



# ANNUAL REPORT 2015/2016





# Food and Beverage Manufacturing Sector Education and Training Authority





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




**higher education  
& training**

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Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**





We're **developing  
the workforce** while  
improving the **quality  
of life of workers**  
and **their prospects  
of work.**





# Contents

<b>Part A: General Information</b>	<b>1</b>
General Information	2
List of Abbreviations	3
Chairperson Foreword	5
Acting Chief Executive Officer's Report	9
Statement of Responsibility	12
Strategic Overview	13
Organisational Structure	15
 <b>Part B: Performance Information</b>	 <b>17</b>
Predetermined Objectives	18
Performance Information Per Objective	23
Revenue Collection	31
 <b>Part C: Governance</b>	 <b>33</b>
Introduction	34
Portfolio Committee	34
Executive Authority	34
Accounting Authority's Report	35
Board Members	36
The FoodBev SETA Board and Committee Meeting Attendance	39
Risk Management	42
Internal Audit and Audit Committees	42
Compliance with Laws and Regulations	42
Fraud and Corruption	42
Minimising Conflict of Interest	42
Code of Conduct	43
Health Safety and Environmental Issues	43
 <b>Part D: Human Resources Report</b>	 <b>45</b>
Introduction	46
Strategies and Planning	46
Human Resource Oversight Statistics	46
 <b>Part E: Annual Financial Statements</b>	 <b>49</b>

# **Part A**

## General information







With the **right ingredients** we're facilitating the much-needed **skills development** in the food and beverage manufacturing sector.



# General Information

**Registered name**

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

**Registration number\***

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**External auditors**

Auditor-General South Africa  
300 Middel Street New Muckleneuk Pretoria

**Internal auditors**

ENTSIKA Consulting Services (Pty) Ltd

**Bankers**

First National Bank

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



# List of Abbreviations

AET	Adult Education and Training
BBBEE	Broad Based Black Economic Empowerment (Act)
BCEA	Basic Conditions of Employment Act
BEE	Black Economic Empowerment
CBO	Community-Based Organisation
CPA	Consumer Protection Act
DHET	Department of Higher Education and Training
DTI	Department of Trade and Industry
FET	Further Education and Training
FoodBev SETA	Food and Beverages Manufacturing Sector Education and Training Authority
GAP	Good Agricultural Practices
GET	General Education and Training
GMO	Genetically Modified Organism
HACCP	Hazard Analysis and Critical Control Points
HET	Higher Education and Training
ICT	Information and Communication Technology
IPAP 2	Industrial Policy Action Plan 2010/11 – 2012/13
IT	Information Technology
JSE	Johannesburg Stock Exchange
LFS	Labour Force Survey
LRA	Labour Relations Act
MIS	Management Information System
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NGO	Non-Governmental Organisation
NLP	Non-Levy Paying
NPO	Non-Profit Organisation
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NVC	New Venture Creation
OFO	Organising Framework for Occupations
PDI	Previously Disadvantaged Individual
PFMA	Public Finance Management Act
PIVOTAL	Professional Internship Vocational Technical Academic Learning Programmes
PPPFA	Preferential Procurement Policy Framework Act
QCTO	Quality Council for Trades and Occupations
SAQA	South African Qualifications Authority
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SMEs	Small and Micro Enterprises
SMMEs	Small Medium and Micro Enterprises
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training
WSP	Workplace Skills Plan



FoodBev SETA  
continued to work  
towards achievement  
of its targets as set  
out in the Annual  
Performance Plan  
and achieved some  
of the targets and  
others continue to be  
work in progress //



# Chairperson Foreword

**THULANITSHABALALA**

It gives me great pleasure to present the 2015-16 Food and Beverage Sector Education Training Authority (FoodBev SETA) annual report on behalf of the Board. FoodBev SETA continued with its objective of facilitating, coordinating and monitoring the implementation of the National Skills Development Strategy (NSDS) III plans within the Food and Beverages Manufacturing Sector. This was done through various strategies that included, among others, the identification of skills shortage in the sector and supporting the development of the current skills of employees in the sector. All these were made possible by the special relationships that the SETA has with its stakeholders.

The Board has, throughout the year under review, maintained good focus to ensure that FoodBev SETA continues to deliver on goals and targets of the NSDS III by continuing to promote the environment in which the FoodBev SETA work towards achievement of its goals as stated in the Annual Performance Plans and its five year Strategic plan. All the standing committees of the Board are functioning and effective and play an instrumental role in providing assurance in the control environment and ensured that the FoodBev SETA capacity for policy development, implementation, monitoring and evaluation is strengthened. The Audit and Risk committee continued to perform well and FoodBev SETA continued to receive excellent service from its Internal Auditors. The Board, with the involvement of the Executive Manager maintained good relations with its stakeholders.

FoodBev SETA continued to work towards achievement of its targets as set out in the Annual Performance Plan and achieved some of the targets and others continue to be work in progress. FoodBev SETA was able to receive an unqualified audit. This was achieved, despite the challenges faced by the FoodBev SETA with the prolonged conclusion of the case of the Chief Executive Officer and staff turnover in some of its critical departments.

The Food and Beverages SETA, like all other SETAs, is greatly affected by its inability to attract and retain talent due to the changes in the legislation and policy environment that are foreseen in the future. These changes affect the cohesion and collegiality between both internal and external stakeholders and ultimately hamper efforts of developing the skills of deserving South Africans. FoodBev SETA however continued to implement programmes and projects that are geared towards skills development and improved the internal control environment.

"The bursary project also addresses the country's need for accelerated production of Postgraduates and Doctoral graduates through a special financial support for research and innovation".

FoodBev SETA however continued to implement programmes and projects that are geared towards skills development and improved the internal control environment.

## Partnerships

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

## National Strategies

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

The scarce and critical skills offered by Higher Education Institutions but identified as a need within the sector are addressed through the FoodBev SETA comprehensive bursary project for both undergraduates and postgraduates. The bursary project also addresses the country's need for accelerated production of Postgraduates and Doctoral graduates through a special financial support for research and innovation. Over and above this, FoodBev SETA put more resources towards supporting the National Student Financial Assistance Scheme (NSFAS) in order to support more students in need.

## Appreciation

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

Our sincere thanks go to all critical role players such as organised labour in the sector, our five Chambers representatives, the institutions of higher learning and the college sector. All these partners created an enabling environment for the FoodBev SETA to make its impact in fulfilling the government aspiration of developing skills in South Africa.

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

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



**Mr Thulani Tshabalala**

Acting Chairperson of FoodBev SETA  
July 2016











FoodBev SETA  
continues to contribute  
to the improvement  
of education levels of  
youth and adults  
who exited school  
before completing  
secondary school  
education through  
Adult Education and  
Training (AET) //



# Acting Chief Executive Officer's Report

**NOKUTHULA SELAMOLELA**

The 2015/16 financial year marks the first year of the implementation of Government's 2014-2019 Medium-Term Strategic Framework (MTSF) and also falls on the 20th anniversary of adoption of the South African democratic constitution that paved the way for the promulgation of the Skills Development Legislative Framework such as the Skills Development Act of 1998 (SDA) and Skills Development Levies Act of 1999.

In order to improve service delivery and ultimately the quality of life of all South Africans, the FoodBev SETA guided by the Skills Development Act is steadfast in its contribution to the development of the skills of the people of South Africa.

In line with the above, FoodBev SETA has continued to increase access to occupationally-directed programmes through the implementation of various learning programmes such as learnerships, bursaries, apprenticeships, work experience, internships and TVET (Technical and Vocational Education and Training) placements.

The TVET College system, as one of the contributors to the South African workforce, is also supported by FoodBev SETA, which focuses on bridging the skills gap through exposing TVET College lecturers to current industry knowledge by placing them in the FoodBev SETA companies. This is done in order to ensure that the TVET College curriculum is in line with contemporary industry technology and skills. The project has seen the creation of partnerships between employers and TVET Colleges that allow the exchange of information. It is anticipated that these partnerships will be extended to include more learning programmes.

FoodBev SETA continues to contribute to the improvement of education levels of youth and adults who exited school before completing secondary school education through Adult Basic Education and Training (ABET). ABET focuses on numeracy and literacy as the fundamental platform for further learning, aiming to improve the chances of all citizens in participating in the economy of South Africa.

In the year under review, South Africa experienced a sweeping student uprising in higher education institutions relating to the #feesmustfall campaign. FoodBev SETA responded by contributing an additional discretionary grant of R6m to the National Student Financial Aid Scheme (NSFAS).

This was over and above the R10m that was approved by the Accounting Authority (the Board) in the previous year, including other bursaries that were awarded directly by FoodBev SETA to deserving students.

In order to make current and relevant training programmes available to its stakeholders, FoodBev SETA embarked on qualification development of four qualifications. One of the qualifications has been submitted to the Quality Council for Trades and Occupations (QCTO) for approval.

However, its registration is yet to be undertaken pending an agreement between the South African Qualifications Authority (SAQA) and the QCTO regarding part-time qualifications. The other three qualifications have been developed and are currently being captured in the QCTO template and submitted for evaluation and registration.

## General financial review of the organisation

FoodBev SETA received levy income totalling R307m for the financial year under review. This represents an 11% increase from the prior year due to an increase in salaries and the number of employers in the employer entities. Total expenditure on grants was R175m. Of this total expenditure, R65m was spent on mandatory grant payments and R110m was spent on discretionary grant payments and project administration costs. Discretionary grants are disbursed in tranches, and subsequent tranches are dependent on receipt of progress reports or results from employers in line with the approved learnerships. There is a general challenge from employers with regards to submission of supporting documents, progress reports and results which results in delays in payments.

Administration expenses have risen with inflation and these are controlled through monthly variance reporting and implementation of cost containment measures by the SETA.

SPENDING TRENDS	2015/16	Restated 2014/15
	Figures in R'000	
Mandatory	64 505	56 854
Discretionary	109 262	85 576
Administration	31 387	30 328

## FoodBev SETA experienced challenges with the finalisation of the registration of qualifications as this process is dependent on approval by the QCTO.

### Capacity constraints and challenges

A concerted effort was made to fill vacant positions with a view to provide a strong base from which to perform. This was generally achieved, although the achievement was short-lived as some of the recruits resigned within the same financial year that they were appointed. This affected the capacity of the SETA to perform; furthermore, there were critical positions in the Skills Planning, Human Resources and Finance departments that remained vacant during the year due to employee resignations and dismissals.

The Chief Executive Officer (CEO) remained on special leave for the full financial year. The Chief Financial Officer (CFO) was appointed as the Acting CEO during this period leading to a strain in the finance department and the entire organisation. This was also exacerbated by the increase in the scope and targets of the SETA during the year under review.

The newly acquired management information system (MIS) is still under implementation and has experienced challenges relating to requested functions. The migration of data from the previous system is yet to be completed. This creates a myriad of problems that range from monitoring and evaluation, certification, result uploads, registration and payments.

FoodBev SETA experienced challenges with the finalisation of the registration of qualifications as this process is dependent on approval by the QCTO. The general economic conditions and climate change faced by employers have impacted negatively on the sector with regards to companies taking up planned training.

The Accounting Authority approved discretionary and mandatory applications, however, companies failed to implement training that they had applied for. Several companies, which had requested extensions with regards to the implementation of their training plans, ended up cancelling their approved contracts at the end of the last quarter which resulted in most of the targets not being achieved. With regards to mandatory grant applications, some companies have not participated ever since the regulation changed.

### Discontinued activities

There has been no discontinuation or planned discontinuation of any major part of SETA operations.

### Supply Chain Management (SCM)

The Accounting Authority has implemented effective and efficient supply chain management systems through policies and procedures that are aligned to the Public Finance Management Act (PFMA), National Treasury regulations and other related legislation. All relevant bid committees are in place. As a result, to the best of our knowledge, there were no identified irregular expenditures in the year under review that were caused by non-compliance to the supply chain policies and procedures of the organisation.

### Corporate Services

The department was established to facilitate greater operational efficiency. The unit is made up of Human Resource Management and Marketing and Communication (see Part D for the detailed report on Human Resources). During quarter four of the year under review, the Marketing and Communication unit added bulk SMS services to the channels of communication to stakeholders.



## Quality assurance

FoodBev SETA accredited 16 new training providers for the sector and is proud to have them on board.

FoodBev SETA has embarked on the development of four QCTO qualifications:

- Dairyman – developed and submitted to QCTO for approval and registration
- Process Machine Operator – under review
- Wine-Maker Assistant – awaiting final sign-off from Development Quality Partner
- Craft Baker – awaiting final sign-off from Development Quality Partner

## Outlook/plans for the future

- FoodBev SETA is to embark on a new strategy of forming tripartite partnerships between TVET Colleges and employers in order to facilitate and increase the support for the TVET College system. Employers will be encouraged to give feedback to TVET Colleges regarding curriculum design.
- The FoodBev SETA will engage with TVET Colleges in other provinces, especially those that have a rural footprint, in order to roll out the lecturer capacity-building project in rural areas.
- The Board approved a research agenda which covers the following topics, from which a research agenda report will be developed:
  - Impact assessment on apprenticeships
  - Skills requirements for people with disabilities
  - Sector survey
  - Mandatory grant analysis
  - Customer satisfaction survey
- FoodBev SETA plans on developing small and emerging training organisations from previously disadvantaged backgrounds in order to increase the number of training providers from this group. Furthermore, there are plans to continue to develop non-levy paying organisations and NGOs including trade unions and cooperatives, by providing training to employees from these groups. The FoodBev SETA will assist the industry with trade tests through our partnership with NAMB/ INDLELA projects.

## Events after reporting date

The term of office of the Chairperson of the Board who is also a Ministerial Appointee came to an end on 31 March 2016.

## Acknowledgment/appreciation

I would like to thank all the partners and stakeholders that supported FoodBev SETA in the delivering of its Annual Performance Plan. The SETA management commits to continuously improve its services offered to constituencies by remaining relevant in terms of programme offerings and providing value for money.



**Ms Nokuthula Selamolela**  
Acting Chief Executive Officer

# Statement of Responsibility

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

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General;
- The annual report is complete, accurate and free from any omissions;
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury;
- The annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the FoodBev SETA;
- The Accounting Authority (the Board) is responsible for the preparation of the annual financial statements and for the assumptions made in this information;
- The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements; and
- The Auditor-General is engaged to express an independent opinion on the annual financial statements.

In our opinion the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the FoodBev SETA for the financial year ended 31 March 2016.

Yours faithfully



**Mr Thulani Tshabalala**

Acting Chairperson of FoodBev SETA



**Ms Nokuthula Selamolela**

Acting Chief Executive Officer



# Strategic Overview

## Vision

To have sufficient and appropriate knowledge and skills available in the Food and Beverages Manufacturing Sector in order to contribute to:

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

## Mission

The stakeholders of the Food and Beverages Manufacturing Sector are committed to ensuring that:

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

## Legislative and other mandates

### Legislative mandate

The FoodBev SETA falls under Schedule 3A of the Public Finance Management Act No.1 of 1999 (as amended). The SETA's mandate is derived from the Constitution of the Republic of South Africa which gives everyone the right to education. The SETA licence has been extended to 2018, as per the Government Gazette number 39260 published on 6 October 2015.

