the importance of productivity in enhancing economic growth is brought to the fore through a series of both internal and external awareness campaigns. Internally, weekly seminars are hosted under different themes by productivity experts. Externally, a series of different advertorials was published over four weeks in Sunday Times (Business Times) and Sowetan, focusing on the programme for SMEs. These were augmented by press releases that were sent to all media houses and PR leverage from the awards event on 19 October.

Productivity Month was wrapped up with a full page advertorial in Sunday Times. A digital campaign encompassed banners on Productivity SA website, with a different message every week, Productivity Month advertorial on LinkedIn, blogs on Productivity SA website as well as messages on Twitter and pay-per-click adverts on Google. Radio interviews were also done by various radio stations.

A MONUMENTAL BOOST FOR EXPORT INDUSTRY IN KWAZULU-NATAL

On 11 October 2018 the KwaZulu-Natal (KZN) Department of Economic Development, Tourism and Environmental Affairs and Productivity SA launched the KZN Exporter Competitiveness Programme. The primary aim of the programme is to grow the exports industry in KwaZulu-Natal, thereby accelerating economic growth and job creation in the province. It is envisaged that the programme will be a catalyst for improving and modernising KZN exporter practices and infrastructure, create opportunities for the previously disadvantaged and enable Small and Medium Enterprises (SMEs) to actively participate in the export market. The programme has also a cluster of companies that share best practices. The approach is also proving beneficial to SMEs, which stand to leverage greatly from established entrepreneurs.

THE DEPARTMENT OF EMPLOYMENT AND LABOUR TAKING SERVICE TO THE PEOPLE

Productivity SA has been participating in various DEL initiatives taking services to the people. 'Taking Department of Employment and Labour services to the people', an initiative of the Director-General, is intended to improve stakeholder relations, enhance service delivery and publicise the good work that the department is doing in and around communities in South Africa. It will create awareness among and regain trust from the people of South Africa through a platform where prospective employers, other organisations, government departments and service providers can advocate, market, advertise and provide their services to DEL clients. It is a valuable intervention for Productivity SA to market its services, particularly among SMEs and corporates. Events took place place in the Eastern Cape, KwaZulu-Natal, North West, Free State, Western Cape and Gauteng.

PRODUCTIVITY AWARDS

As part of Productivity Month celebrations, Productivity SA hosts the National Productivity Awards gala event, which is attended by entrepreneurs and high profile speakers and participants from private sector institutions, Government, SME sector, small and medium enterprise support agencies, other development institutions throughout the province and country, labour, academia, community organisations and the media. The productivity awards, which are in the 40th year in 2019, aim to recognise and showcase enterprises that have made significant progress in improving productivity in their respective environments. The awards commence by hosting regional awards across the country in the nine provinces, where enterprises which have shown evidence of productivity growth, employment growth, wealth and income growth as well as social responsibility are recognised and receive awards. The awards are conferred in the categories of Emerging Sector, Cooperatives Sector, Public Sector and Corporate Sector. The provincial winners compete for the top award at the National Productivity Awards Gala Dinner, which takes place in October. The entity uses the productivity awards to galvanise all South Africans to embrace the concept of productivity as a way of life, enhance the Productivity SA brand and expand our footprint through various activities.

JAPAN PRODUCTIVITY CENTRE OUTCOME SEMINAR

Productivity SA and Japan Productivity Centre (JPC) hosted a productivity promotion seminar to show how application of Japanese 5S and Kaizen concepts has improved the productivity and competitiveness of model companies in South Africa and in PAPA member countries such as Botswana, Zambia, Malawi and Zimbabwe. The seminar was followed by training sessions for Executives and Middle Management of selected companies on 13th and 14th February 2019.

PRODUCTIVITY SA STAFF EVENTS:

MANDELA DAY - 18 JULY

Productivity SA staff spent 67 minutes on 18 July giving back to celebrate Nelson Mandela, who famously said:

"As we let our own light shine, we unconsciously give other people permission to do the same."

HERITAGE DAY - 24 SEPTEMBER

"Strength lies in similarities and not in differences"










WOMEN'S DAY - 9 AUGUST

"Wathint - abafazi, wathinta imbokodo!"









REGIONAL TEAMS

CONTACT

MIDRAND

Private Bag 235 | Midrand | Gauteng | 1685
International Business Gateway
Cnr New and Sixth Roads | Midrand
Tel: +27 (0) 11 848 5300 | Fax: +27 (0) 11 848 5555
E-mail: info@productivitysa.co.za

CAPE TOWN

PO Box 5289 | Tyger Valley | 7536
2nd Floor, Bloemhof Building
112 Edward Street | (cnr Bloemhof and Edward Streets)
Bellville
Tel: +27 (0) 21 910 1591 | Fax: +27 (0) 21 910 1574
E-mail: info_cape@productivitysa.co.za

DURBAN

PO Box 47600 | Greyville | 4023
Suite 201, Cowey Park | 91–123 Cowey Road | Essenwood | 4000
Tel: +27 (0) 31 268 9770 | Fax: +27 (0) 31 268 9777
E-mail: info_durban@productivitysa.co.za

www.productivitysa.co.za

RP287/2019
ISBN: 978-0-621-47764-1

productivitysa
Inspiring a Competitive South Africa