



fp&m
seta

Fibre Processing & Manufacturing Sector Education and Training Authority



Clothing



Footwear



Leather



Printing



Print Media



Furniture



General Goods



Forestry



Wood Products



Packaging



Publishing



Textiles

FUTURE PERFECT
SKILLS DEVELOPMENT

Annual Report
2015 / 16



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



Fibre Processing & Manufacturing Sector Education and Training Authority

ANNUAL REPORT OF THE FP&M SETA 01 APRIL 2015 TO 31 MARCH 2016

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Honourable Minister of Higher Education and Training, Dr Blade Nzimande



Honourable Deputy Minister of Higher Education and Training, Mr Mduduzi Comfort Manana

Honourable Minister Nzimande and Honourable Deputy Minister Manana, it is my privilege and pleasure to present to you the Annual Report of the Fibre Processing & Manufacturing Sector Education and Training Authority (FP&M SETA), for the financial year ended March 2016.

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

Ms Felleng Yende
Chief Executive Officer: FP&M SETA

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PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	Fibre Processing and Manufacturing (FP&M) SETA
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BANKERS:	First National Bank 8 Rydall Vale Park, Douglas Saunders Drive, La Lucia, 4051 Nedbank 90 Bram Fischer Road, Kingsmead, Durban, 4001 Standard Bank 51 Old Main Road, Pinetown, 3601 Corporation for Public Deposits (CPD) c/o South African Reserve Bank 370 Helen Joseph Street, Pretoria, 0002
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PART A: GENERAL INFORMATION

2. LIST OF ABBREVIATIONS/ACRONYMS

ACRONYM	FULL DESCRIPTION						
AET	Adult Education and Training	EXCO	Executive Committee	NEET	Not in Employment, Education or Training	SAGDA	South African Graduates Development Association
AGSA	Auditor-General of South Africa	FIETA	Forestry Industries Education and Training Authority	NGO	Non-Governmental Organisation	SAQA	South African Qualifications Authority
AFS	Annual Financial Statements	FP&M	Fibre Processing & Manufacturing	NPO	Non-Profit Organisation	SARS	South African Revenue Service
APP	Annual Performance Plan	GRAP	Generally Recognised Accounting Practice	NQF	National Qualifications Framework	SATU	South African Typographical Union
ATR	Annual Training Report	HET	Higher Education and Training	NSDS	National Skills Development Strategy	SCM	Supply Chain Management
CBO	Community-Based Organisation	HR	Human Resources	NSFAS	National Student Financial Aid Scheme	SDL	Skills Development Levy
CEO	Chief Executive Officer	IPAP	Industrial Policy Action Plan	NCV	National Certificate Vocational	SETA	Sector Education and Training Authority
CFO	Chief Financial Officer	IT	Information Technology	OFO	Organising Framework for Occupations	SMME	Small, Medium, and Micro Enterprises
COSATU	Congress of South African Trade Unions	KZN	KwaZulu-Natal	PASA	Publishers Association of South Africa	SSP	Sector Skills Plan
CPD	Corporation for Public Deposits	MAPPP	Media, Advertising, Publishing, Printing and Packaging	PFMA	Public Finance Management Act, 1999 (Act No 1 of 1999)	TVET	Technical and Vocational Education and Training
CTFL	Clothing, Textiles, Footwear and Leather	MIS	Management Information System	PIVOTAL	Professional, Vocational, Technical and Academic Learning	UIF	Unemployment Insurance Fund
DAFF	Department of Agriculture, Forestry and Fisheries	MOA	Memorandum of Agreement	QCTO	Quality Council for Trade and Occupations	W&R SETA	Wholesale and Retail Sector Education and Training Authority
DHET	Department of Higher Education and Training	MOU	Memorandum of Understanding	RPL	Recognition of Prior Learning	WIL	Work Integrated Learning
DQPs	Development Quality Partner	NAMB	National Artisan Moderating Body	SACTWU	Southern African Clothing and Textile Workers Union	WSP	Workplace Skills Plan
DUT	Durban University of Technology						

PART A: GENERAL INFORMATION

3. FOREWORD BY THE CHAIRMAN

The Fibre Processing and Manufacturing (FP&M) sector has taken the skills development landscape by storm during 2015/16, through the implementation of innovative projects to address scarce and critical skills needs in the sector while tackling national priorities such as women empowerment, youth development, leadership advancement, rural and township development, small business support and racism.

Since its inception in 2011, the FP&M SETA has experienced exceptional growth as an organisation and has managed to cement its reputation in the FP&M sector as a credible partner in skills development. At a national level, we have demonstrated our support of the National Skills Development Strategy III through the alignment of our sector skills priorities with national priorities. We have performed exceptionally well during 2015/16, recording a performance rating of 89%.

As funding and implementation partner, the FP&M SETA has played a catalytic role, coordinating efforts of various skills development role players, to bring to fruition the vision of our industry leaders. Our partners have included media conglomerates, higher education institutions, TVET colleges, community organisations and churches, employer and labour organisations, youth development agencies, employers, private training providers, and government departments.

Our flagship projects for 2015/16 included the Richmond-Indaleni Community Skills Centre, the Media24 Capacity Building Project for Small Publishers in township and rural areas, the SANEF Women in Media programme, the Masters Programme in Exotic Leather Manufacturing offered by the Universities of Pretoria and Nottingham, the Independent News Anti-Racism Campaign, the Gauteng Premier Township Revitalisation Project (Tshepo 500,000), and the International Leadership Development Programme.

These are only some of the impactful projects that were implemented in the sector during 2015/16. We have elaborated on these projects in Part B: Performance Information. Our report on performance against pre-determined targets further demonstrates our achievements.