This constitutional mandate is strengthened by the following key pieces of legislation, which are directly applicable to the FoodBev SETA:

- The Skills Development Act, No. 97 of 1998 (as amended in 2008);
- The Skills Development Levies Act, No. 9 of 1999;
- The National Qualifications Framework Act, No. 67 of 2008 (as amended in August 2010); and
- The Public Finance Management Act, No. 1 of 1999 (as amended), and the related National Treasury Regulations (as amended).

## Policy Mandate

### The Medium-Term Strategic Framework (MTSF)

#### 2014–2019

The Government's Medium-Term Strategic Framework (MTSF) for the period 2014-2019 informed the FoodBev SETA's two-year strategy in line with the number of years the SETA has been relicensed. It provides a guide for planning and resource allocation across all spheres of Government, including the FoodBev SETA as one of the 21 public entities charged with facilitation and promotion of skills development in the Food and Beverage Manufacturing Sector.

### White Paper for Post-School Education and Training

The White Paper on Post-School Education and Training gives the Department of Higher Education and Training (DHET) a mandate to consolidate initiatives towards developing a central skills planning system through the establishment of a planning unit that will work with key public institutions to develop a national skills planning system. The SETAs, through their research units, will supply sector-specific, reliable, quantitative data to the national central planning process. The DHET, with the SETAs, will use the national and sectoral information on skills demand to plan supply.

This White Paper initiative places SETAs at the centre of post-school education through the facilitation of cooperative relationships between education and training institutions and the workplace.

Currently FoodBev SETA is playing a role in the establishment of partnerships between educational institutions and employers to facilitate various forms of work-integrated learning – this also includes work placement of college graduates and university graduates.

The White Paper on Post-School Education and Training has an impact on changes under National Skills Development Strategy (NSDS) III. The SETA licences have been extended to 31 March 2018 to allow for consultation and finalisation of the way forward regarding the future the SETA landscape.

## **The National Skills Development Strategy 2011/12 – 2015/16**

The FoodBev SETA APP's eight programmes are underpinned by the NSDS III promulgated by the Minister of Higher Education and Training.

Programmes one to eight of the FoodBev SETA's APP are based on the eight goals of the NSDS III as listed below:

1. Establishing a credible institutional mechanism for skills planning;
2. Increasing access to occupationally-directed programmes;
3. Promoting the growth of a public TVET system that is responsive to sector, local, regional and national skills needs and priorities;
4. Addressing the low level of youth and adult language and numeracy skills to enable further training;
5. Encouraging better use of workplace-based skills development;
6. Encouraging and supporting cooperatives, small enterprises, worker-initiated programmes; Non-Governmental Organisations (NGOs), and community training initiatives;
7. Increasing public sector capacity for improved service delivery and supporting the building of a developmental state; and
8. Building career and vocational guidance.

### **Scope of Coverage**

The National Economic Sector for which the SETA is established is the Food and Beverages Manufacturing Sector. Its scope of coverage, as determined by the Minister in terms of section 9(2) of the Act, is as below:

#### **The manufacturing of beverages**

This sub-sector manufactures spirits, beer, malt, soft drinks and mineral water, with wine and beer being major outputs.

#### **The manufacturing of baking cereals, confectionary and snacks**

This sub-sector includes the manufacture of breakfast foods, bakery products, cocoa, chocolate, sugar-confectionery and nuts. It comprises companies that are mainly involved in salting, baking, drying and cooking processes.

#### **The manufacturing of dairy**

All dairy products are manufactured by companies in this sub-sector including fresh milk, cheese, butter, ice-cream, yoghurt and edible ice.

#### **The manufacturing of food preparation products**

This sub-sector produces goods that are used in making a meal or beverage. Examples of these products include noodles, spices and sauces.

#### **The manufacturing of processed and preserved meat, fish, fruit and vegetables**

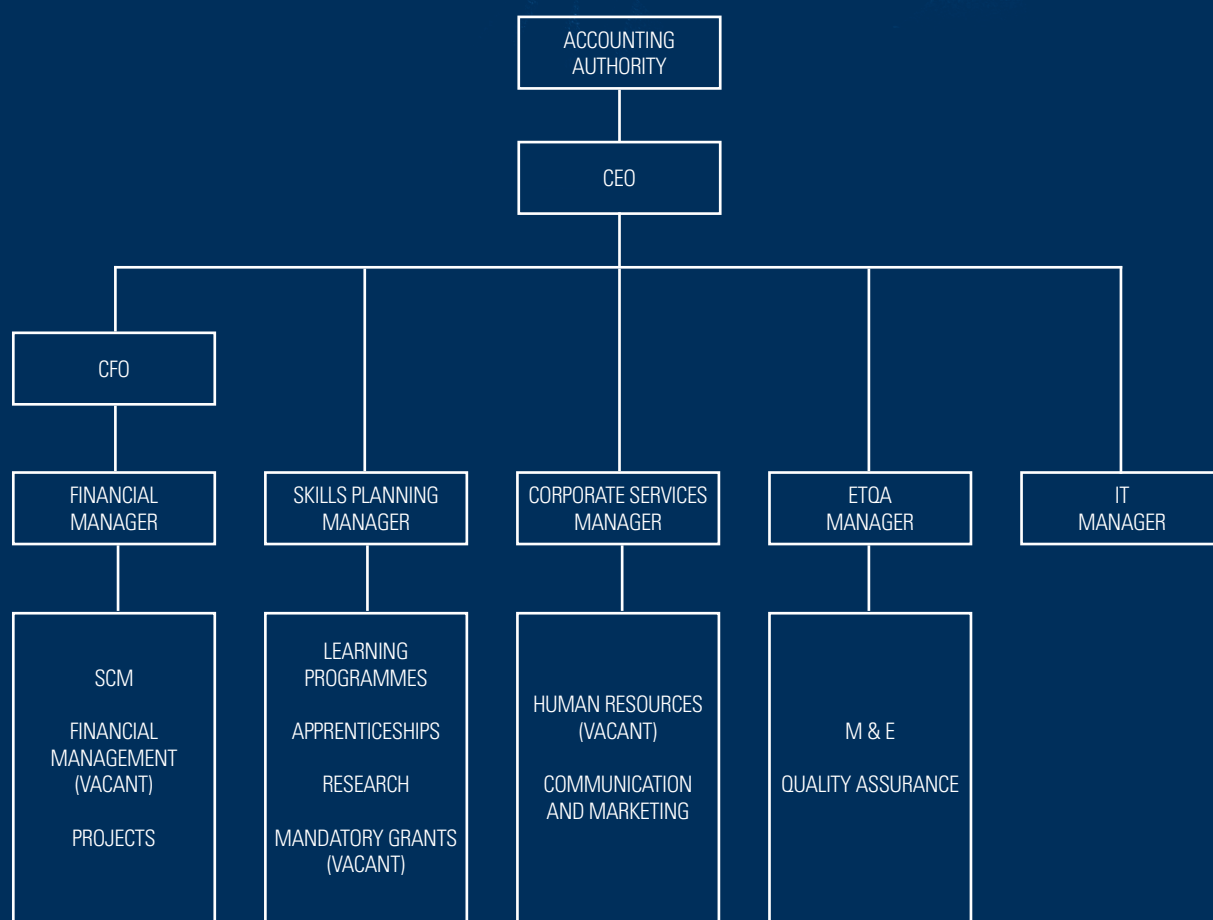
This sub-sector is split into the following:

- The manufacture of prepared and preserved meat; canned, processed and dehydrated fruit and vegetables; vegetable and animal oils and fats, processed fish crustacean and similar foods;
- The production, processing and preserving of meat and meat products;
- The slaughtering, dressing and packing of livestock including poultry and small game for meat, lard and other edible fats; and
- The processing and preserving of fish products, fruits and vegetables.



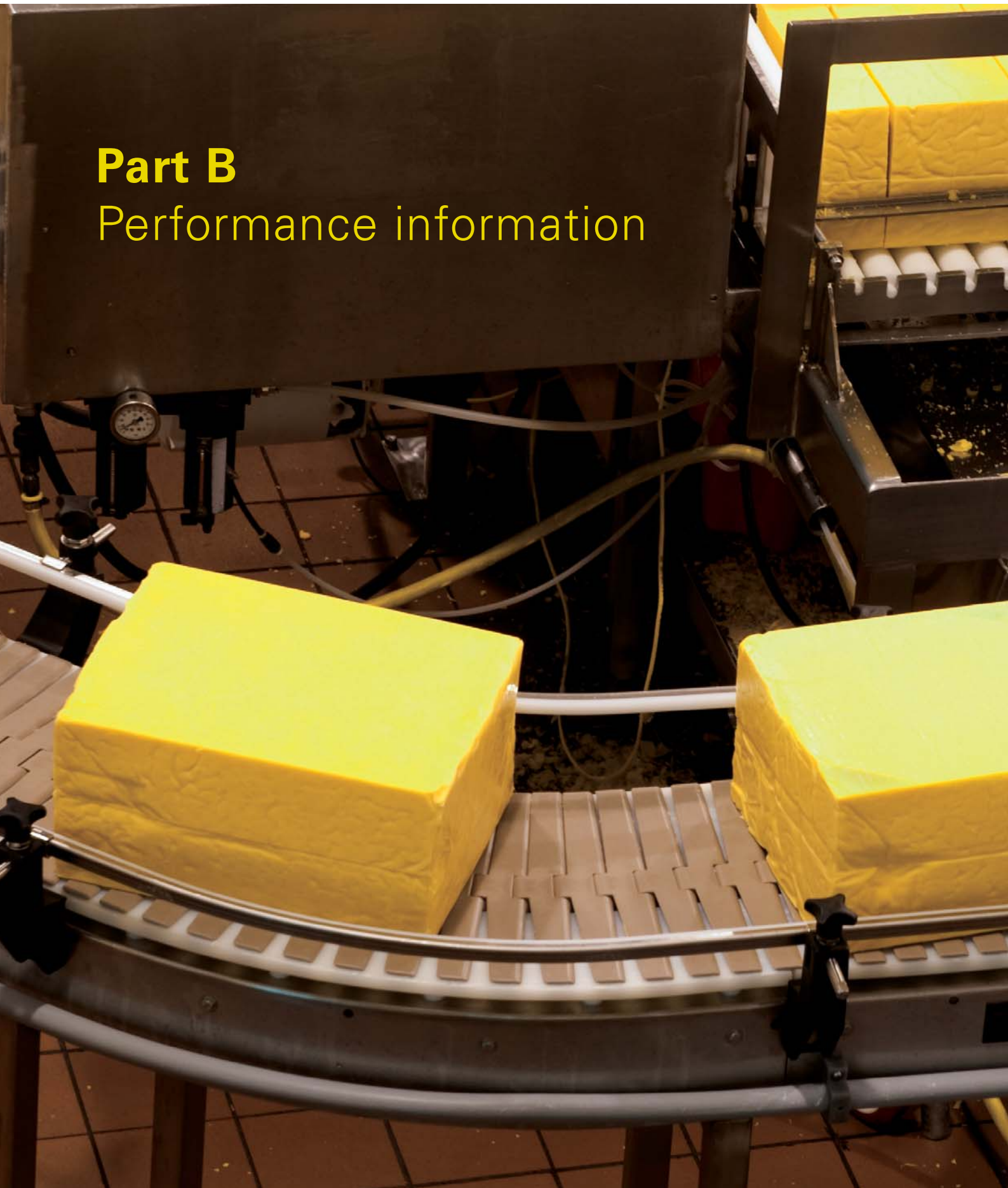
## ORGANISATIONAL STRUCTURE

The FoodBev SETA organisational structure is composed as follows:



## Part B

### Performance information







We're **reshaping the way** in which the industry and its players **develop skills**, one small piece of cheese at a time.



# Predetermined Objectives

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

## Situational analysis

### Service Delivery Environment

- Opportunities for participation of small, medium and micro enterprises in niche markets exist, providing opportunities for sector growth. Manufacturing in the sector is not always scale-dependent and small operations may be as economically efficient as larger plants.
- The role of technology becomes more important to maximise efficiencies;
- Gradual improvement in productivity levels has been experienced over the past 10 years. Due to global competitiveness, this needs to continuously improve;
- Production in certain sub-sectors is threatened by imports (dairy industry, meat industry) and therefore cannot compete in the export market;
- The sector is volume, cost and technology driven. Skills are frequently not aligned to new technologies;
- The sector is adopting high technological innovations that require more highly skilled personnel;
- Across all occupations females constitute a lower proportion of the workforce, even in occupations that are not 'traditionally male' positions, for example positions such as sales workers, clerical and administrative workers and professionals;
- An increased awareness of environmental sustainability requires 'upskilling' of the workforce and inclusion of new content in the curricula of learning programmes;
- Promulgation of various pieces of legislation, such as the Consumer Protection Act and the Labelling Act, require training at various levels in companies in the sector and will need to be included in curricula in future;
- An estimated 50 000 employees will be required by the sector over the next year due to replacement demand and expected sector growth;

- Of these more than 16 000 people will be required in occupations identified as the top 10 scarce skills; and
- The match between demand and supply of skills in the food and beverage manufacturing sector requires a better fit.

### The demand issues isolated below:

- Higher levels of education and work experience required (NQF levels 5 and higher);
- The need for woman management development of women across all managerial levels;
- The need for increased artisan development;
- Upskilling of operators;
- Adult education to provide improved access to higher levels of learning;
- Industry to take a proactive role in socio-economic transformation in mitigating the historic divides that impact on skills development and employment equity; and
- Stakeholder management with industry and educational institutions aiding in curriculum development that is geared to specialisation rather than generalisation.

### The supply issues identified are:

- Through proper career guidance, enable the education sector to inculcate a culture among students and learners of the importance of earning the highest level of qualifications within their intellectual ability and to develop themselves for careers where employment opportunities exist;
- Influence increased collaboration with industry on appropriate technology and innovation that should be included in curricula;
- Ensure the adoption and education of numeracy and literacy skills from primary and secondary education as they serve as the preamble to access entry and function within a highly skilled environment;
- Provide workplace experience to young people with appropriate academic qualifications;
- Continue with management development;
- Improve the skills at operator level;
- Continue with artisan development; and
- Support adult education to provide access to higher qualification levels.



## Organisational environment

The SETA Board is fully functional and key committees such as the Executive Committee, Audit Committee Governance and Strategy, and Finance and Remuneration Committees, have been established and are functional. The Chamber committees have been established and are led by Chairpersons who are members of the Accounting Authority.

The Minister of Higher Education and Training gazetted the relicensing of SETA until 31 March 2018 in the Government Gazette, Vol. 605, 10 November 2015, No. 39386.

FoodBev SETA like other SETAs begun to experience high staff turnover levels due to the uncertainty of its continued existence.

## Key policy developments and legislative changes

In the year under review, there were no significant policy and legislative changes, however, the DHET gazetted the discussion document entitled Proposal for the New National Skills Development Strategy (NSDS) and Sector Education and Training Authorities (SETAs) landscape within the context of an Integrated and Differentiated Post-School Education and Training System (NSLP-2015). In this regard the SETA licences have been extended to 31 March 2018 to allow for consultation and finalisation of the way forward regarding the future SETA landscape.