I was privileged to accompany the cohort of upcoming industry leaders that participated in the

International Leadership Development Programme to Boston, Massachusetts to attend a course in manufacturing at the renowned Massachusetts Institute of Technology. During the time I spent with these young leaders, I was amazed at the calibre of leadership available in the FP&M sector. This capacity building initiative was the brainchild of our CEO, Ms Felleng Yende, and I applaud her for recognising the need to identify upcoming young leaders and expose them to world class leadership development opportunities.

As citizens of South Africa who believe in equal rights and opportunity, we felt the impact of increased incidents of racism across our country. The FP&M SETA Board therefore did not hesitate when presented with the opportunity to join the Independent News Anti-Racism Campaign as a skills development funding partner. The Board committed funding to train young journalists to effectively report and commentate on the issue of racism via print- and online media. During 2015/16 we have continued with the development of industry-aligned occupationally-directed qualifications. The enthusiasm with which the communities of expert practitioners participated in the development process is testament to the commitment of industry to ensure quality skills development provision in years to come - contributing to the FP&M SETA's drive for "Future Perfect Skills Development".

I am extremely pleased to report that during the period under review the FP&M SETA concluded a research paper to evaluate performance and impact on progress in relation to SETA goals and priorities aligned to professional, vocational, technical and academic learning (PIVOTAL) programmes. It is imperative that the good work of the SETA in implementing its strategic mandate is informed and underpinned by empirical research. A significant outcome of the research study confirmed that:

- 99,7% of FP&M SETA funded learning programmes are deemed relevant to real scarce skills needs within industry. From the data available there is a strong relationship between the identified needs in the sector and the programmes that have been funded.

We noted with interest the New SETA Landscape Proposal which was published by the Honourable Minister of Higher Education and Training, Dr Blade Nzimande, in November 2015.

The publication of the proposal led to lively debate in the FP&M sector, with employer and labour organisations, as well as skills development providers engaging intensely during national workshops on the benefits and downsides of the proposal, and its possible impact on skills development.

Particular emphasis was placed on the impact that added bureaucracy and the reduction in discretionary grant funding available to industry could have on the future participation of industry in skills development initiatives.

The FP&M SETA Board submitted a comprehensive position paper, taking into consideration the positions of the various role players. Comments were also submitted by individual stakeholder groupings. We are now awaiting the response of the Department of Higher Education and Training to the inputs made by the affected parties.

In the meantime, we will carry out the mandate of the SETAs in line with NSDS III, as extended by the Minister to 31 March 2018. During this period, we will continue to deliver innovative skills development interventions that address the critical and scarce skills needs of our sector. Through our activities and partnerships we will once again prove that the FP&M SETA is a force to be reckoned with in the skills development landscape.

During the next two years, we will depend on the support of our stakeholders to confirm our status as a credible partner in skills development in the fibre processing and manufacturing sector. This will strengthen our position in the future SETA landscape as an essential link between industry, institutions of higher education, TVET colleges, and government departments.

It will thus be important for employer and labour organisations who have the interests of the FP&M SETA at heart to lobby at various platforms for the continuation of the FP&M SETA.

I want to thank the FP&M SETA Board and committees for their continued commitment to the SETA – the time and expertise that you make available to ensure sound corporate governance and prudent financial management of SETA affairs are invaluable. Special mention must be made of the significant contributions made to skills development in the FP&M sector by our fellow Board member, Mr David Bowen, who recently passed away.

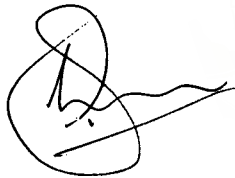
PART A: GENERAL INFORMATION

3. FOREWORD BY THE CHAIRMAN

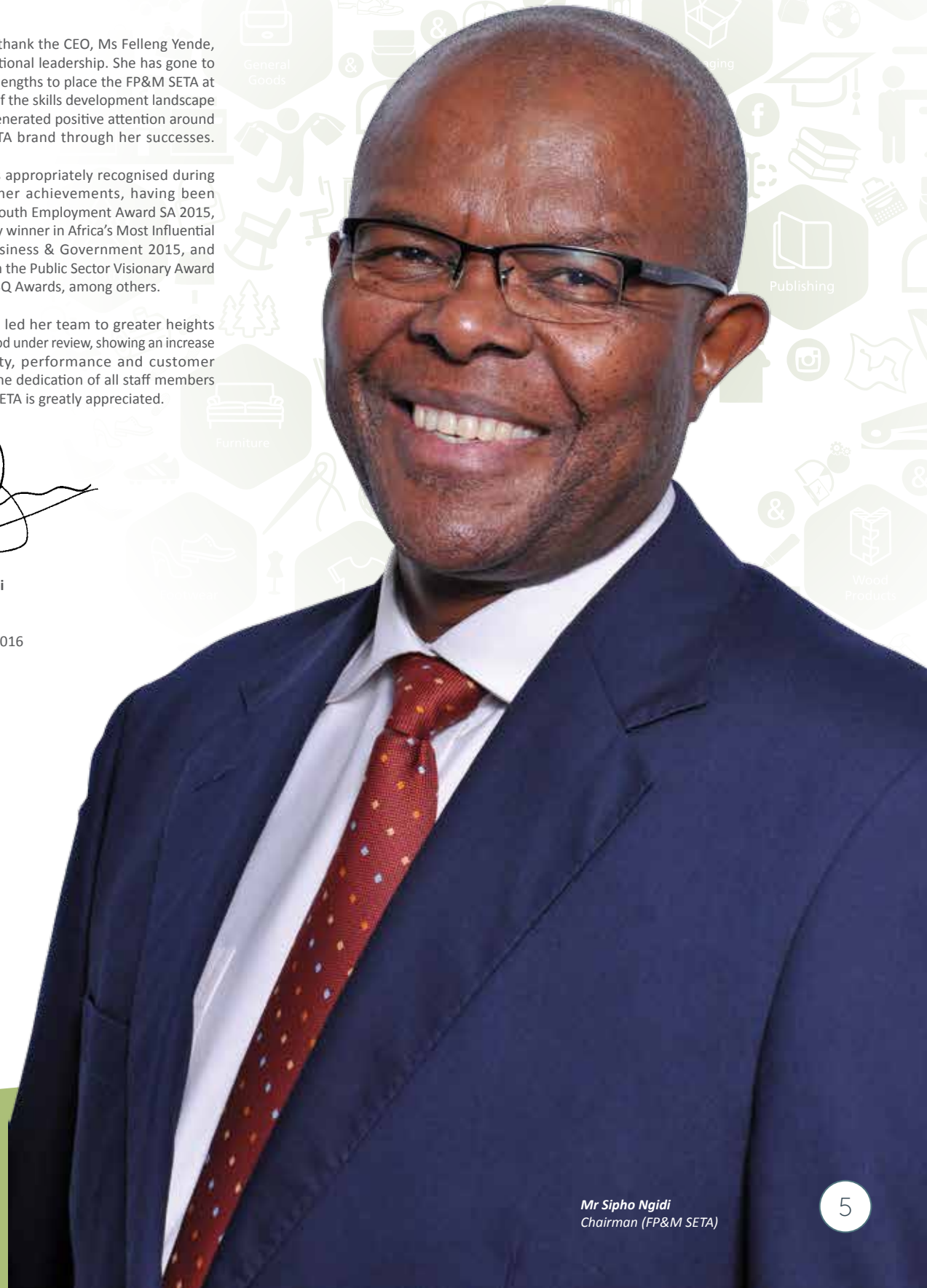
I also wish to thank the CEO, Ms Felleng Yende, for her inspirational leadership. She has gone to extraordinary lengths to place the FP&M SETA at the forefront of the skills development landscape and she has generated positive attention around the FP&M SETA brand through her successes.

Ms Yende was appropriately recognised during the year for her achievements, having been awarded the Youth Employment Award SA 2015, named country winner in Africa's Most Influential Women in Business & Government 2015, and presented with the Public Sector Visionary Award at the 2015 BBQ Awards, among others.

Ms Yende has led her team to greater heights during the period under review, showing an increase in productivity, performance and customer satisfaction. The dedication of all staff members of the FP&M SETA is greatly appreciated.



Mr Sipho Ngidi
Chairman
FP&M SETA
Date: 31 July 2016



PART A: GENERAL INFORMATION

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

"The FP&M SETA continues to reap the rich rewards and outcomes of the results-driven business model implemented two years ago..."



PART A: GENERAL INFORMATION

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Introduction

It gives me immense pleasure to open my report with the inspirational words of our iconic leader, President Nelson Mandela: "Education is the most powerful weapon, which you can use to change the world." We continue to quench our thirst for success by drinking from this fountain of knowledge.

The White Paper for Post-School Education and Training, which advocates a more functional education and training system, clearly defined the mandate of the FP&M SETA during the period under review. Our focus on building a larger, flexible, quality and responsive post-school education and training system has delivered pleasing results.

We celebrate another year of skills delivery at the very highest level. Reflecting on the year under review I can categorically state that the FP&M SETA has made an indelible difference to the skills levels of the individuals who participated in skills development activities in the fibre processing and manufacturing sector through various lifelong training interventions.

Overall Performance

The FP&M SETA continues to reap the rich rewards and outcomes of the results-driven business model implemented two years ago. Since 2013, we have seen steady progress in overall performance, resulting in the positive upward trajectory of the performance graph. I can confidently report that considerable inroads have been made to address transformation and to drive back youth unemployment, poverty, lack of rural development, and inequality. The FP&M SETA has embarked on what could be a new and better road to addressing increasing levels of unemployment and the general lack of skilled workers.

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

"Sustainable success is a journey, not a destination". Bearing this in mind, the FP&M SETA has adopted a pipeline approach to skills development. Learners are supported from school level through career guidance and awareness programmes to employment in the workplace.

Notwithstanding varied challenges, the SETA endeavoured to deliver on its mandate and adhere to and exceed set delivery targets in its Annual Performance Plan.

The FP&M SETA applauds the efforts of all of our FP&M sector stakeholders to address racism in the country with the launch of the "Racism Stops with Me" campaign. As an organisation we have pledged our support to this campaign.

During the month of August 2015, the FP&M SETA, in partnership with Cape Media Corporation, staged a highly successful Skills Development Summit at the CSIR International Convention Centre in Pretoria. The FP&M SETA Skills Summit highlighted not only the continued and critical need for skills development, but also tapped into the expertise of stakeholders to transcend current challenges by coming up with new and innovative approaches to accelerating skills development. I am glad that through this partnership we were able to provide skills development leadership. During the summit we were blessed with the presence of our guest speaker, the Honourable Deputy Minister for Higher Education and Training, Mr Mduduzi Manana, who applauded the FP&M SETA and Cape Media Corporation for taking the initiative and throwing their weight behind the advancement of skills development in SA.

Equally successful was the Green Youth Indaba. There is a growing need for higher-level knowledge and skills linked to developing and using green technologies, and increased research on more sustainable means of production. It was indeed an honour to witness a number of deputy ministers from key government departments signing a pledge to commit to the furthering of the skills of our youth to support career opportunities that address the "green agenda" of our country. The FP&M SETA supported career exhibitions, sharing information on career opportunities in the FP&M sector with approximately 3 200 learners and unemployed youth from 422 schools and organisations country-wide.

The crucial role of SETAs in promoting economic development and addressing transformation cannot be overestimated. The global economic crisis has created a wave of challenges including increased levels of unemployment, high levels of inequality, a mounting recession and the continuous need for global competitiveness. Many of our industrial sub-sectors are counted amongst the most vulnerable and distressed. The FP&M SETA is well positioned to play a constructive role in facilitating high level strategic skills development initiatives to support these vulnerable and distressed sub-sectors.