## Strategic outcome-oriented goals

### GOAL 1

*Establish a credible institutional mechanism for skills planning in companies in the sector who submit quality workplace skills plans, annual training plans and pivotal training plans and reports.*

The Research unit in the Skills Planning Division updated the FoodBev SETA Sector Skills Plan (SSP) which was approved by the DHET. The main challenge associated with the compilation of the 2015/16 SSP was the validity of data. This was addressed through a process of stakeholder validation of the data which ultimately enhanced the quality of the SSP.

### GOAL 2

*Increase access to occupationally-directed programmes in needed areas thereby expanding the availability of intermediate and high level learning skills.*

South Africa has a need to ensure continuous skills upgrades in the workforce in order to help create a measurable increase in the immediate skills pool in particular artisan, technician and related occupations. In response to this, FoodBev SETA supports and encourages registered employers to turn their workplaces into training spaces through means of discretionary grants.

In the year under review, FoodBev SETA, through its discretionary grant programmes, implemented the following learning programmes:

### Learnerships

Learnerships form a crucial part of the supply of skills to the sector. The FoodBev SETA continues to support the uptake of these learning programmes and it continues to monitor trends in registrations and completions. In the year under review, employed and unemployed learnership targets were increased by 10% in order to increase access to occupationally-directed programmes. The target for 2014/15 was increased from 1 200 to 1 320 in 2015/16 in order for more learners to have access to occupationally-directed programmes. Due to the economic climate, companies reduced training opportunities.

### Bursaries

#### Youth and unemployed undergraduates and post-graduates

The FoodBev SETA Accounting Authority recognises the need to fund learners in higher education institutions and therefore provided R6m to the National Student Financial Scheme. In the year under review, 443 first-year students were funded. The Accounting Authority approved funding for 162 students in their second and third years based on the crisis that the country faced with regards to higher education fees. Each year, the industry requires students that specialise in research and innovation, and in the year under review, 50 students were funded by the SETA for areas related to the sector.

# Predetermined Objectives

Judging by the high volumes of applications the SETA receives, there is a great demand for higher education bursaries.

## Apprenticeships

In order to address the demand of qualified artisans, FoodBev SETA set a target of 70 learners to be registered and trained as artisans in various trades. There were 81 learners registered under this programme, which means the target was exceeded by 11. During the year under review, 31 apprentices qualified as artisans.

As the demand for qualified artisans arises from the wider manufacturing sector, the FoodBev SETA sector finds itself with a need to compete for a limited supply of these technical skills. The delay in the issuing of trade test dates is causing backlogs of at least six months for apprentices to qualify. This is compounded by the fact that a number of apprentices are not deemed competent after the first trade test being conducted and need to apply for a second or third trade test date.

High levels of demand have resulted in high wage premiums and experienced artisans are able to easily move between sectors in search of higher wages and better working conditions. The FoodBev SETA artisans are in high demand globally; skills are therefore lost to the local economy on either a temporary or permanent basis.

## Work Experience/Internships

In order to increase workplace training, and ensure the relevance of skills to the labour market, FoodBev SETA, through its discretionary grants, subsidises work-integrated learning, placement of TVET students at companies and work experience to be gained.

FoodBev SETA registered employers afforded 12 months internships/in-service training to 439 students against a target of 510. Some of these students were further assisted to find employment or absorbed into the labour market with an option to further their studies within the sector. Unfortunately, the #feesmustfall movement had a negative impact on this project. Employers found it difficult to access student's results in order to finalise the training programmes.

## TVET Placement

The FoodBev SETA planned to place 300 TVET students in order to obtain work experience and funded 182 students. Although the target was not met, substantial progress has been made in creating a platform for engagement between employers and TVET Colleges. This is crucial as employers perceive the TVET learning programmes as not aligned and responsive to the needs of the sector. Consequently, the willingness to offer work experience to TVET learners is low.

### GOAL 3

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

The public TVET College system is central to Government's programme of skilling and re-skilling the youth and adults of South Africa. Therefore its transformation is key to the integration of education and training and responding to the skills needs in the country.

In an effort to build the capacity of college educators to deliver relevant programmes, FoodBev SETA piloted the TVET lecturer capacity-building project. The project developed 11 lecturers through placements in Food and Beverage SETA registered companies. Industry experts in turn delivered guest lectures at TVET Colleges.

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

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

Colleges that participated in the project were Ekurhuleni East College, Ekurhuleni West College, Westcol Tshwane North College in Gauteng and Buffalo City College in the Eastern Cape.



The TVET Colleges partnered with the following companies:

- Kees Beyers Chocolates;
- Simba/PepsiCo;
- Dynamic Brands;
- Bidvest Baking Solutions; and
- Rhodes Food Group.

Positive feedback on the impact made by the project was received from the colleges that took part, however, there were challenges associated with the project. One of the challenges was the proximity of the FoodBev SETA-registered companies to TVET Colleges. This made travelling to and from the colleges to workplaces costly and time-consuming.

## GOAL 4

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

In order to address low literacy levels of young people and to improve their chances of participating productively in the economy, FoodBev SETA annually creates an opportunity for employers to apply for grants to address the low literacy and numeracy levels of their employees where applicable.

However, during the year under review, the adult education and training project experienced various challenges. ABET is not a priority for most businesses and insufficient time is allocated for learners to attend classes, with technical training taking preference. Stakeholders have also indicated that many employees have already obtained a senior certificate when entering the work market due to technological demands of the workplace.

Adult learners also view adult training as inferior relative to other learning programmes because of the stigma associated with it. This has resulted in a decline of the need for adult learners in the workplace. The FoodBev SETA should consider funding unemployed persons for ABET.

## GOAL 5

*Encourage better use of workplace-based skills development.*

In addressing this goal, the SETA uses both the mandatory and discretionary grants to support the training of employed and unemployed learners in order to improve productivity of the economy of South Africa and address the skills imbalances of the workforce.

This is achieved by establishing and registering learning programmes, approving Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs), disbursements of mandatory grants to levy-paying employers and discretionary grants to stakeholders, including public education and training institutions, learners and non-governmental organisations (NGOs).

During the period under review, FoodBev SETA provided skills development programmes (learnerships, bursaries, work-integrated learning, ABET and skills programmes) for employed and unemployed learners as summarised in the performance table on pages 27–42.

## GOAL 6

*Encouraging and supporting cooperative, small enterprise, worker-initiated, NGO and community training initiatives.*

One of the primary objectives of the SETA is to support cooperatives, small enterprises and NGOs in order to maximise their economic role. In the year under review, FoodBev SETA has increased the training of Trade Union members in order to increase their capacity to engage effectively in the workplace and in the broader economy.

# Predetermined Objectives

## GOAL 7

### *Building career and vocational guidance .*

The increase and uptake of FoodBev SETA qualifications forms one of the main vehicles of addressing skills shortages in the Food and Beverage Manufacturing Sector. This is done through creating awareness at planned career exhibitions and school talks.

The planned target for the year under review was 6 000 career guides to be distributed to learners and teachers. The focus was on 15 events being hosted by the FoodBev SETA. The FoodBev SETA distributed 6 139 career guides, which exceeded the target by 139.

### **Impact of the Learning Programmes**

The NSDS III review emphasises the unanimous agreement that skills development has a key role in addressing the triple challenges in South Africa, namely, that of unemployment, poverty and inequality, as well as the urgent need to accelerate growth and equity in the context of an underperforming economy.

The implementation of the FoodBev SETA's various learning programmes contribute to South Africa's 14 medium-term goals in order to improve South Africa's current ranking in the World Competitiveness report in terms of education and skills development.

The learning programmes improve the general employability of many young South Africans, allowing them to contribute to the economy of the country.

The implementation of the FoodBev SETA's various learning programmes contribute to South Africa's 14 medium-term goals to improve South Africa's current ranking in the World Competitiveness report in terms of education and skills development.



# Performance Information Per Objective

## STRATEGIC OUTCOME–ORIENTATED GOAL 1

Establish a credible institutional mechanism for skills planning companies in the sector who submit quality workplace skills plans, annual training plans and pivotal training plans and reports.

OBJECTIVE	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/2015	STRATEGIC PLAN TARGET 2015/2016	ACTUAL ACHIEVEMENT 2015/2016	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2015/2016	COMMENTS
Sector skills plans will be researched to provide a sound analysis of the sector and articulate an agreed sector strategy to address skills needs.	Critical and scarce skills analysed and identified to enable proper skills planning. Approved WSPs ATRs and Pivotal Plans to effect payment of mandatory grants to companies .	1	1	1	–	Achieved.

## STRATEGIC OUTCOME–ORIENTATED GOAL 2

Increase access to occupationally–directed programmes in needed areas thereby expanding the availability of intermediate and high level learning skills.

To increase the number of employees and unemployed persons entering learning which leads to qualifications thus improving their employability and chances of career progression.	Employed learners entering learnerships.	1 200	1 320	1 058	– 262	Target was affected by cancellations and reasons given include, among others, learners terminating, cost of training being higher than the allocated grants, learners not attending training on scheduled dates, company restructuring and learners not providing documents. Other reasons given pertained to changes in operational requirements and time and capacity constraints.
	Unemployed learners entering learnerships.	1 188	1 320	1 199	–121	

# Performance Information Per Objective

<b>STRATEGIC OUTCOME–ORIENTATED GOAL 2</b> Increase access to occupationally–directed programmes in needed areas thereby expanding the availability of intermediate and high level learning skills.						
OBJECTIVE	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/2015	STRATEGIC PLAN TARGET 2015/2016	ACTUAL ACHIEVEMENT 2015/2016	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2015/2016	COMMENTS
To increase the number of employees and unemployed persons entering learning programmes which lead to qualifications thus improving their employability and chances of career progression.	Employed learners entering skills programme.	700	770	648	–122	Target was affected by cancellations due to employees not meeting the criteria for entering a skills programme. Other reasons given pertained to changes in operational requirements and time and capacity constraints.
	Bursaries awarded to unemployed learners.	400	440 Bursaries awarded to unemployed over three years.	443 Bursaries awarded to unemployed over three years.	+3	This target was over-achieved because the funding approved for this target could accommodate three additional students.
	Bursaries awarded to employed learners.	285	313	244	–69	Target was affected by cancellations due to learners not providing the required documents. Some learners withdrew from the bursary programme.

# Performance Information Per Objective

<b>STRATEGIC OUTCOME–ORIENTATED GOAL 3</b> Promoting the growth of a public TVET College system that is responsive to sector, local regional and national skills needs and priorities.						
OBJECTIVE	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/2015	STRATEGIC PLAN TARGET 2015/2016	ACTUAL ACHIEVEMENT 2015/2016	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2015/2016	COMMENTS
To have artisans qualified with relevant skills and find employment.	Apprentices entered and registered on apprenticeship programmes to qualify as artisans.	50 Apprenticeship section 13.  20 Apprenticeship section 28.	70	81	+11	This target was over-achieved due to the high demand for artisan programmes.
To support student with internship/ work experience so as to complete mandatory training as required by HET/TVET Colleges.	Register HET students on work placement experience through companies in the sector.	302	510	439	–71	Target was affected by cancellations from employers, among others, resignation of learners, dismissals, as well as abscondment.
	TVET graduates entered into workplace in the sector.	749	300	182	–118	Target was affected by cancellations due to resignation of learners, dismissals, as well as abscondment.
Enhance research development and innovation in human capital for a growing knowledge economy.	Bursaries awarded for postgraduate programmes with focus on research and innovation and courses that address scarce skills in the sector.	0	50	50	–	Achieved.



# Performance Information Per Objective

<b>STRATEGIC OUTCOME–ORIENTATED GOAL 3</b> Promoting the growth of a public TVET College system that is responsive to sector, local regional and national skills needs and priorities.						
OBJECTIVE	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/2015	STRATEGIC PLAN TARGET 2015/2016	ACTUAL ACHIEVEMENT 2015/2016	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2015/2016	COMMENTS
The capacity of college educators to deliver programmes is reviewed. Skills development programmes including work placement opportunities and advice to meet the needs of the college educators.	Partnerships with TVET institutions with regards to capacity building of lecturers and to promote responsiveness of TVET to sector skills needs.	2	0	8	+8	Target was over-achieved due to companies understanding the impact of this partnership with TVET to address the challenges faced by employers when it comes to placing learners from TVET Colleges.
	The capacity of college educators to deliver projects is reviewed – work exposure of TVET lecturers to the sector.	10	6	12	+6	Target was over-achieved due to companies understanding the impact of this partnership with TVET to address the challenges faced by employers when it comes to placing TVET learners.

# Performance Information Per Objective

## STRATEGIC OUTCOME–ORIENTATED GOAL 4

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

OBJECTIVE	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/2015	STRATEGIC PLAN TARGET 2015/2016	ACTUAL ACHIEVEMENT 2015/2016	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2015/2016	COMMENTS
DHET-led process including developing a strategy supported by all stakeholders.	Employees entering AET programmes.	330	660	407	–253	Target was affected by cancellations due to learners being unable to attend training on scheduled dates and times, changes in operational requirements and capacity constraints.

## STRATEGIC OUTCOME–ORIENTATED GOAL 5

Encourage better use of workplace-based skills development.

SETA stakeholders agree on the provision of substantial quality programmes for employed workers and reports on the impact of training.	Critical and scarce skills analysed and identified to enable proper skills planning	Approved WSPs, ATRs and plans: 163 large companies	Approved WSPs, ATRs and PIVOTAL plans:	Approved WSPs, ATRs and PIVOTAL plans:	–8 large companies	Some companies have not participated after the change in regulations. Some companies did not implement previously planned training as indicated in their previous years' workplace plans.
	Approved WSPs ATRs and PIVOTAL Plans to effect payment of mandatory grants to companies.	172 medium companies	193 large companies	185 large companies	–6 medium companies	
		271 small companies	187 medium companies	181 medium companies	–55 small companies	
Sector projects are put in place to address specific sector skills gaps.			275 small companies.	220 small companies.		





# Performance Information Per Objective

<b>STRATEGIC OUTCOME–ORIENTATED GOAL 6</b> Encouraging and supporting co-operative, small enterprises, worker–initiated, NGO and community training initiatives.						
OBJECTIVE	PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/2015	STRATEGIC PLAN TARGET 2015/2016	ACTUAL ACHIEVEMENT 2015/2016	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2015/2016	COMMENTS
SETAs identify in their skills planning research establish and emergent cooperatives and their skills needs business.  Training of trade unions and people with disability in our sector.	Provide skills development support to NLPE, NGO's, CBO, Cooperatives, trade unions and people with disability supported.	327	330	0	–330	FoodBev SETA has entered into memoranda of agreements with Trade Unions. The process of appointing training providers to train Trade Union members is still in progress, hence the target was not achieved.
<b>STRATEGIC OUTCOME–ORIENTATED GOAL 7</b> Building career and vocational guidance.						
Career guides are developed with labour market information from the SETA addressing sub–sectors within the sector.	Distribute sector skills guides and career guides that provide information on careers and employment opportunities to scholars and orientates teachers in the sector and assists in making career choices.	5 500 guides distributed	6 000 guides distributed	6 139 guides distributed	+139	This target was over–achieved because distribution of the career guide is done according to the demand and relationships established over the year.

# Performance Information Per Objective

## Completed targets

PERFORMANCE INDICATOR	PLAN TARGET 2015/2016	ACTUAL ACHIEVEMENT 2015/2016	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2015/2016	COMMENTS
Employed learnerships	660	732	+72	This target has been over-achieved due to learners completing programmes.
Unemployed learnerships	660	821	+161	This target has been over-achieved due to learners completing programmes.
Skills programmes	385	505	+120	This target has been over-achieved due to learners completing programmes.
Employed bursaries	156	78	-78	Companies did not submit results due to some employees cancelling or deferring their courses in the middle of the year because of work demands and some employees failing to complete their studies.
Unemployed bursaries	220	92	-128	Some students did not submit results or failed to complete their studies due to several reasons.
Research and Innovation bursaries	25	0	-25	Research programme; still in progress to complete in the following year.
Unemployed internships and work experience	255	18	-237	Companies failed to submit exit reports to confirm completion.
Artisans	35	31	- 4	Target not achieved due to apprentices having to repeat trade tests.
TVET placement	150	62	-88	Learners to complete in the following year because the course is 18-months long. The 62 achieved learners relate to work readiness students who were on a six-month internship programme.
AET	330	253	-77	Employees did not complete this programme due to lack of interest. Training is mostly after hours and employees failed to then complete their courses as they indicated that they could not attend after work.
The capacity of college educators to deliver projects is reviewed – work exposure of TVET lecturers to the sector	3	11	+ 8	Target has been over-achieved due to increased stakeholder participation.
NLPE, NGO, CBO, worker-initiated programmes, Trade Unions and SMEs	165	0	-165	Target was not achieved; training still in progress.
Career guidance and sector skills guide	6 000	6 139	+139	Target has been over-achieved due to high attendance of the FoodBev SETA career exhibitions.

# Revenue Collection

SOURCES OF REVENUE	2014/2015			2015/2016		
	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION
	R'000	R'000	R'000	R'000	R'000	R'000
Fines and penalties	–	7 053	7 053	–	10 958	10 958
Skills Development Levy	248 000	277 345	29 345	279 840	307 017	27 177
<b>Total</b>	<b>248 000</b>	<b>289 398</b>	<b>36 398</b>	<b>279 840</b>	<b>317 975</b>	<b>38 135</b>

## Capital investment

The FoodBev SETA does not have an infrastructure project as its mandate is skills development. Capital investment therefore, consists of only the following:

- Fixed assets required for administration of the FoodBev SETA; and
- Short-term investments with commercial banks.

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



# Part C

## Governance





The **stakeholders** of the food and beverage manufacturing sector are **committed** to ensuring that **relevant** and **quality learning standards** and **qualifications** are available in this sector.



# Governance

## Introduction

Corporate Governance refers to systems and processes through which public entities are controlled and held to account. The FoodBev SETA is a public entity established in terms of Schedule 3A of the PFMA. FoodBev SETA is one of the 21 Sector Education and Training Authorities (SETAs) established by the Minister of Higher Education and Training through the amended Skills Development Act of 1998. The FoodBev SETA is governed by its Constitution.

## Portfolio Committee

The FoodBev SETA was not requested to appear before the Portfolio Committee on Higher Education in the 2015/16 financial year.

## Executive Authority

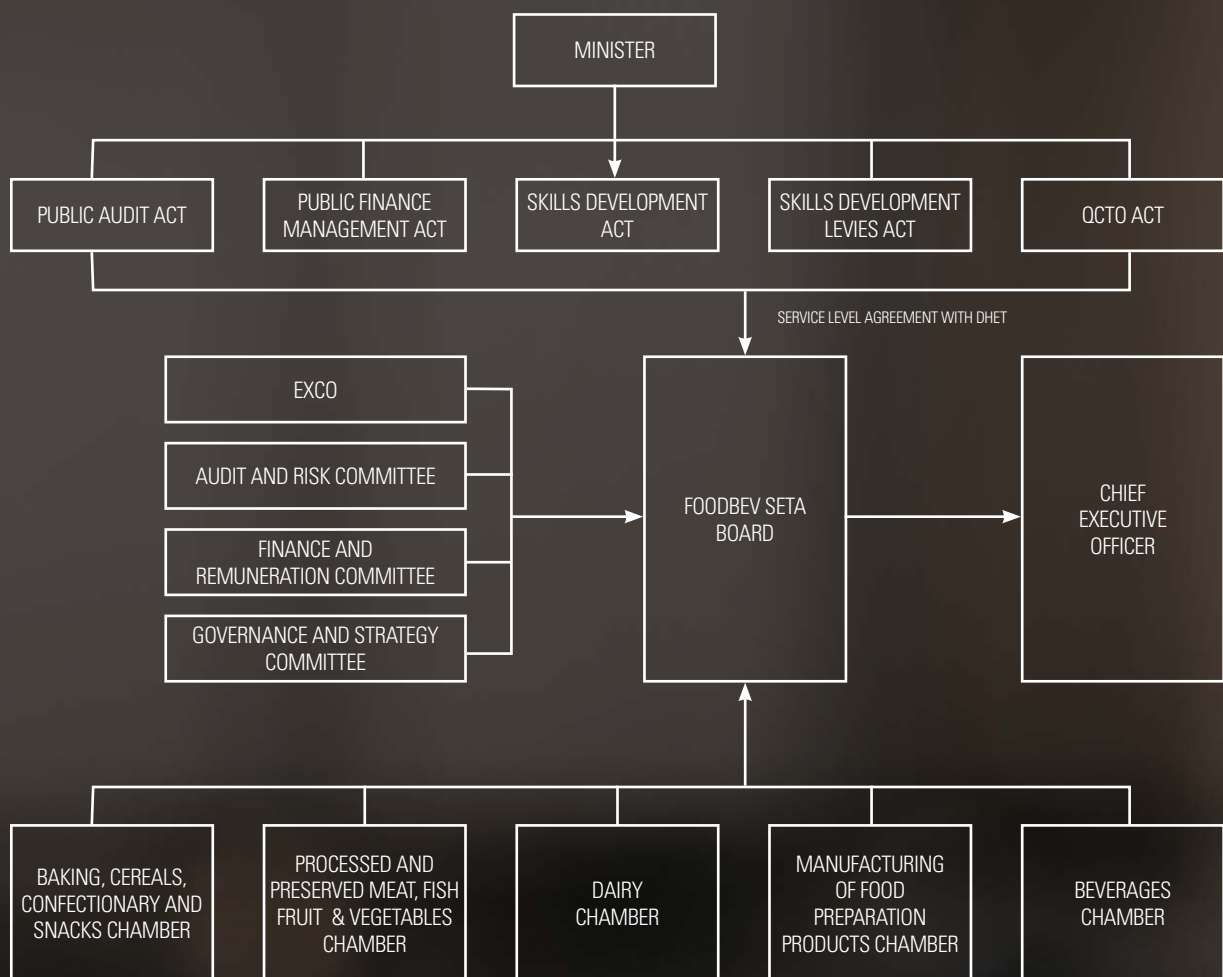
The Executive Authority in the SETA environment rests with the Minister of Higher Education and Training who appoints members of the Accounting Authority. The Minister of Higher Education and Training relicensed the SETAs to operate for the next two years until 31 March 2018 as well as the term of office of the Board.



## Accounting Authority's Report

### The Role of the Board

The role of the Accounting Authority (the Board) is to provide strategic leadership to the FoodBev SETA and to ensure that it fulfils its mandate and obligations in terms of the FoodBev SETA Constitution and the Skills Development Act.



# Board Members

## Ministerial Appointees



**Matsobane Komape**

Chairperson of FoodBev  
SETA



**Thulani Tshabalala**

Acting Chairperson of  
FoodBev SETA



**Shahrzard Hone**

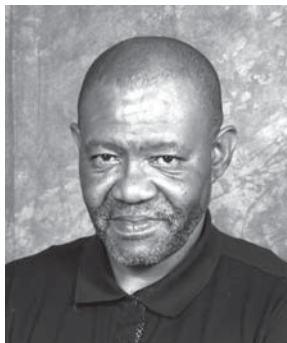
Board member



**Nokuthula Selamolela**

Acting CEO of FoodBev  
SETA

## Organise Labour



**Lancelot Giba**

FAWU



**Andile Nkosibomvu**

FEDCREW



**Raymond Mnguni**

FAWU



**Dick Khumalo**

FAWU



**Nqobile Tshabangu**

NAFBUSAW

## Organised Employers



**Geoff Penny**

SA Baking Chamber



**Willie Prinsloo**

MILK SA



**Leslie Thomas**

SALBA



**Gerhardus Hamman**

Food Preparation Products



**Keith Smith**

Processed Foods, Meat  
and Fish



**Dr. Tienie Ehlers**

SAB



## Composition of the Board/Accounting Authority

The Board and sub-committee structure:

All committees comprise members as follows:

- Three Board members are Ministerial Appointees;
- Six Board members are from Organised Employers;
- Six Board members are from Organised Labour; and
- Four independent Audit and Risk members and two Board members.

The following committees have been established by the Board in terms of the Constitution:

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

### Executive Committee

#### Purpose

The Executive Committee is responsible for overseeing the management of the financial affairs of FoodBev SETA, including determination of budgets and business plans. The Committee is also responsible for monitoring national issues and developments, as well as ensuring that the policies of the Board are implemented.

### Audit and Risk Committee

#### Purpose

The Audit and Risk Committee is an oversight committee on behalf of the Board. It fulfils a supervisory and monitoring role on the SETA's financial affairs and SETA's relationship with the internal and external auditors, as well as risk management. The Committee is also responsible for ensuring SETA compliance to legislation.

### Finance and Remuneration Committee

#### Purpose

The Finance and Remuneration Committee is responsible for all financial affairs of the organisation and provides guidance to the CEO on the effective and efficient utilisation of funds in compliance to the approved policies and business plans.

## Governance and Strategy Committee

#### Purpose

The Governance and Strategy Committee plays an oversight role with regards to matters relating to governance and strategy in order to ensure that practices are consistent and compliant with the SETA Constitution and relevant legislation and policies. The Committee also acts as a Strategic Advisory Committee to the CEO and management.

### Chambers Committee

FoodBev SETA has five Chambers, each of which is chaired by a Board member.

The following is a list of all Chambers relevant to the FoodBev SETA:

- Beverages Chamber;
- Baking Cereals, Confectionary and Snacks Chamber;
- Dairy Chamber;
- Food Preparation Products Chamber; and
- Processed and Preserved Meat, Fish, Fruit and Vegetables Chamber.

The Chambers play a critical role in the development of the Skills Sector Plan (SSP), SSP research projects and agenda within the NSDS III. They are also instrumental in compiling of the scarce skills list, as well as qualification development within the sector.

# Governance

## The FoodBev SETA Board and Committee meeting attendance

The term of office of the Board has been extended to 31 March 2018.

### Board meeting attendance: 2015/16

Number of meetings held		Scheduled	Special
		4	11

Committee member name	No. of scheduled meetings attended	No. of special meetings attended	Constituency represented	Designation	Date joined/resigned
Komape Matsobane	4	11	Independent Appointee	Chairperson	–
Ehlers Tienie	3	10	Organised Employers	Member	Resigned 31 March 2016
Giba Lancelot	4	9	Organised Labour	Member	–
Hamman Gerhardus	3	9	Organised Employers	Member	–
Hone Shahrzad	4	10	Independent Appointee	Member	–
Khumalo Dick	4	10	Organised Labour	Member	–
Manoto Elizabeth	4	11	Organised Labour	Member	–
Mnguni Raymond	4	11	Organised Labour	Member	–
Nkosibomvu Andile	4	10	Organised Labour	Member	–
Penny Geoff	4	10	Organised Employers	Member	–
Prinsloo Willie	4	11	Organised Employers	Member	–
Smith Keith	3	8	Organised Employers	Member	–
Thomas Leslie	4	11	Organised Employers	Member	–
Tshabalala Thulani	4	11	Independent Appointee	Member	–
Tshabangu Nqobile	2	2	Organised Labour	Member	Joined 31 August 2015

### Executive Committee meeting attendance: 2015/16

Number of meetings held		Scheduled	Special
		3	3

Committee member name	No. of scheduled meetings attended	No. of special meetings attended	Constituency represented	Designation
Komape Matsobane	3	3	Independent Appointee	Chairperson
Giba Lancelot	2	3	Organised Labour	Member
Hamman Gerhardus	1	3	Organised Employers	Member
Mnguni Raymond	3	3	Organised Labour	Member
Penny Geoff	3	3	Organised Employers	Member

### Finance and Remuneration Committee meeting attendance: 2015/16

Number of meetings held	Scheduled	Special
	4	1

Committee member name	No. of scheduled meetings attended	No. of special meetings attended	Constituency represented	Designation	Date joined/ resigned
Thomas Leslie	4	1	Organised Employers	Chairperson	–
Ehlers Tienie	3	1	Organised Employers	Member	–
Hone Shahrzad	4	1	Independent Appointee	Member	–
Khumalo Dick	4	1	Organised Labour	Member	–
Mnguni Raymond	3	1	Organised Labour	Chairperson	November 2015 (out – moved to EXCO)
Tshabangu Nqobile	0	0	Organised Labour	Member	October 2015 (in – new member)

### Governance and Strategy meeting attendance: 2015/16

Number of meetings held	Scheduled	Special
	3	0

Committee member name	No. of scheduled meetings attended	No. of special meetings attended	Constituency represented	Designation
Tshabalala Thulani	3	0	Independent Appointee	Chairperson
Manoto Elizabeth	3	0	Organised Labour	Member
Nkosibomvu Andile	3	0	Organised Labour	Member
Prinsloo Willie	3	0	Organised Employers	Member
Smith Keith	2	0	Organised Employers	Member



# Governance

## Audit and Risk Committee meeting attendance: 2015/16

Number of meetings held	Scheduled	Special
	4	1

Committee member name	No. of scheduled meetings attended	No. of special meetings attended	Constituency represented	Designation
SihlabaThandi	4	1	Independent Member	Chairperson
Majola Sibusiso	3	1	Independent Member	Member
Makaula Fezile	4	1	Independent Member	Member
Meissner Janice	3	1	Independent Member	Member
Nkosibomvu Andile	4	1	Board Member	Member
Thomas Leslie	4	1	Board Member	Member

## Remuneration Board

Member	Board remuneration fees	Travel r'000	Total R'000
Komape Jan Matsobane (Chairperson)	456	15	471
Nkosibomvu Andile	205	9	214
Khumalo Dick	234	17	251
Manoto Elizabeth	165	27	192
Penny Geoff	203	3	206
Hamman Gerhardus	168	4	172
Smith Keith	127	11	138
Giba Lancelot	195	3	198
Mnguni Raymond	279	14	293
Hone Shahrzad	189	35	224
Thomas Leslie	254	5	259
Tshabalala Thulani	154	4	158
Ehlers Tienie	173	3	176
Prinsloo Willie	174	3	177
Tshabangu Nqobile	39	2	41
<b>Total</b>	<b>3 015</b>	<b>155</b>	<b>3 170</b>

## Risk management

FoodBev SETA is accountable for the process of risk management and the system of internal controls which is regularly reviewed for effectiveness and for establishing appropriate risk and control policies.

These are communicated throughout the FoodBev SETA:

- There is an ongoing process for identifying, evaluating and managing the significant risks faced by the FoodBev SETA; and
- An adequate system of internal controls is in place to mitigate the significant risks faced by FoodBev SETA to an acceptable level. The system is designed to manage rather than eliminate the risk and maximise the opportunities to achieve business objectives. This system can provide reasonable, but not absolute, assurance.