Despite the global economic meltdown during the period under review, and the pressure on FP&M sector firms to survive and sustain themselves, I am proud to announce that the FP&M SETA successfully implemented the Training Layoff Scheme (TLS), in collaboration with the Department of Labour (DoL), National Skills Fund (NSF), Commission for Conciliation, Mediation and Arbitration (CCMA) and Unemployment Insurance Fund (UIF). As CEO of the FP&M SETA, I have made it my personal ambition to ensure that job losses and retrenchments are stemmed and that workers have access to decent jobs, by aggressively marketing the scheme in the sector.

Our SETA reviewed its priorities at our strategic planning session and is ready, willing and enthusiastic about re-aligning, re-positioning and re-tooling our operations to support the imperatives of the White Paper for Post-School Education and Training.

Our Sector Skills Plan (SSP) continues to improve in terms of quality content and strategy due to our research chair partnership with the University of Witwatersrand (WITS REAL). The plan offers a strategic planning tool to project current and future scarce and critical skills needs and occupations in demand within the sector.

Extension of NSDS III - Anticipated Legislative Changes

In November 2015, the Department of Higher Education and Training called for public comments on two significant documents that set out the vision of the NSDS and SETAs, the changes proposed for the skills development institutional landscape and funding framework to achieve this vision.

PART A: GENERAL INFORMATION

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The current NSDS III which guides disbursement of skills levy has been extended to 31 March 2018, and SETAs have been re-established for two years (2016-2018). The current tenure of the Board has been extended for the same period (2016-2018).

During January 2016, the proposed policy document was extensively reviewed with FP&M SETA stakeholders through dedicated workshops. I would like to express my heartfelt gratitude to all of our stakeholders for their constructive feedback, comments and submissions. Thanks to the leadership of our committed Chairman, Mr Sipho Ngidi, the FP&M SETA submitted a well-balanced response based on positions in terms of support and recommendations to improve and avoid potential weaknesses.

FP&M SETA Performance 2015-16

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

All stakeholders needed to synergise their efforts in order to achieve the strategic objectives and targets contained in the FP&M SETA Strategic Plan

2015/16-2019/20 and Annual Performance Plan 2015/16-2018/19.

The SETA endeavoured to deliver on its mandate and adhere to and exceed delivery targets as set out in its Annual Performance Plan. The FP&M SETA achieved an 89% performance rating for achieving 48 of 54 indicators. This is an increase of 82% since inception.

Discretionary Grant Allocation and Expenditure

The FP&M SETA rose to the challenge of supporting our higher education institutions by collaborating with the National Student Financial Aid Scheme (NSFAS).

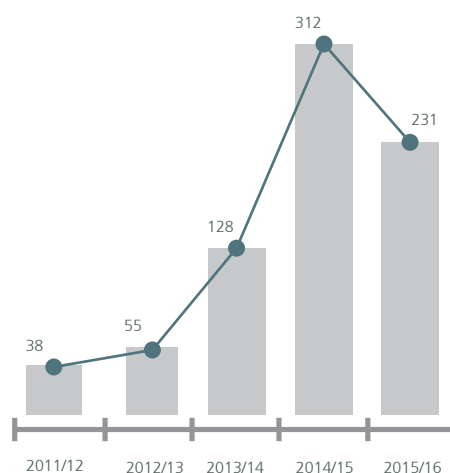
In response to the crisis experienced by higher education and training institutions earlier this year, and in support of needy and financially disadvantaged students studying towards qualifications aligned to the scope of our industrial sectors, we have made a commitment of approximately R20,8 million towards the NSFAS in 2015/16, with R13 million already disbursed. In addition, we have established direct bursary partnerships with eight higher education and training institutions, amounting to approximately R32 million.

Total discretionary grants allocated for 2015/16 for a variety of learning programmes,

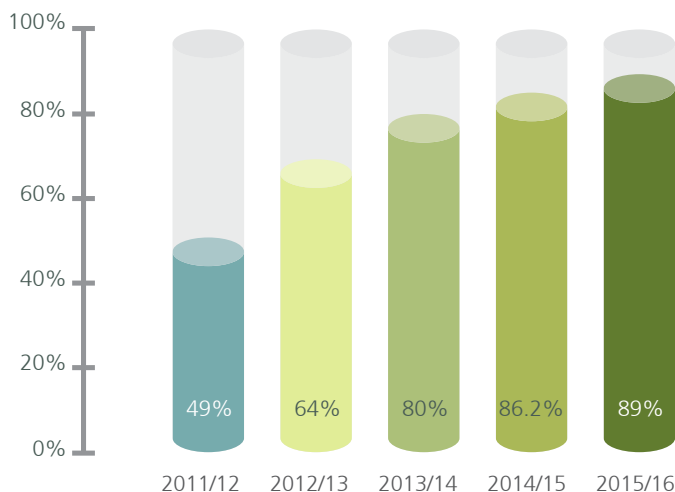
special projects, sectoral priorities and critical partnerships amounted to approximately R329 million.

Discretionary grant expenditure has decreased during 2015/16 due to delayed implementation by project beneficiaries, despite concerted efforts by regional staff to encourage early uptake on projects.

DISCRETIONARY GRANT EXPENDITURE 2011 - 2016 (R'Million)



PERFORMANCE RATING (2011 - 2016)

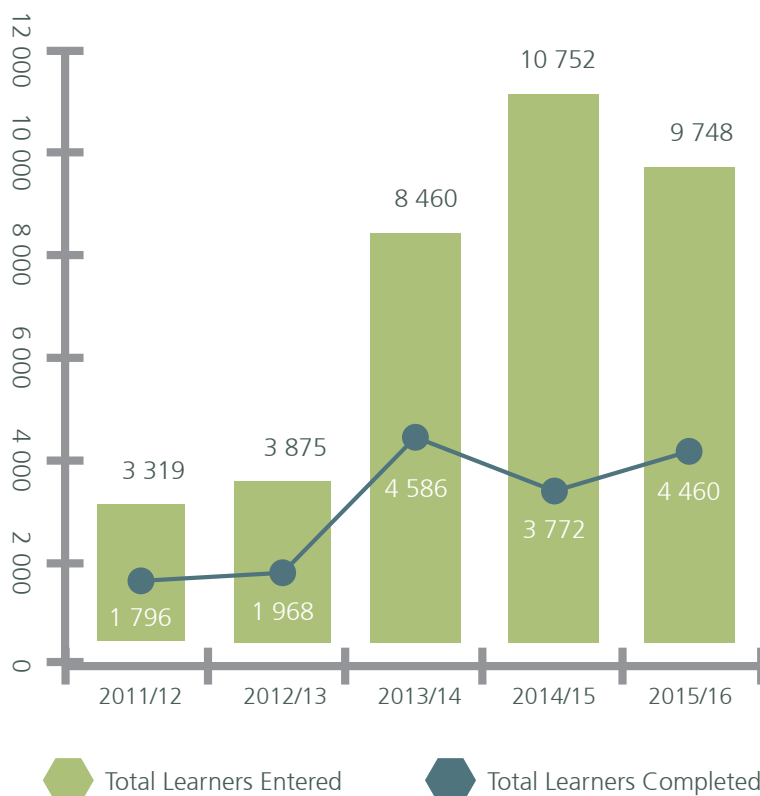


In line with the above expenditure trend, learner registrations during 2015/16 have decreased by 10% from 2014/15. However, learner completions have increased by 18% from the previous year. This is mostly due to increased monitoring of projects, as well as more efficient certification processes.

PART A: GENERAL INFORMATION

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

LEARNING PROGRAMME IMPLEMENTATION SINCE INCEPTION



Performance and Impact Study 2015/16

In addition to a customer satisfaction survey, a comprehensive research study was conducted on performance and the impact of the implementation and funding of PIVOTAL learning programmes in nurturing scarce and critical skills.

The study has provided the FP&M SETA with invaluable insights into the impact we are having on the development of scarce and critical skills, with regard to scarce occupations in demand.

Some of the interesting findings of the study spanning 2013/14 to 2015/16 are included in the table below:

Learning Programme Category	Number of Learners Enrolled	Percentage of Learners Linked to Scarce Skills
Learnerships	7 339	99,7%
Bursaries	1 269	98,1%
Skills Programmes	10 249	99,9%
Apprenticeships	655	100%

The overall impact assessment confirmed that only 0,3% of learner enrolments did not relate to scarce skills needs within the sector. By implication, 99,7% of FP&M SETA funded learning programmes were deemed relevant to real scarce skills needs within industry.

Research Chair Initiative

In our quest to improve research capacity and expertise within the FP&M sector, I can report that our multi-faceted research partnership with WITS REAL continues to thrive, furthering transformation through the development of black academic researchers at Masters and PhD level to address the high-level skills shortage in the research arena.

Quality Assurance

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

I am proud to note that during the period under review we have developed and submitted to QCTO for evaluation a total of 35 occupational-directed qualifications and part qualifications, aligned to the curriculum requirements and structure of the QCTO.

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

Through a concerted effort from the Quality Assurance Division, and in consultation with NAMB and the QCTO, the issuing of artisan certificates has improved markedly, and as a result, backlog issues have been resolved.

In order to improve service delivery to our stakeholders, the division streamlined quality assurance processes and continued our enhancement of a fully functional Management Information System (MIS) with modules to improve the management and reporting of our learning programmes.

PART A: GENERAL INFORMATION

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Good Corporate Governance

The organisation has established a culture of good corporate governance through the implementation of approved policies and procedures. We are aware of certain risk areas and have worked on focused risk assessment exercises with the various divisions. The divisions implemented practical interventions to alleviate potential risks that could adversely affect efficiencies in service delivery. Compliance with good corporate governance is regarded as a cornerstone of our successes and achievements.

Monitoring & Evaluation

One of our priorities in the last financial year was to implement a fully-functional and robust monitoring and evaluation strategy to enhance project management within the organisation. This division engaged independent sector skills advisors with a view to obtaining an objective perspective on discretionary grant project implementation. Nationally, approximately 530 projects were monitored during the period under review. The monitoring and evaluation policy was reviewed and monitoring and evaluation tools were developed, aligned to the performance standards of the AGSA when conducting project site visits. Feedback from our stakeholders was extremely positive.

Projects Delivery

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

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

General Financial Review of the Public Entity

The FP&M SETA's financial performance has improved steadily, with significant strides being made to ensure adequate financial and administrative controls to deliver prudent financial

management, with strict adherence to generally acceptable accounting practices and National Treasury regulations.