## Internal audit and audit committees

The implementation of internal controls is ultimately the responsibility of the Board, however, this is delegated to the CEO who exercises an oversight role. The Audit Committee and Internal Auditors ensure the effectiveness of internal controls in the organisation.

## Compliance with laws and regulations

FoodBev SETA strives to comply with all legislations and regulations governing public entities. These include, among others:

- The Constitution;
- Skills Development Act, as amended;
- Skills Development Levies Act, as amended;
- Public Finance Management Act;
- Treasury Regulations; and
- National Skills Development Strategy III.

## Fraud and corruption

FoodBev SETA has a Fraud Prevention Policy, which will be reviewed annually to ensure relevance and compliance with current trends and regulations. An anonymous fraud hotline (whistle-blowing) is available to all staff and outside parties.

## Minimising conflict of interest

FoodBev SETA employees annually complete a declaration of interest form, declaring any potential conflict of interest which may interfere with their objectivity in performing duties on behalf of FoodBev SETA. This is approved by the CEO.

# Governance

## Code of conduct

The Code provides a guideline as to what is expected from employees in performing their daily tasks, in their relationships with other similar organisations and the public, as well as providing a common ethical basis for individual conduct. All employees of the FoodBev SETA are subject to this Code of Conduct and are required to comply with both the letter and spirit of the Code.

Employees of the SETA are committed to conducting themselves in accordance with the highest standards of integrity and ethics, and in compliance with relevant legislation related to objectivity, independence and an avoidance of any conflicts of interest. Compliance with the Code is expected to enhance professionalism and help to ensure service confidence in the sector.

## Health safety and environmental issues

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

The organisation is committed to ensuring that the requirements of the Occupational Health and Safety Act, No. 85 of 1993, and Regulations are fully met.

The following structures have been established in terms of the OHS Policy:

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

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



A top-down photograph of four open metal cans, likely for soups or vegetables, arranged on a dark, heavily textured, and rusty surface. The cans are made of silver-colored metal and have their pull-tab lids partially open. The lighting creates strong highlights and shadows, emphasizing the metallic texture of the cans and the rough, corroded surface they rest on.

## **Part D**

# Human Resources Report





Each and every member of **the food and beverage manufacturing industry**, from farm to fork, must **create a culture** where **food safety** and **nutrition** are of importance.



# Human Resources

## Introduction

The FoodBev SETA Human Resources Manual of HR Policies is a guiding document that regulates the relationship between the FoodBev SETA as an employer and its employees. As required by the Department of Higher Education and Training, the SETA Management Team sets measurable objectives in terms of performance management and these are approved by the Board. Human Resources develop an HR Plan that is approved by Exco, which includes the review of HR policies. Policy changes are informed by both changes in the legislative frameworks and benchmarks conducted with other similar entities.

## Strategies and staff planning

This includes the following focus areas:

- Assessment of human resources required to achieve the key deliverables as outlined in the SETA Strategic Plan;
- SETA structural reviews and Human Resource Requirements as and when determined necessary;
- As required by law, conducts an audit of the composition of the SETA and the staff according to race, gender, disability, occupational category and organisational component;
- In line with the Employment Equity Act sets realistic goals and measurable targets to ensure equitable representation of suitably qualified persons from designated groups in all occupational categories and at all levels;
- Develops, implements and reviews the Employment Equity Plan for the SETA; and
- The organisational structure is aligned and designed to deliver on the mandate of the SETA.

## Recruitment and selection

As at 31 March 2016, the SETA staff complement was at five posts that were vacant as per the approved structure; these were advertised and filled. The Board approved the placement of four interns for the purposes of gaining work experience.

## Performance management and staff development

All employees entered into performance agreements with their managers. The 2015/16 final assessments took place in March 2016.

## Human resource oversight statistics

*Table 1: Employment changes*

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	2	0	0	2
Senior management	5	2	2	5
Professional and specialists	7	4	3	8
Skilled workers	6	2	0	7
Semi-skilled workers	16	3	0	19
Unskilled workers	2	0	0	2
<b>Total</b>	<b>38</b>	<b>11</b>	<b>5</b>	<b>40</b>

*Table 2: Key statistics for the period under review*

Reason	Number	% Of total number of staff leaving
Death	0	0
Resignation	5	12.1%
Dismissal*	2	4.8%
Retirement	0	0
Ill health	0	0
Expiry of contract	0	0
Other	0	0
<b>Total</b>	<b>7</b>	<b>17%</b>

*Table 3: labour relations: misconduct and disciplinary actions*

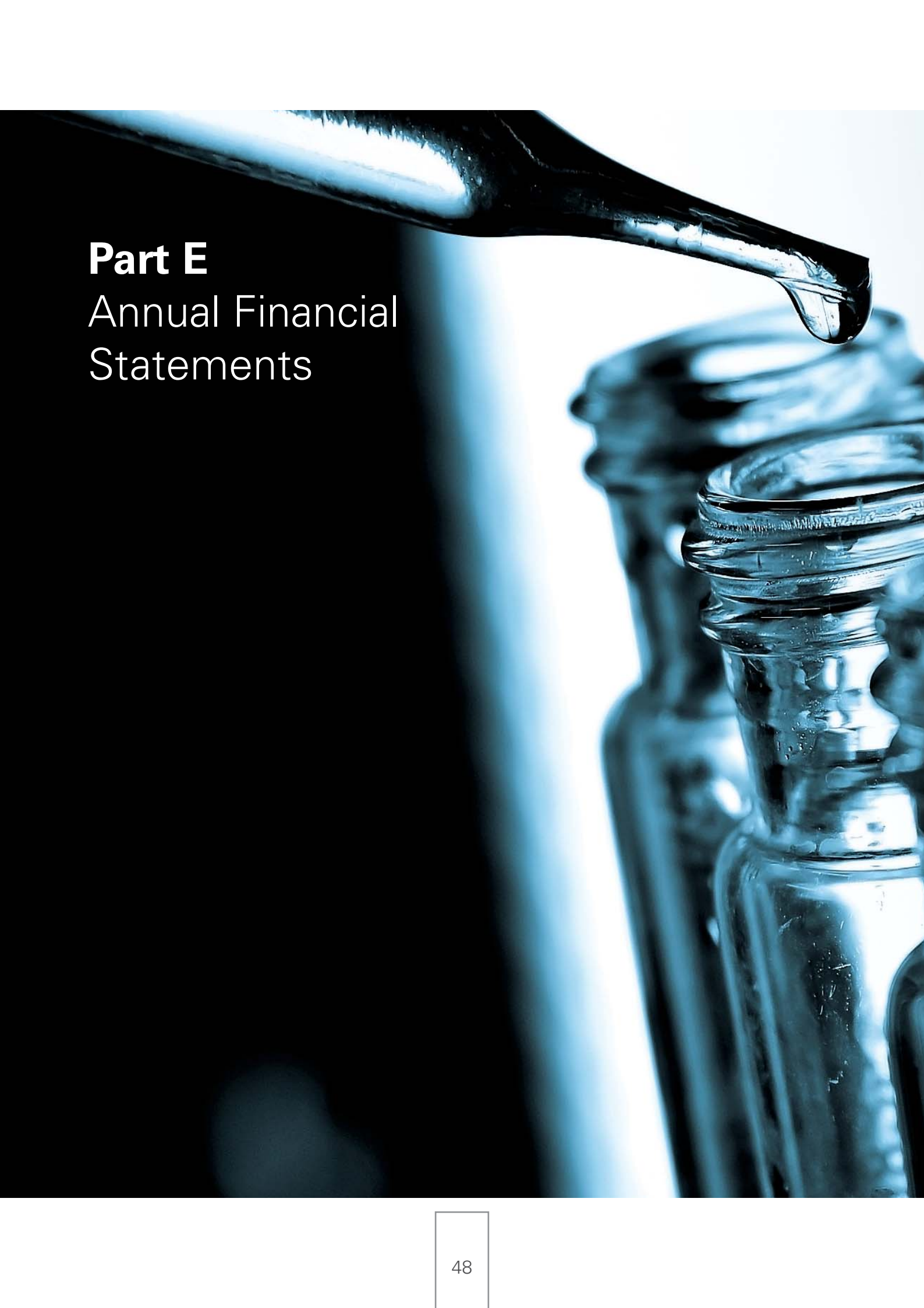
Nature of disciplinary action	Number
Verbal warning	0
Written warning	1
Severe written warning	2
Dismissal*	2

\* Two Finance Administrators were dismissed due to misconduct.

*Table 4: employment equity profile*

	African			Coloured			Indian			White			Foreign nationals			Total per Level		
Occupational categories	M	F	D	M	F	D	M	F	D	M	F	D	M	F	D	M	F	D
Top Management	1	1														1	1	
Senior management	3	1	1								1					3	2	1
Professionals and specialists	2	5					1									3	5	
Skilled Workers	3	3								1				1		3	4	
Semi-skilled workers	4	11	1											1		5	11	1
Unskilled workers		1												1			2	
<b>Total</b>	<b>12</b>	<b>22</b>	<b>2</b>				<b>1</b>			<b>1</b>	<b>1</b>			<b>3</b>		<b>14</b>	<b>26</b>	<b>2</b>





## **Part E**

# Annual Financial Statements



The **food** and  
**beverage**  
**manufacturing**  
**industry**  
provides **more**  
**than just food**,  
we aim to  
**improve the**  
**quality of lives**  
of those around  
us.



Food and Beverage Manufacturing Industry Sector Education  
and Training Authority Annual Financial Statements  
for the year ended 31 March 2016



***FoodBev SETA***

**Ms Nokuthula Selamolela**  
Acting Chief Executive Officer

**Mr Thulani Tshabalala**  
Acting Chairperson of FoodBev SETA

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## INDEX

The reports and statements set out below comprise the annual financial statements presented to the national legislature:

Audit Committee Report	52
Report of The Auditor-General to Parliament	54
Statement of Financial Performance	58
Statement of Financial Position	59
Statement of Changes in Net Assets	60
Cash Flow Statement	61
Statement of Comparison of Budget and Actual Amounts	62
Accounting Policies	63 – 73
Notes to the Annual Financial Statements	74 – 95

The annual financial statements set out on pages 54 to 95 which have been prepared on the going concern basis, were approved by the Accounting Authority on 28 July 2016.



# Audit Committee Report

## Audit committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 38 (1) (a) (ii) of the Public Finance Management Act (PFMA) and National Treasury Regulation 3.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all of its responsibilities as contained therein.

## The effectiveness of internal control

The system of controls within the FoodBev SETA is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are properly managed in line with the PFMA and the protocol on corporate governance. This is achieved by a risk-based internal audit plan, Internal Audit assessing the adequacy of controls mitigating the risks and the Audit Committee monitoring implementation of recommended corrective actions.

From our review of the reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Management Report of the Auditor-General of South Africa (AGSA), we can conclude that the system of internal control as applied over financial and non-financial matters and enterprise risk management at the FoodBev SETA requires moderate improvements.

The Committee has noted management's commitment to address the lack of control effectiveness, where they exist. The Committee will be monitoring management's progress in resolving these issues on a regular basis.

## Internal Audit

We are satisfied that the internal audit function has operated effectively, that it has addressed the risks pertinent to the FoodBev SETA in its audits and has assisted the entity with value adding services to ensure that both financial and operational objectives are achieved.

The areas of concern identified by the Audit Committee are:

- Information Technology Governance;
- Achievement of Predetermined Objectives.

## In-year management and monthly/quarterly report

The Acting Chief Executive Officer has tabled the In-Year Management (IYM) and monthly/quarterly reports to the Minister of Higher Education and Training (DHET) and the Audit Committee, as required by the Treasury Regulations. The Committee is satisfied with the content and quality of the IYM reports.

## Evaluation of financial statements

The Audit Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the AGSA and the Accounting Officer;
- reviewed the AGSA's Management Report and Management's response thereto;
- reviewed accounting policies and practices as reported in the Annual Financial Statements;
- reviewed the FoodBev SETA's processes for compliance with legal and regulatory provisions;
- reviewed the information on predetermined objectives as reported in the Annual Report;
- reviewed adjustments resulting from the audit of the Entity;
- reviewed, and where appropriate, recommended changes to the Annual Financial Statements as presented by the Entity for the year ending 31 March 2016.

## Report of the auditor-general south africa

We have on a quarterly basis reviewed the FoodBev SETA's implementation plan for audit issues raised in the prior year. The Audit Committee has met with the AGSA to ensure that there are no unresolved issues that emanated from the regulatory audit. Corrective actions on the detailed findings raised by the AGSA will continue to be monitored by the Audit Committee on a quarterly basis.

The Audit Committee concurs and accepts the conclusions of the Auditor-General of South Africa on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General of South Africa.

## Appreciation

The Audit Committee wishes to acknowledge the dedication and work performed by the Accounting Officer, Management and Officials of the FoodBev SETA. The Audit Committee wishes to express its appreciation to Management, the AGSA and Internal Audit for the co-operation and information they have provided to enable us to discharge our responsibilities.



**MS Thandi Sihlaba**

Chairperson: Audit & Risk Committee

8 August 2016

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

## on Food and Beverage Manufacturing Industry Sector Education and Training Authority

### Report on the financial statements

#### Introduction

1. I have audited the financial statements of the Food and Beverage Manufacturing Industry Sector Education and Training Authority (FoodBev SETA) set out on pages 54 to 95, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of SETA significant accounting policies and other explanatory information.

#### Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act, 1998 (Act No.97 of 1998) (SDA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the FoodBev SETA as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA and SDA.

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

## on Food and Beverage Manufacturing Industry Sector Education and Training Authority

### Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.
8. As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 31 March 2016 in the financial statements of the FoodBev SETA at, and for the year ended, 31 March 2016.

### Report on other legal and regulatory requirements

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016:
  - Programme 2: Increase access to occupationally-directed objectives in needed areas and thereby expanding the availability of intermediate and high-level learning skills on pages 23 to 24
  - Programme 4: Addressing the low level of youth and adult and language numeracy skills to enable additional training on page 27
  - Programme 5: Encourage better use of workplace-based skills development on page 29
  - Programme 6: Encouraging and supporting cooperative, small enterprise, worker initiated, NGO and community training initiatives on page 29
11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing objective performance information (FMPPPI).
12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
13. My material findings in respect of the selected objectives are as follows:



# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

## on Food and Beverage Manufacturing Industry Sector Education and Training Authority

### Objective 6: Encouraging and supporting cooperative, small enterprise, worker initiated, NGO and community training initiatives

Usefulness of reported performance information

#### Measurability of indicators

14. The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 100% indicators were not well defined.
15. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
  - Programme 2: Increase access to occupationally-directed objectives in needed areas and thereby expanding the availability of intermediate and high-level learning skills on pages 23 to 24
  - Programme 4: Addressing the low level of youth and adult and language numeracy skills to enable additional training on page 24
  - Programme 5: Encourage better use of workplace-based skills development on page 29
16. I did not raise any material findings on the reliability of the reported performance information for the following programme:
  - Programme 6: Encouraging and supporting cooperative, small enterprises, worker initiated, NGO and community training initiatives on page 29.

#### Additional matter

17. I draw attention to the following matter:

#### Achievement of planned targets

18. Refer to the annual performance report on page(s) 23 to 30 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraph(s) 12 of this report.

#### Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the programme: Encouraging and supporting cooperative, small enterprise, worker initiated, NGO and community training initiatives. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

#### Compliance with legislation

20. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

## on Food and Beverage Manufacturing Industry Sector Education and Training Authority

### Annual financial statements

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(a) of the PFMA. Material misstatements in financial instruments, related-party and commitments disclosure notes were identified by the auditors in the submitted financial statements which were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Internal control

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

### Leadership

23. Oversight of financial and performance reporting and compliance, as well as related internal controls, was not adequately exercised.

### Financial and performance management

24. Project governance with regards to managing and monitoring discretionary grant commitments contracts was not adequate and management did not implement controls over project management to ensure that all valid discretionary grant commitments are accurately accounted for in the annual financial statements. This resulted in the discretionary grant commitments being materially misstated.

*Auditor-General*

Pretoria  
29 July 2016



*Auditing to build public confidence*

## STATEMENT OF FINANCIAL PERFORMANCE

			Restated
	Note/s	2015/16 R '000	2014/15 R '000
<b>Revenue</b>			
Non-Exchange Revenue			
Skills Development Levy: Income	3	307 017	277 345
Skills Development Levy: Penalties & Interest	4	10 958	7 053
Other income		–	208
<b>Total revenue from non-exchange transactions</b>		<b>317 975</b>	<b>284 606</b>
<b>Exchange Revenue</b>			
Other Income	5	31	703
Interest received – investment		26 756	23 104
<b>Total revenue from exchange transactions</b>		<b>26 787</b>	<b>23 807</b>
<b>Total revenue</b>		<b>344 762</b>	<b>308 413</b>
<b>Expenditure</b>			
Employer grant and project expenses	6	(173 767)	(142 430)
Transfer to NSF: Grant Regulation		(70 059)	(76 335)
Administration expenses	7	(31 387)	(30 237)
<b>Total expenditure</b>		<b>(275 213)</b>	<b>(249 002)</b>
<b>Surplus for the year</b>		<b>69 549</b>	<b>59 410</b>

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

			Restated
	Note/s	2015/16 R '000	2014/15 R '000
<b>Assets</b>			
<b>Current assets</b>			
Prepayments and advances	10	285	933
Trade and other receivables from non-exchange transactions	11	1 029	367
Trade and other receivables from exchange transactions	12	459	14
Inventory	13	55	38
Cash and cash equivalents	14	447 131	411 584
		<b>448 959</b>	<b>412 936</b>
<b>Non-current assets</b>			
Property plant and equipment	8	898	1 005
Intangible assets	9	372	427
		1 270	1 432
<b>Total assets</b>		<b>450 229</b>	<b>414 368</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from non-exchange transactions	15	7 427	38 334
Trade and other payables from exchange transactions	16	2 583	5 599
Provisions	18	4 543	4 308
		<b>14 553</b>	<b>48 241</b>
<b>Non-current liabilities</b>			
<b>Total liabilities</b>		<b>14 553</b>	<b>48 241</b>
<b>Net assets</b>		<b>435 676</b>	<b>366 127</b>
<b>Reserves</b>			
Administration reserve		1 270	1 432
Discretionary grant reserve		434 406	364 695
<b>Total net assets</b>		<b>435 676</b>	<b>366 127</b>



## STATEMENT OF CHANGES IN NET ASSETS

	Administration reserve R '000	Discretionary grant reserve R '000	Employer grant reserve R '000	Accumulated surplus R '000	Total net assets R '000
<b>Balance at 1 April 2014</b>	<b>2 161</b>	<b>304 556</b>	–	–	<b>306 718</b>
Changes in net assets	–	–	–	–	–
Surplus for the year	–	–	–	60 908	60 908
Allocation of unappropriated surplus	6 151	41 518	13 239	(60 908)	–
Excess reserves transferred to Discretionary reserve	(6 880)	20 119	(13 239)	–	–
Opening balance as previously reported	1 432	366 193	–	–	367 625
Prior period error – refer note 28	–	(1 498)	–	–	(1 498)
<b>Balance at 1 April 2015 as restated</b>	<b>1 432</b>	<b>364 695</b>	–	–	<b>366 127</b>
Changes in net assets	–	–	–	–	–
Surplus for the year	–	–	–	69 549	69 549
Allocation of unappropriated surplus	8 854	47 916	12 779	69 549	–
Excess reserves transferred to Discretionary reserve	(9 016)	21 795	(12 779)	–	–
<b>Balance at 31 March 2016</b>	<b>1 270</b>	<b>434 406</b>	–	–	<b>435 676</b>

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## CASH FLOW STATEMENT

			<b>Restated</b>
	<b>Note/s</b>	<b>2015/16 R '000</b>	<b>2014/15 R '000</b>
<b>Cash flows from operating activities</b>			
Cash receipts from stakeholders			
Levies, interest and penalties received		317 518	286 217
Interest income		26 756	23 104
Other cash receipts from stakeholders		31	702
		<u>344 305</u>	<u>310 023</u>
<b>Cash paid to stakeholders, suppliers and employees</b>			
Grants and project payments		(204 439)	(140 445)
Uncommitted funds, government grants and other donor funding: expenditure		(70 059)	(76 335)
Compensation of employees		(18 451)	(16 117)
Payments to suppliers and other		(15 532)	(18 977)
		<u>(308 481)</u>	<u>(251 874)</u>
<b>Net cash flows from operating activities</b>	<b>19</b>	<b><u>35 824</u></b>	<b><u>58 149</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(204)	(292)
Purchase of other intangible assets	9	(73)	(365)
<b>Net cash flows from investing activities</b>		<b><u>(277)</u></b>	<b><u>(657)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>35 547</u></b>	<b><u>57 492</u></b>
Cash and cash equivalents at the beginning of the year		411 584	354 092
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b><u>447 131</u></b>	<b><u>411 584</u></b>

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

## Budget on cash basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance – Note 29</b>						
<b>Revenue</b>						
Fines and Penalties	–	–	–	10 958	<b>10 958</b>	29.1
Skills development levies: income	279 840	–	<b>279 840</b>	307 017	<b>27 177</b>	29.2
Interest received – investment	10 000	–	<b>10 000</b>	26 756	<b>16 756</b>	29.3
Other income	–	–	–	31	<b>31</b>	29.4
<b>Total revenue</b>	<b>289 840</b>	<b>–</b>	<b>289 840</b>	<b>344 762</b>	<b>54 922</b>	
<b>Expenses</b>						
Administration expenses	(36 729)	–	<b>(36 729)</b>	(31 387)	<b>5 342</b>	29.5
Transfer to NSF: Grant Regulation	–	–	–	(70 059)	<b>(70 059)</b>	29.6
Employer grant and project expenses	(253 111)	–	<b>(253 111)</b>	(173 767)	<b>79 344</b>	29.7
<b>Total expenditure</b>	<b>(289 840)</b>	<b>–</b>	<b>(289 840)</b>	<b>(275 213)</b>	<b>14 627</b>	
<b>Surplus for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>69 549</b>	<b>69 549</b>	

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

# ACCOUNTING POLICIES

## 1. Presentation of Annual Financial Statements

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

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

### 1.1 Basis of preparation

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

### 1.2 Functional and presentation currency

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

#### 1.3.1 Revenue recognition

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

##### 1.3.1.1 Levy income

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act, No. 9 of 1999) registered member companies (employers) of the FoodBev SETA pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS). Companies with an annual payroll of less than R500 000 are exempted in accordance with section 4 (b) of the Skills Development Levy Act (1999) as amended, effective 1 August 2005.

Eighty per cent (80%) of skills development levies are paid over to the FoodBev SETA (net of the 20% contribution to the National Skills Fund).

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

Revenue is adjusted for inter-SETA transfers due to employers changing Seta's. Such adjustments are separately disclosed as inter-Seta transfers. The amount of the inter-SETA adjustment is calculated according to the Standard Operating Procedure issued by DHET.

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

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

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



## ACCOUNTING POLICIES

FoodBev SETA recognises a payable in respect of Skills Development Levy refunds due to levy-exempt employers. This payable is a provision based on levies received from possible levy-exempt entities.

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

### 1.3.1.2 Interest and penalties

Interest and penalties on the skills development levy is recognised when it accrues based on the amount received or allocation made by DHET.

### 1.3.1.3 Government grants and other donor funding

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

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

## 1.3.2 Exchange revenue

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

### 1.3.2.1 Investment income

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

## 1.4 Grants and project expenditure

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

### 1.4.1 Mandatory grants

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

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## ACCOUNTING POLICIES

### 1.4.2 Discretionary grants & project expenditure

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

#### **Project expenditure comprises:**

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

Discretionary grants and project costs are recognised as expenses in the period in which they are incurred. A receivable is recognised net of provision for irrecoverable amounts for payments made to the extent of expenses not yet incurred in terms of the contracts.

Where a contract for a project has been entered into but has not been accrued, for it is disclosed as a commitment in the notes to the financial statements.

### 1.4.3 Grant payments

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

### 1.4.4 Projects

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

### 1.4.5 Commitments

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

## 1.5 Irregular and fruitless and wasteful expenditure

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

- The PFMA
- The Skills Development Act

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Irregular and fruitless and wasteful expenditure are recognised against the respective class of expense and disclosed in a note in the financial statements when it has been identified. Where instances of irregular expenditure are identified, the incident is investigated and assessed as to whether it should be condoned in terms of Practice Note 4 of 2998/2009 issued by the National Treasury and where appropriate recovered from the party/parties involved. Where instances of possible fruitless and wasteful expenditure are identified, the incident is investigated and where appropriate recovered from the party involved.

## ACCOUNTING POLICIES

### 1.6 Property, plant and equipment

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

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

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

Item	Average Useful Life
Office Furniture	8 – 11 years
Office Equipment	7 – 11 years
Computer Equipment	5 – 9 years

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

### Derecognition

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

### 1.7 Intangible assets

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

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

Item	Average Useful Life
Computer Software	5 – 12 years
Licence fees	12 months

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

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

### 1.8 Impairment of non financial assets

Impairment is the loss in the future economic benefits or service potential of an asset over and above the systematic recognition of the loss through depreciation or amortisation. All FoodBev SETA assets are non-cash generating. Non-financial asset are annually assessed by considering internal and external factors where there is an indication of impairment.

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## ACCOUNTING POLICIES

If any such indication exists, the recoverable amount of the asset is estimated at the higher of fair value less cost to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

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

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

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

### 1.9 Leasing

#### **Finance leases – lessee**

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

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

#### **Operating leases – lessee**

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

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



## ACCOUNTING POLICIES

### 1.10 Provisions and contingencies

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

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

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

### 1.11 Employee benefits

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

#### Leave

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

#### Medical benefits

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

#### Provident fund benefits

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

#### Performance Bonus

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

### 1.12 Financial instruments

#### Initial recognition

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

#### Initial measurement

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

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## ACCOUNTING POLICIES

### Financial assets

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

### Accounts and other receivables

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

### Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, investments and deposits held by FoodBev SETA, CPD and domestic banks. Cash and cash equivalents are measured at amortised costs.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are held with registered banking institutions with a period maturity of three months or less and that are subject to insignificant risk of change.

### Derecognition

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

### Financial liabilities

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

### Derecognition

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

### Fair value considerations

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

### Offsetting financial instruments

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

## ACCOUNTING POLICIES

### 1.13 Net assets

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

#### Administration reserve

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

#### Employer grant reserve

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

#### Discretionary grant reserve

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

#### Accumulated surplus/deficit

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

This sub-classification is based on the restrictions placed on the distribution of funds received in accordance with the Regulations issued in terms of the Skills Development Act, 1998 (Act No. 97 of 1998). Accrual basis accounting is used to calculate reserves and thus reserves are not an indication of cash used or available at the end of the year.

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

	2015	2014
Administration cost to the seta	10.50%	10.50%
Employer grant fund levy	20.00%	20.00%
Discretionary	49.50%	49.50%
<b>Total</b>	<b>80.00%</b>	<b>80.00%</b>

Interest and penalties received from SARS as well as interest received on investments are utilised for discretionary grants and projects. The amount retained in the admin reserves equates to the net book value of non-current assets.

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

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

### 1.14 Inventory

Inventory consists of consumables on hand at reporting date and are measured at the lower of net replacement cost. Cost is determined on a first-in-first-out basis. Current replacement cost is the cost that the entity would incur to acquire the asset at reporting date. FoodBev SETA holds inventory for consumption in the production process of goods to be distributed at no charge.

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## ACCOUNTING POLICIES

### 1.15 Related party transactions

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

All departments and public entities in the national sphere of government are related parties as they are ultimately under common control.

Where such a situation exists, the nature and type of transactions and relationship between parties are disclosed in the notes to the Annual Financial Statements.

### 1.16 Events after reporting date

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

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

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

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

### 1.17 Comparative figures

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

### 1.18 Budget information

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts. Comparative information is not required.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Foodbev SETA.

As a result of the adoption of accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the AFS, first the reasons for overall growth or decline in the budget are stated, followed by the details of overspending or underspending on line items.

The budget covers the period 1 April 2015 to 31 March 2016.