Revenue Trends

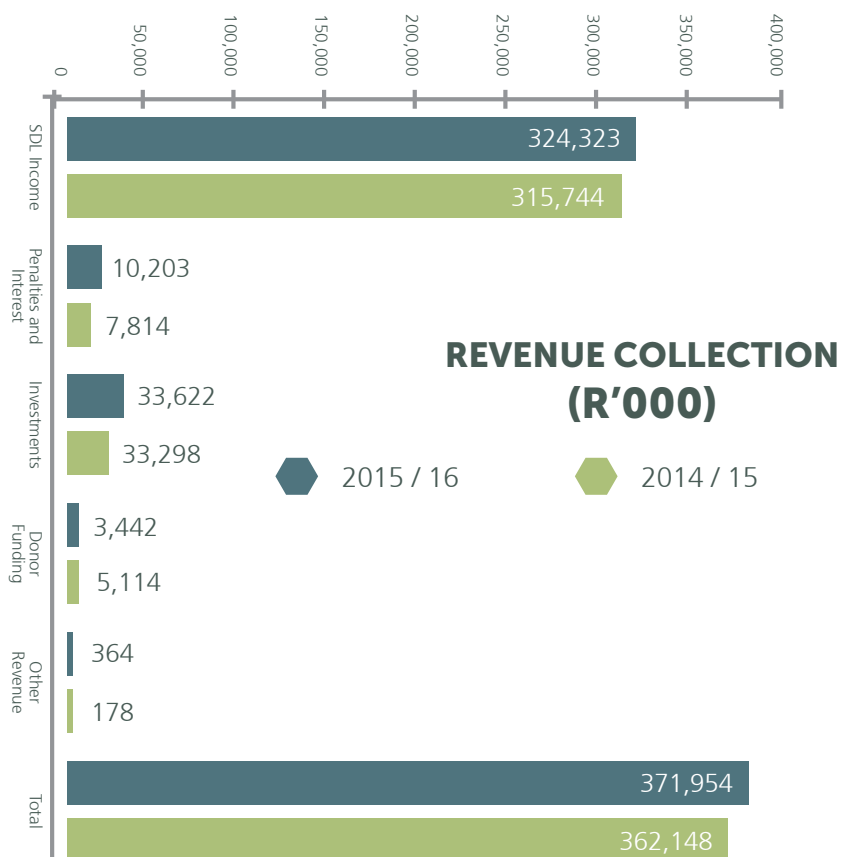
Revenue received in 2015/16 was reported at R371,9 million (2014/15 : R362,1 million).

- SDL income amounted to R324,3 million (2014/15 : R315,7 million) and was allocated in line with the SETA Grant Regulations, which came into effect on 01 April 2013. SDL income was allocated as follows:
 - o Administration expenditure - R42,6 million (2014/15 : R41,3 million)
 - o Mandatory grants expenditure - R81 million (2014/15 : R86,3 million)
 - o Discretionary grants expenditure - R200,6 million (2014/15 : R188 million)

- Penalties and interest income received for late payments made to SARS amounted to R10,2 million (2014/15 : R7,8 million).
- Donor funding, for which the conditions were met, amounted to R3,4 million (2014/15 : R5,1 million).
- Other revenue amounted to R364 000 (2014/15 : R178 000).
- Investment income earned totalled R33,6 million (2014/2015 : R33,2 million).

Investment Strategy

The FP&M SETA invested excess funds with the Corporation of Public Deposits (CPD) as per Section 31.3.3 of Treasury Regulations. The average interest rate for the year totalled 6,3%.



PART A: GENERAL INFORMATION

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Spending Trends of the FP&M SETA

Administration Expense

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

The total administrative expenditure totalled R41,1 million (2014/15 : R38,2 million).

Administration expenditure was contained within the 10,5% threshold for administrative expenditure as a result of stringent financial management and the implementation of cost saving measures. Some of these cost saving measures were the increased utilisation of effective video conferencing facilities for internal meetings and committee meetings, thereby reducing travel and accommodation requirements significantly,

and the purchase and installation of central printer hubs to reduce equipment rental cost and the costs relating to printing consumables.

Mandatory and Discretionary Grant Expenses

The mandatory grant expenses totalled R66,1 million (2014/15 : R84,4 million). Disbursements totalled R90,2 million (2014/15 : R44,4 million). Mandatory grants expenses were lower in the current financial year as last year's expenses included the reversal of a grant debtor amounting to R22 million, the effect of which increased expenditure in 2014/15.

Mandatory grant disbursements were greater than the previous year due to the third tranche payment for 2014/15 being made after year-end (R24 million was paid on 02 April 2015) and also settlement of creditors where banking details had been updated after consultation with firms.

Discretionary grant and special projects expenses totalled R230,8 million (2014/15 : R312,4 million).

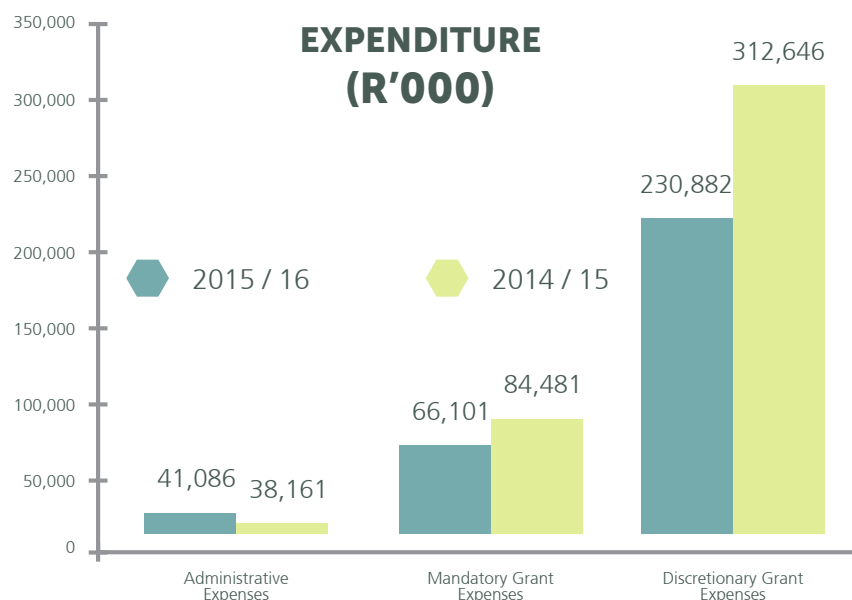
Committed Funds

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

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

It is under this definition that FP&M SETA will need to raise a liability for the 95% of the 'surplus portion' where funds from the 2015/16 period have been committed, and all uncommitted funds from prior year surpluses will be requested for rollover to the next financial year. This request will be sent to National Treasury.

At the end of March 2016, discretionary reserves totalled R510,7 million, of which R504,9 million was contractually committed. R5,8 million was uncommitted at year-end and approval to retain these funds has been submitted to National Treasury.



PART A: GENERAL INFORMATION

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Capacity Constraints and Challenges

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

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

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

New or Proposed Activities

Discretionary grant applications for the implementation of new projects have been received from stakeholders in the FP&M sector and are awaiting Board approval. Discretionary allocations will address the predetermined targets as set out in the 2016/17 Annual Performance Plan, which is aligned to the extended NSDS.

Request for the Rollover of Funds

A request to rollover funding was submitted to National Treasury on 31 May 2016. The FP&M SETA applied to retain funding to the amount of R513,3 million. The response from National Treasury is pending.

Supply Chain Management

The FP&M SETA complied with all prescripts of SCM legislation, aligned to National Treasury regulations. Due to the implementation of a fully functional and compliant electronic procurement system, I am pleased to report that we have zero tolerance

on non-compliance, fraud and corruption with regard to procurement of all goods and services for the organisation.

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

- International Leadership Development Programme, 2015

The division's capacity was strengthened through the placement of appropriately skilled interns from universities and TVET colleges who completed their work integrated learning requirements at the SETA.

Audit Report Matters in the Previous Year

Consecutive unqualified audit opinions on both the financial statements and the performance of the SETA were issued by the AGSA for 2013/14 and 2014/15, which is a testament to our pursuit of total compliance, good corporate governance and service delivery excellence. Due to a focused approach from the Internal Audit team ensuring that mechanisms are in place to conduct risk assessment exercises and the monitoring of action plans, all findings from the previous financial year have been resolved. I compliment the Internal Audit team on reducing the number of findings year-on-year.

Key noteworthy audit success areas for this financial year (2015/16):

- The Discretionary Grants Commitment Register
- A drastic reduction in the number of audit findings

Plans for the Future to Address Financial Challenges

In order to ensure that the organisation operates cost effectively, I am pleased to report that our finance division has implemented cost-saving interventions to ensure financial prudence and the financial sustainability of the organisation in the medium to long term.

Events After the Reporting Date

The FP&M SETA Board and Management are not aware of any post balance sheet events that may affect the annual financial statements.

Economic Viability

The annual financial statements for the FP&M SETA have been prepared as a going concern.

Acknowledgements

Our Board continues to perform well, giving leadership and direction to the SETA. Meetings are well-attended and discussions provide valuable insights for strategic planning. The Board has set the benchmark for corporate governance and delivery issues, which has resulted in unqualified audit reports year-on-year and efficient service delivery to the sector.

My appreciation goes to the Chairman and Board members, whose guidance and support has carried us through an eventful and challenging year. The successes of the FP&M SETA can be attributed to the dedication, hard work, and joint efforts of all stakeholders, management and staff. Through their unselfish commitment to the realisation of our goals and objectives, we have improved the lives of many beneficiaries of skills development in our sector.

It gives me immense pleasure to end this year's report on a triumphant note – special accolades go to the Chairman of the Board, Board members and our stakeholders for their contribution to the many awards of recognition I have received due to the excellent performance of the organisation.

Together let us achieve "Future Perfect Skills Development".



Ms Felleng Yende
Chief Executive Officer
FP&M SETA
Date: 31 July 2016

PART A: GENERAL INFORMATION

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General.

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

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

The annual financial statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources (HR) information, and the annual financial statements.

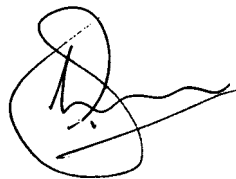
The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the HR information, and the financial affairs of the public entity for the financial year ended 31 March 2016.

Yours faithfully



Ms Felleng Yende
Chief Executive Officer
FP&M SETA
Date: 31 July 2016



Mr Sipho Ngidi
Chairman of the Board
FP&M SETA
Date: 31 July 2016

PART A: GENERAL INFORMATION

6. STRATEGIC OVERVIEW

VISION

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

MISSION

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

VALUES

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

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

PART A: GENERAL INFORMATION

7. LEGISLATIVE AND OTHER MANDATES

Legislation

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

The FP&M SETA is governed by:

- The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Section 9 of the Skills Development Act, 1998 (Act No. 97 of 1998) as amended in 2008
- Skills Development Amendment Act, 2008 (Act No. 37 of 2008)
- Skills Development Amendment Act, 2011 (Act No. 26 of 2011)
- Skills Development Levies Act of 1999 (Act No. 9 of 1999) as amended in 2010 (Act No. 24 of 2010)
- The National Qualifications Framework Act, 2008 (Act No. 67 of 2008)
- The South African Qualifications Authority Act, 1995 (Act No. 58 of 1995)
- The Public Finance Management Act, 1999 (Act No. 01 of 1999) as amended
- Treasury Regulations for Departments, Constitutional Institutions and Public Entities
- Sector Education and Training Authorities (SETAs) Grant Regulations Regarding Monies Received by a SETA and Related Matters (Regulation No. 990 of 3rd December 2012)