## ACCOUNTING POLICIES

### 2. Allocation of surplus for the year to reserves

2015/16	Total per statement of financial performance	Administration reserve	Employer grants reserve	Discretionary reserve		
		Administration	Mandatory skills planning grant	Discretionary grants	Special projects govt. grants	Total discretionary
skills development levy: income admin	40 158	40 158	–	–	–	–
levy income (10.5%)						
Grant levy income (69.5%)	266 859	–	77 284	189 575	–	189 575
Skills development levy: penalties and interest	10 958	–	–	10 958	–	10 958
Investment income	26 756	–	–	26 756	–	26 756
Other income	31	–	–	31	–	31
<b>Total revenue</b>	<b>344 762</b>	40 158	77 284	227 320	–	227 320
Administration expenses	(31 387)	(31 387)	–	–	–	–
National Skills Fund – grant regulation Transfer	(70 059)	–	–	(70 059)	–	(70 059)
Employer grants and project expenses	(173 767)	–	(64 505)	(109 262)	–	(109 262)
<b>Total expenses</b>	<b>(275 213)</b>	(31 387)	(64 505)	(179 321)	–	(179 321)
<b>Net surplus per Statement of Financial Performance allocated</b>	<b>69 549</b>	<b>8 771</b>	<b>12 779</b>	<b>47 999</b>	<b>–</b>	<b>47 999</b>

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## ACCOUNTING POLICIES

2014/15	Total per statement of financial performance	Administration reserve	Employer grants reserve	Discretionary reserve		
		Administration	Mandatory skills planning grant	Discretionary grants	Special projects govt. grants	Total discretionary
Skills development levy: income admin	36 401	36 401	–	–	–	–
levy income (10.5%)						
Grant levy income (69.5%)	240 944	–	70 121	170 823	–	170 823
Skills development levy: penalties and interest	7 053	–	–	7 053	–	7 053
Other income – non exchange	208	–	–	208	–	208
Investment income	23 104	–	–	23 104	–	23 104
Other income	702	–	–	702	–	702
<b>Total revenue</b>	<b>308 412</b>	36 401	70 121	201 890	–	201 890
Administration expenses	(30 237)	(30 237)	–	–	–	–
National Skills Fund income/ infrastructure support	(76 335)	–	–	(76 335)	–	(76 335)
Employer grants and project expenses	(142 430)	–	(56 854)	(83 584)	–	(83 584)
<b>Total expenses</b>	<b>(249 002)</b>	(30 237)	(56 854)	(159 919)	–	(159 919)
<b>Net surplus per Statement of Financial Performance allocated</b>	<b>59 410</b>	<b>6 164</b>	<b>13 267</b>	<b>41 971</b>	<b>–</b>	<b>41 971</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 3. Skills Development Levy: income

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

		<b>Restated</b>
	<b>2015/16</b>	<b>2014/15</b>
	<b>R '000</b>	<b>R '000</b>
<b>Levy income: administration</b>		
Levies received from sars	40 158	36 396
Inter-SETA transfers in	4	46
Inter-SETA transfers out	–	(41)
<b>Total levy income: administration</b>	<b>40 162</b>	<b>36 401</b>
<b>Levy income transfer: employer grants</b>		
Levies received from sars	77 274	70 104
Inter-SETA transfers in	7	221
Inter-SETA transfers out	–	(204)
<b>Total levy income transfer: employer grants</b>	<b>77 281</b>	<b>70 121</b>
<b>Levy income transfer: discretionary grants</b>		
Levies received from sars	189 021	170 913
Inter-SETA transfers in	17	99
Inter-SETA transfers out	–	(82)
Exempt employer: transfer to/from discretionary	536	(107)
<b>Total levy income transfer: discretionary grants</b>	<b>189 574</b>	<b>170 823</b>
	<b>307 017</b>	<b>277 345</b>

### 4. Skills development levy: interest and penalties

Interest	3 367	2 369
Penalties	7 591	4 684
	<b>10 958</b>	<b>7 053</b>

Penalties are levied by SARS on employers who pay their Skills Development Levy after the due date as legislated, at a rate of 10% of the amount due. Interest accrues at the prescribed rate of 10.5% per annum. **See to note 6.**

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 5. Other income – exchange revenue

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

		<b>Restated</b>
	<b>2015/16</b>	<b>2014/15</b>
	<b>R '000</b>	<b>R '000</b>
Mandatory grants received	31	–
Other income	–	703
	<b>31</b>	<b>703</b>

A prior year amount of R1 279m relating to discretionary grant recoveries was reallocated from Other Income – Exchange Revenue to employer grants and projects expenses.

### 6. Employer grant and project expenses

#### Mandatory grants

Disbursed	63 930	55 956
Movement in provisions	575	898

#### Discretionary grants

Disbursed	99 663	79 661
Prior period error – refer to note 28	–	1 498
Discretionary grant recovery	–	(1 279)

#### Project expenditure

**6.1**

Disbursed	9 599	5 696
	<b>173 767</b>	<b>142 430</b>

#### 6.1 Project expenditure consists of:

Direct salaries and wages	6 116	4 435
<b>Direct project administration expenses:</b>		
Scarce skills guide	345	151
Advertising promotions & publicity material	378	48
Catering & event hosting	11	–
External moderation	942	769
Travel & accommodation	1 529	293
Qcto development	249	–
Fet SETA presence	29	–
	<b>9 599</b>	<b>5 696</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 7. Administration expenses

		<b>Restated</b>
	<b>2015/16</b>	<b>2014/15</b>
	<b>R '000</b>	<b>R '000</b>
Amortisation	129	157
Depreciation	310	343
Loss on disposal of property, plant and equipment	–	79
Cost of employment	12 650	13 490
Operating lease rentals		
Property & buildings	1 898	1 725
Equipment rental	235	288
Maintenance, repairs and running costs		
Property & buildings	89	123
Electricity & water	224	176
Rates & taxes	186	166
Advertising	767	391
Communication	291	483
Marketing	149	841
Conferences and seminars	–	44
Legal fees	810	632
Consumables	104	88
Printing and stationery	130	118
Postage and courier	276	193
Board remuneration	2 993	1 958
Audit committee remuneration	206	75
Auditor's remuneration		
External audit fees	1 755	1 986
Internal audit fees	935	712
Bank charges	48	45
Insurance	91	84
It expenses	3 710	3 238
Licence fees	25	35
Security	292	282
Travel & accommodation	834	678
Catering and refreshments	83	58
Cleaning	111	98
Consultancy and service provider fees	211	131
Debt impairment	55	676
Quality council for trades and occupations (qcto)	1 010	709
Interest paid	–	3
Ministerial initiatives	334	–
Training	446	133
	<b>31 387</b>	<b>30 238</b>



Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 7. Administration expenses

	2015/16 R '000	Restated 2014/15 R '000
<b>Cost of employment</b>		
<b>Salaries and wages</b>		
Salaries	17 073	15 863
<b>Social contributions</b>		
Medical aid contributions	112	454
Pension contributions: defined contribution plans	1 581	1 608
	<b>18 766</b>	<b>17 925</b>
<b>Allocation of cost of employment</b>		
Administrative salaries	12 650	13 490
Project salaries		
Average number of employees	38	40

### 8. Property, plant and equipment

	2016			2015		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
office furniture and fittings	914	(753)	161	914	(677)	237
Office equipment	896	(621)	275	896	(526)	370
Computer equipment	1 685	(1 222)	462	1 481	(1 083)	398
<b>Total</b>	<b>3 495</b>	<b>(2 596)</b>	<b>898</b>	<b>3 291</b>	<b>(2 286)</b>	<b>1 005</b>

#### Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Depreciation	Total
Office furniture and fittings	237	–	(76)	161
Office equipment	370	–	(96)	274
Computer equipment	398	204	(139)	463
	<b>1 005</b>	<b>204</b>	<b>(311)</b>	<b>898</b>

#### Reconciliation of property, plant and equipment – 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture and fittings	201	149	(18)	(95)	237
Office equipment	418	99	(59)	(88)	370
Computer equipment	517	44	(2)	(161)	398
	<b>1 136</b>	<b>292</b>	<b>(79)</b>	<b>(344)</b>	<b>1 005</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 9. Intangible assets

	2016			2015		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Licences	73	(6)	67	–	–	–
Computer software	1 993	(1 688)	305	1 993	(1 566)	427
<b>Total</b>	<b>2 066</b>	<b>(1 694)</b>	<b>372</b>	<b>1 993</b>	<b>(1 566)</b>	<b>427</b>

#### Reconciliation of intangible assets – 2016

	Opening balance	Additions	Amortisation	Total
Licences	–	73	(6)	67
Computer software	428	–	(123)	305
	<b>428</b>	<b>73</b>	<b>(129)</b>	<b>372</b>

#### Reconciliation of intangible assets – 2016

Computer software	220	365	(157)	428
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### 10. Prepayments and advances

	2015/16 R '000	Restated 2014/15 R '000
Discretionary grants prepaid	285	2 431
Prior period error – refer note 28	–	(1 498)
<b>Closing balance</b>	<b>285</b>	<b>933</b>

A prior year amount of R9k relating to deposit was reclassified from prepayments and advances to trade and other receivables from exchange transactions. **See note 12.**

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 11. Trade and other receivables from non-exchange transactions

		Restated
	2015/16	2014/15
	R '000	R '000
Mandatory grant receivables	456	–
Discretionary grants receivables	607	834
Less: debtors allowance	(34)	(467)
	<b>1 029</b>	<b>367</b>

A prior year amount of R367k, relating to grant recovery from employers, was reclassified from trade and other receivables from exchange transactions to trade and other receivables from non-exchange transactions. **See note 12.**

### 12. Trade and other receivables from exchange transactions

		Restated
	2015/16	2014/15
	R '000	R '000
Sundry debtors	4	5
Deposit – Eskom	11	9
Deposit – Growthpoint	444	–
	<b>459</b>	<b>14</b>

### 13. Inventory

		Restated
	2015/16	2014/15
	R '000	R '000
Consumable stores	55	38

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 14. Cash and cash equivalents

		Restated
	2015/16 R '000	2014/15 R '000
Cash on hand	4	–
Cash – bank deposit	45 641	34 567
Cash at bank and in hand	45 645	34 567
Cash – corporate for public deposits	401 486	377 017
<b>Cash and cash equivalents at end of year</b>	<b>447 131</b>	<b>411 584</b>

As required by Treasury Regulation 31.3.3, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short-term bank deposits was 6.2% (2015: 5.9%).

First National Bank has an A–3 rating for short-term deposits and a BBB rating for long-term deposits as rated by standard and poor. There is no rating for corporate for public deposits.

### 15. Trade and other payables from non-exchange transactions

		Restated
	2015/16 R '000	2014/15 R '000
Skills development grants: mandatory	5 619	6 581
Skills development grants: discretionary	1 808	31 753
	<b>7 427</b>	<b>38 334</b>

A prior year amount R31 753m relating to skills development grant: discretionary was reclassified from trade and other payables from exchange transactions to trade and other payables non-exchange transactions. **See note 16.**

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 16. Trade and other payables from exchange transactions

		Restated
	2015/16 R '000	2014/15 R '000
Accrued expenses – payables	1 407	4 756
Leave accrual	1 176	843
	<b>2 583</b>	<b>5 599</b>

A prior year amount R31 750m relating to skills development grant: discretionary was reclassified from trade and other payables from non exchange transactions to trade and other payables exchange transactions. **See note 16.1.**

#### 16.1 Accrued expenses

Opening balance	2 583	37 350
Reclassified to exchange trade and other payables from non-exchange transactions	–	(31 751)
	<b>2 583</b>	<b>5 599</b>

### 17. Government grants & donor funding: special projects

		Restated
	2015/16 R '000	2014/15 R '000
Opening balance	–	151
Write off	–	(151)
<b>Closing balance</b>	<b>–</b>	<b>–</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 18. Provisions

		<b>Restated</b>
	<b>2015/16 R '000</b>	<b>2014/15 R '000</b>
Exempt employers provision	2 796	2 790
Bonus provision	1 747	1 518
	<b>4 543</b>	<b>4 308</b>

#### Exempt employers provision

The amount of R 2 796m (2015 : R2 790m) relates to levies incorrectly contributed by employers and paid over to SARS and DHET, after being exempted from contributing skills development levies.

In terms of the skills development circular no. 09/2013, FoodBev SETA transfers all monies received from levy-exempt companies to discretionary grant income after the expiry of five years from date of receipt of funds. SARS collects the levies on behalf of DHET; the responsibility to refund the employers remains with SARS.

#### Bonus provision

Employees sign performance contracts as part of their conditions of service at the beginning of each financial year. Employees are assessed bi-annually and the bonus is paid in the month of December, and the amount is dependent on the outcome of individual performance evaluation.

#### Reconciliation of provisions – 2016

	<b>Opening Balance</b>	<b>Additions</b>	<b>Utilised during the year</b>	<b>Transfer to discretionary/ unutilised bonus</b>	<b>Total</b>
Exempt employers provision	2 790	541	–	(535)	2 796
Bonus provision	1 518	1 747	(965)	(553)	1 747
	<b>4 308</b>	<b>2 288</b>	<b>(965)</b>	<b>(1 088)</b>	<b>4 543</b>

#### Reconciliation of provisions – 2015

	<b>Opening Balance</b>	<b>Additions</b>	<b>Total</b>
Employers provision	2 040	750	2 790
Bonus provision	–	1 518	1 518
	<b>2 040</b>	<b>2 268</b>	<b>4 308</b>

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 19. Reconciliation of net cash flow from operating activities to net surplus

		Restated
	2015/16 R '000	2014/15 R '000
Net (deficit)/surplus as per Statement of Financial Performance	69 549	59 410
<b>Adjusted for non-cash items:</b>		
Depreciation	310	343
Amortisation	129	157
Loss on sale of assets	–	79
Movements in provisions	235	2 268
Prior period error	–	1 498
Changes in working capital:		
Decrease/(increase) in inventory	(17)	34
Decrease/(increase) in receivables – exchange transactions	(445)	417
Decrease/(increase) in receivables – non exchange transactions	(662)	118
Decrease/(increase) in prepayments	648	1 077
(Decrease)/increase in payables – non exchange transactions	(30 907)	898
(Decrease)/increase in payables – exchange transactions	(3 016)	(7 999)
(Decrease)/increase in income received in advance	–	(151)
	<b>35 824</b>	<b>58 149</b>

### 20. Contingent liabilities

#### 20.1

There is a possible litigation against FoodBev SETA relating to a dispute with training providers who allege that the entity owes them for providing services to SMMEs to the value of R1.4m. The SETA lawyers and management consider the likelihood of the action against the SETA being successful as unlikely and the case should be resolved within the next year.

#### 20.2

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

#### 20.3

In terms of S53(3) of the Public Finance Management Act, as amended, all cash surpluses at year end may be forfeited to National Treasury. Formal approval has not been obtained from the National Treasury to retain the reserve funds of 2015/16. A request for the retention of accumulated funds has been submitted to National Treasury through DHET.

#### 20.4

The Accounting Authority approved bursaries for second, third and final year students who were in distress. The students have not as yet signed and submitted contracts, therefore the possible financial outflow cannot be reliably estimated.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 21. Commitments

#### Discretionary grant reserve

Of the balance of R434.0m available in the Discretionary Grant Reserve at the end of March 2016, R336m has been approved and allocated for future projects and skills priorities as set out below:

	<b>Total opening balance 2014/15</b>	<b>Adjustment</b>	<b>Commitment opening balance 2014/15</b>	<b>Adjustment 2014/15</b>	<b>Approved by accounting authority and contracted 2015/16</b>	<b>Utilised 2015/16</b>	<b>Closing balance 2015/16</b>
Unemployed learnerships 18.2	55 706	–	55 706	(3 022)	45 562	(17 268)	80 978
Employed learnerships 18.1	36 433	–	36 433	(3 428)	21 140	(9 840)	44 305
Skills programme	3 622	–	3 622	(1 524)	1 852	(1 591)	2 358
Work experience/ internship	23 128	–	23 129	(10 168)	27 480	(6 576)	33 864
Employed & MDP bursaries	11 469	–	11 469	(1 833)	6 233	(2 783)	13 087
Various learnership programmes	77 623	(77 623)	–	–	–	–	–
Research & development	2 296	(2 296)	–	–	1 459	(1 327)	133
Adult education training	10 267	(7 554)	2 712	(1 556)	1 783	(866)	2 072
Apprenticeship s13 & s28	19 897	–	19 897	(5 460)	–	(340)	14 097
Scarce skills	28	(28)	–	–	–	–	–
Artisans	7 525	–	7 525	–	12 150	–	19 675
(LP, NLP, NGOs, CBOs)	2 401	(1 297)	1 103	(589)	–	(14)	500
Trade unions	3 878	(1 219)	2 661	(703)	6 422	(396)	7 982
TVET Placements	16 614	876	17 490	(1 253)	15 445	(1 739)	28 616
Tvet work readiness	2 575	–	2 575	(1 248)	–	(671)	431
Tvet bursaries	2 147	–	2 147	(29)	–	(211)	3 460
Nsfas project	–	–	–	10 000	6 000	(9 890)	6 110
Project cost: bursaries	1 928	–	1 928	(1 928)	–	–	–
Seta offices	288	–	288	–	432	–	720
Unemployed bursaries	–	–	–	103 096	22 245	(47 639)	77 702
<b>TOTAL</b>	<b>277 825</b>	<b>(89 141)</b>	<b>188 685</b>	<b>80 355</b>	<b>168 202</b>	<b>101 152</b>	<b>336 090</b>

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 21. Commitments (*Continued*)

Opening balances for commitments relating to 2014/15 have been adjusted to reflect commitments that FoodBev SETA was actually committed to.

Furthermore, companies who appeared in the commitment register with outstanding grants from prior years were contacted in an effort to confirm if training was completed or still in progress or terminated. The exercise resulted in an adjustment to the prior year commitment amount of R80m.

Included in the R80m is an amount of R103m relating to unemployed bursaries to which FoodBev SETA was committed in the prior years. The commitment amount relating to unemployed bursaries is based on management's estimate of fees assuming the learners will continue with their programme until completion.

Notice No. 35940 of 2012 of the Grant Regulations defines a commitment as a contractual obligation that will obligate the SETA to make a payment or agreement (written) with specific terms between the SETA and a third party whereby the third party undertakes to perform something in relation to a discretionary project for which a SETA will be obliged to make a payment against the discretionary grant.

The Accounting Authority approved R10m in the previous financial year to be allocated NSFAS. To assist students requesting funding from NSFAS, a further R6m was approved in the year under review.

### 22. Operating lease commitment

		<b>Restated</b>
	<b>2015/16</b>	<b>2014/15</b>
	<b>R '000</b>	<b>R '000</b>
Total of future minimum rental payments under non-cancellable rental	2 099	1 188
Not later than one year	5 422	–
<b>Later than one year and not later than five years</b>	<b>7 521</b>	<b>1 188</b>

The rental relates to the office building leased from Growthpoint properties which entered into on 1 November 2015 for a three-year period ending on 31 October 2018. The lease payments escalates at 9% per annum on 1 November of each year.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 23. Material losses through irregular fruitless and wasteful expenditure

	2015/16 R '000	Restated 2014/15 R '000
<b>Fruitless and wasteful expenditure</b>		
Opening balance	86	86
Fruitless and wasteful expenditure relating to current year	38	3
Less: amount written-off by accounting authority	(38)	(3)
	<b>86</b>	<b>86</b>

#### Irregular expenditure

##### Reconciliation of irregular expenditure

Opening balance	72 767	61 379
Irregular expenditure – identified in the current year relating to prior years	7 567	11 388
Less: amount condoned by national treasury	(3 689)	–
	<b>76 645</b>	<b>72 767</b>

#### Irregular expenditure

2016 Description	Action taken	Expenditure incurred	Amount condoned	Amount remaining
Identified in the current year relating to previous year	Disciplinary action was taken against the responsible employees	7 567	(3 689)	3 878
		<b>7 567</b>	<b>(3 689)</b>	<b>3 878</b>

2015 Description	Action taken	Expenditure incurred	Amount condoned	Amount remaining
Identified in the current year relating to previous year	Disciplinary action was taken against the responsible employees	11 388	–	11 388
		<b>11 388</b>	<b>–</b>	<b>11 388</b>



Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 23. Material losses through irregular fruitless and wasteful expenditure (*Continued*)

			<b>R '000</b>
1	<b>F2010/11</b>	Due to the Soccer World Cup taking place at the time of the due date of the WSP, and consequently the national transport and communications infrastructure being assessed to be overtaxed during the time, combined with the focus of resources in food and beverages manufacturing towards maximising production, the Board approved a blanket extension of the due date by one month to 31 July 2010.	46 600
		The Skills Development Grant Regulation requires an extension be granted on a case-by-case basis. However, in this instance, a blanket extension was seen as appropriate due to the extraordinary circumstances. The decision resulted in payments of R46.6m for mandatory grants, made to those companies who had submitted WSPs after 30 June 2010, being classified as irregular expenditure.	
2	<b>F2010/11</b>	Two contracts, totalling R600k, had been awarded to independent contractors (R300k each) for the execution of the ABET project. Although the proper procurement procedures were followed and the CEO and the Chairman of the Tender Committee approved the bid, the reasons for the deviation from competitive bidding were not properly documented as required by the TR16A6.4.	600
3	<b>F2011/12</b>	A contract with Ricoh for the supply of photocopy machines and printers expired during the year. The Board took a decision to review all contracts and the contract was rolled over after it expired.	257
4	<b>F2011/12</b>	An amount of R241k was paid to VOX Orion for the use of premicells that minimises the cost of telephone calls to cell phones. This contract was rolled over after it had expired.	241
5	<b>F2011/12</b>	There were instances where three quotes were not obtained for various reasons. A detailed schedule of these expenses has been prepared and the Board is to consider the schedule for condonation.	953
6	<b>F2012/13</b>	Expenditure incurred in transgression of SCM processes and procedures.	4 620
7	<b>F2012/13</b>	Expired contracts extended without following SCM processes.	3 901
8	<b>F2013/14</b>	Expenditure incurred in transgression of SCM processes and procedures.	4 697
9	<b>F2014/15</b>	Expenditure incurred in transgression of SCM processes and procedures.	11 388
10	<b>F2015/16</b>	Expenditure incurred in transgression of SCM processes and procedures.	7 567

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 22. Board and management remuneration

#### Executive and management

2016/16	Basic	Travel allowance	Acting allowance	Bonus	Pension fund	Total
M Mathye (CEO)	1 213	300	–	–	193	1 706
N Selamolela (CFO)	1 023	302	88	133	169	1 715
F Ngwendu (CS)	813	72	43	73	126	1 127
H Caleni (IT)	865	4	–	65	112	1 046
C Khoza (ETQA)	769	72	–	69	123	1 033
M Pule (Finance)	749	120	43	70	90	1 072
*A Basson (SP) – 6 months	364	12	–	36	55	467
S Ramsammy (SP) – 3 months	186	27	–	–	21	234
	<b>5 982</b>	<b>909</b>	<b>174</b>	<b>446</b>	<b>889</b>	<b>8 400</b>

204/15	Basic	Travel allowance	Acting allowance	Bonus	Pension fund	Total
M Mathye (CEO)	1 124	295	–	–	180	1 599
N Selamolela (CFO)	927	302	40	104	157	1 530
F Ngwendu (CS)	761	65	–	71	117	1 014
H Caleni (IT)	800	2	–	69	113	984
C Khoza (ETQA)	701	54	–	67	149	971
M Pule (Finance)	696	120	–	67	84	967
M Mosoenyane (SP) – 8 months	608	–	–	–	75	683
	<b>5 617</b>	<b>838</b>	<b>40</b>	<b>378</b>	<b>875</b>	<b>7 748</b>

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### Non-executive

2016/16	Board fees	Reimbursed travel	Total
J Komape (Chairperson)	456	15	471
A Nkosibomvu	205	9	214
D Khumalo	234	17	251
E Manoto	165	27	192
G Penny	203	3	206
G Hamman	168	4	172
K Smith	127	11	138
L Giba	195	3	198
R Mnguni	279	14	293
S Hone	189	35	224
L Thomas	254	5	259
T Tshabalala	154	4	158
T Ehlers	173	3	176
W Prinsloo	174	3	177
N Tshabangu	39	2	41
	<b>3 015</b>	<b>155</b>	<b>3 170</b>

2014/15	Board fees	Meeting fees	Reimbursed travel	Total
J Komape (Chairperson)	93	209	12	314
A Nkosibomvu	72	81	10	163
G Penny	54	55	3	112
D Khumalo	72	53	11	136
E Manoto	72	61	28	161
G Hamman	72	56	5	133
K Smith	72	60	26	158
L Giba	72	63	2	137
L Thomas	54	58	3	115
R Mnguni	72	82	13	167
S Hone	72	67	30	169
T Tshabalala	72	57	4	133
T Ehlers	72	40	2	114
W Prinsloo	72	60	2	134
	<b>993</b>	<b>1 002</b>	<b>151</b>	<b>2 146</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 25. Financial instruments

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

#### Interest rate risk

The FoodBev SETA manages its interest risk by effectively investing surplus funds in short-term deposits and call accounts with different accredited financial institutions, according to the FoodBev SETA investment policy. Any movement in the interest rates will affect interest income. Interest income is utilised for additional discretionary grants and therefore will not adversely affect the operations of the Foodbev SETA.

The Foodbev Seta exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are as follows:

#### Cash flow interest rate risk

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

#### Year ended 31 March 2016

##### Assets

Cash	447 131	6%	–	–	–	–	–	447 131
Loans and accounts receivable	–		–	–	–	1 488	–	1 488
<b>Total financial assets</b>	<b>447 131</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>1 488</b>	<b>–</b>	<b>448 619</b>

##### Liabilities

Borrowings	–		–	–	–	–	–	–
Loans and accounts payable: non-exchange and exchange transactions	–		–	–	–	(14 553)	–	(14 553)
<b>Total financial liabilities</b>	<b>–</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(14 553)</b>	<b>–</b>	<b>(14 553)</b>

#### Year ended 31 March 2015

Total financial assets	411 584	5%	–	–	–	381	–	411 965
Total financial liabilities	–		–	–	–	(48 241)	–	(48 241)
	<b>411 584</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(47 860)</b>	<b>–</b>	<b>363 724</b>

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 25. Financial instruments *(Continued)*

#### Credit risk

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

#### The ageing of trade and other receivable from non-exchange transactions

	2016		2015	
	Gross	Impairment	Gross	Impairment
Past due 0 – 30 days	1 046	–	105	–
Past due 31 – 180 days	–	–	263	(118)
More than one year	46	(35)	466	(350)

#### Cash and cash equivalents

	2016		2015	
	Gross	Impairment	Gross	Impairment
Cash and cash equivalents	447 131	–	411 584	–

#### Liquidity risk

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

	2016		2015	
	Carrying amount	Contractual cash flows	6 months or less	6-12 months

#### FY2015/2016

Trade and other payables from exchange transactions	2 583	2 583	2 583	–
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#### FY2014/2015

Trade and other payables from exchange transactions	5 599	5 599	5 599	–
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A prior year amount of R31 753m relating to skills development grant: discretionary was reclassified from trade and other payables from non-exchange transactions to trade and other payables exchange transactions.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 26. Related parties

#### Transactions with other SETA's

Inter-SETA transactions and balances arise due to the movement of employers from one SETA to another. During the current year, Foodbev SETA received R28k from other SETA's as listed below.

	F2016		F2016		F2015		F2015	
	Transfers in	Transfers out	Receivables	Payables	Transfers in	Transfers out	Receivables	Payables
W&R SETA	–	–	–	–	347	–	–	–
AGRI SETA	–	–	–	–	15	327	–	–
MICT	–	–	–	–	4	–	–	–
TETA	28	–	–	–	–	–	–	–
<b>Total</b>	<b>28</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>366</b>	<b>327</b>	<b>–</b>	<b>–</b>

#### Transactions with employers of the members' of Board in R'000

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

Employer	Board member	Mandatory grant	Discretionary grant	Total	Levies Received
Rhodes Food Group	Gerhardus Hamman	786	272	1 058	3 426
Sea Harvest Corporation	Keith Smith	674	798	1 472	2 749
Distell	Leslie Thomas	2 764	2 763	5 527	11 162
SAB – Isando	Tienie Ehlers	10 946	5 450	16 396	36 537
<b>Total</b>		<b>15 170</b>	<b>9 283</b>	<b>24 453</b>	<b>53 874</b>

	2015/16 R '000	Restated 2014/15 R '000
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#### Transactions with other national public entities in R'000s

Quality Council for Trades and Occupations (QCTO)	1 010	709
National Skills Fund (NSF)	70 059	73 335
	<b>71 069</b>	<b>74 044</b>

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 27. Going concern

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

### 28. Prior period errors

During the year, it was identified that an amount of R1 498 200 should have been reversed against the prepaid balance which was erroneously reversed against expenditure

The comparative amount has been restated as follows:

	<b>2015/16</b>	<b>Restated</b>
	<b>R '000</b>	<b>2014/15</b>
		<b>R '000</b>
<b>Statement of Financial Position</b>		
Prepaid balance overstated	–	(1 498)
Net effect on Statement of Financial Position	–	(1 498)
<b>Statement of Financial Performance</b>		
Increase in employer and project expenses	–	(1 498)
Net effect on surplus/(deficit) for the year	–	(1 498)
Net effect on accumulated surplus opening balance		(1 498)

### 29. Budget differences

Material differences between budget and actual amounts

- 29.1 Fines and Penalties** – The Foodbev SETA does not budget for fines and penalties since these are incidental transactions. It is very difficult to project how many employers are going to submit their returns late.
- 29.2 Skills Development Levy: Income** – The favourable variance was as a result of general salary increases, bonuses and retrenchments. There were also new employers who joined the SETA during the year.
- 29.3 Interest received - investments** – Interest income is higher than budgeted due to the high cash reserves held at approved banking institutions.
- 29.4 Other income** – The Foodbev SETA does not budget for other income since these are incidental transactions.
- 29.5 Administration expenses** – Administration expenses are limited to 10% of the levies received. The FoodBev SETA did not exceed the legislated limit and any savings will be used to fund sector skills priorities through various projects.
- 29.6 Transfer to NSF: grant regulation** – The Foodbev SETA did not budget for the uncommitted funds to be refunded to the National Skills Fund. This was due to the fact that this amount is only determined after the end of the financial year.
- 29.7 Employer grant and project expenses** – The Foodbev SETA acquired a new grant management system and faced challenges regarding the processing of grant payments. Employers did not submit required documents on time.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 30. Critical accounting judgement and key sources of estimation

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

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

#### Key sources of estimation uncertainty

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

#### Estimation of useful lives and residual value

Management considers the impact of technology, condition of the asset, if there are any approved plans by the Board to dispose of the asset, any plans by management to replace the asset by considering approved budget. The estimation of residual values of assets is based on management's judgement; whether the asset will be sold or will be used to the end of their useful lives and at what condition the assets will be at the time. Management are of the opinion that all assets of SETA have a useful life that is equal to the economic life as assets are used to a point where they cannot be sold at an open market. Management therefore considers the residual value to not be material and significant.

#### Impairment of assets

Management makes estimates and judgements with regards to the impairment of non-cash generating assets. Management considers the subsequent measurement criteria and indicators of potential impairment as indicated in the group statements. If an impairment exists, management determines a recoverable amount.

#### Provisions

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

#### Segment reporting

Management have assessed that Foodbev SETA operates as one segment both from a services and geographical point of view. Management have not divided the financial information into different segments as required by paragraph 18. Consequently as Foodbev SETA is reporting in only one segment, it does not distinguish.

Food and Beverage Manufacturing Industry Sector Education and Training Authority  
Annual Financial Statements for the year ended 31 March 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 31. New accounting pronouncements

Standards issued but not effective.

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

- **GRAP 20: Related parties**  
Impact: Minimum impact as the Foodbev SETA is already applying the equivalent IPSAS.
- **GRAP 32: Service concession arrangements**  
Impact: No impact – no service concession arrangements have been entered into by the the Foodbev SETA.
- **GRAP 108: Statutory receivables**  
Impact: Measurement of statutory receivables may have an impact but principally based on GRAP 104.
- **GRAP 109: Accounting by principals and agents**  
Impact: Possible impact due to SARS collecting on behalf of the SETAs.
- **IGRAP 17: service concession arrangements where a grantor controls a significant residual interest in an asset.**  
Impact: No impact – no arrangements

[illegible]





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