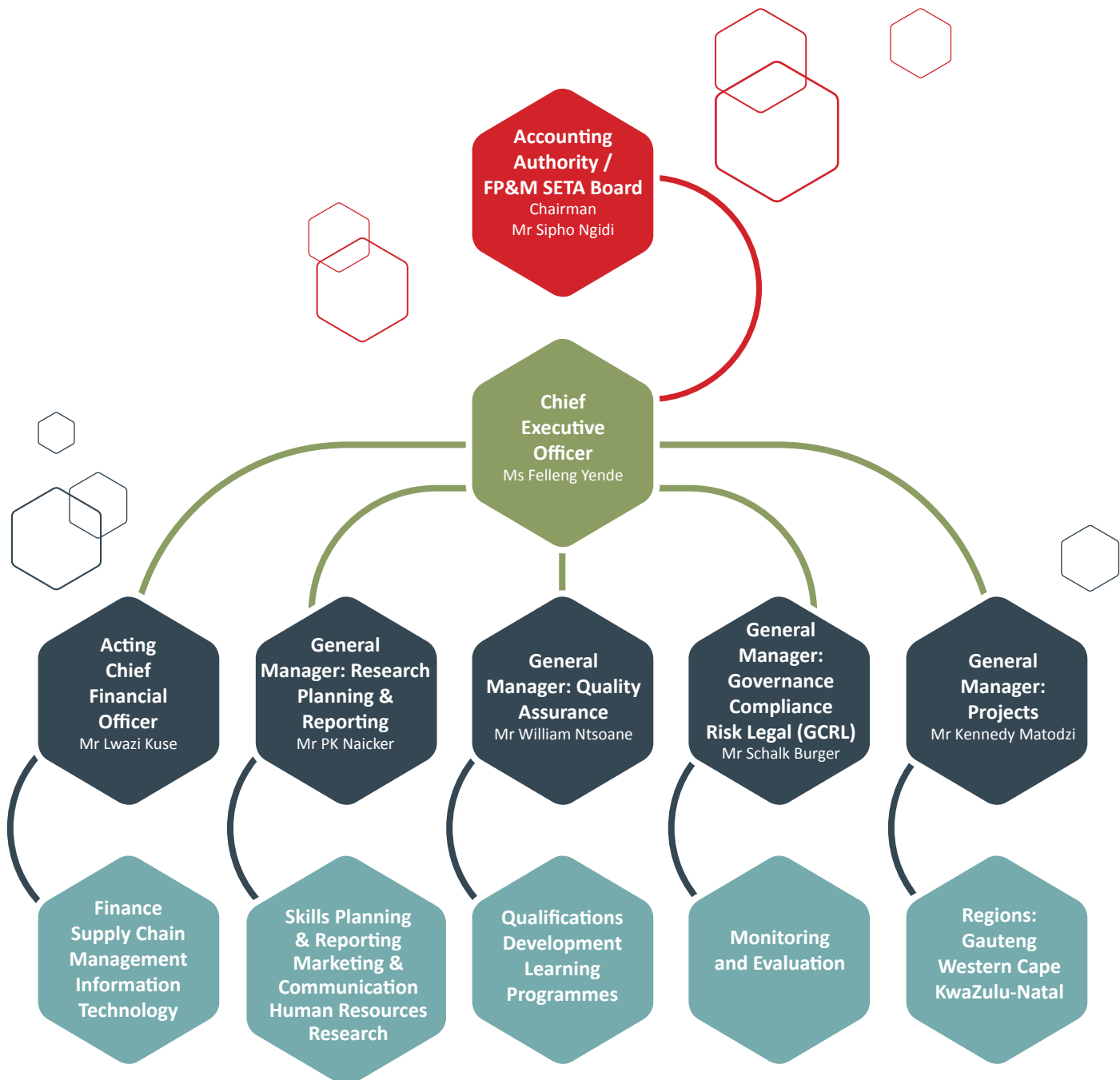
Other mandates

- National Skills Development Strategy III (NSDS III)
- Medium Term Strategic Framework of Government (MTSF 2009-2014)
- Medium Term Expenditure Framework of Government
- New Growth Path
- Industrial Policy Action Plan (IPAP)
- Human Resource Development Strategy
- National Development Plan
- National Skills Accord
- Integrated Growth and Development Plan
- Youth Development Strategy
- Rural Growth and Development Strategy
- Provincial Growth and Development Strategy

PART A: GENERAL INFORMATION

8. ORGANISATIONAL STRUCTURE

(AS AT 31 MARCH 2016)



PART A: GENERAL INFORMATION

9. FP&M SETA OFFICES



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



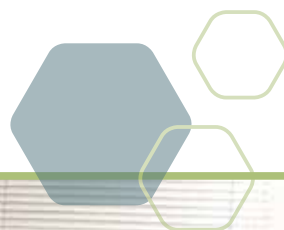
*The FP&M SETA Western Cape Regional Office is situated at
3rd Floor, West Wing, Palms Centre, 145 Sir Lowry Road, Woodstock, Cape Town, 7915. Tel: 021 462 0057.*

PART A: GENERAL INFORMATION

9. FP&M SETA OFFICES



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



1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA performed the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management with material findings being reported under the *Predetermined Objectives* heading in the *Report on other legal and regulatory requirements* section of the auditor's report.

Refer to the Auditors Report on pages 63 to 64, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1. Service Delivery Environment

The FP&M SETA has increased its performance markedly since its establishment in March 2011. The FP&M SETA's performance increased in 2015/16 to 89%, from the 86,2% reported in 2014/15, having met 48 out of a total of 54 performance indicators and targets.

During the period under review, the FP&M SETA registered close to 10 000 employed and unemployed learners on learning programmes including learnerships, bursary programmes, internships, skills programmes, apprenticeship programmes and adult education and training programmes.

During the same period, approximately 4 500 learners completed learning programmes relating to scarce and critical skills in the fibre processing and manufacturing sector. These included more than 200 learners who obtained furniture making skills programme qualifications through recognition of prior learning.

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

The earlier allocation of discretionary grants to beneficiaries during 2015/16 in line with the processes set out in the business model as conceptualised by the CEO, Ms Felleng Yende, also contributed to more effective learning programme implementation and more effective reporting. Increased monitoring and evaluation of projects enabled the SETA staff to identify pockets of excellence and high performing project beneficiaries. It also enabled the SETA to identify

projects that needed additional assistance from the SETA team to ensure that they remained on track in order to perform in line with agreed deliverables.

Sector skills planning remained an important part of the FP&M SETA's activities. The FP&M SETA established a first of its kind Research Chair Partnership in the "Political Economy of Skills" with the University of Witwatersrand (WITS REAL) to give effect to its Research Agenda. As a result, the FP&M SETA undertook research which included a tracking and tracing study to empirically examine the impact of all its interventions, and a performance impact assessment study to ascertain alignment between the PIVOTAL list and learning programmes funded by the SETA. These research activities, as well as engagements with industry stakeholders during workshops, interviews and focus group discussions, contributed to the compilation of a best practice Sector Skills Plan that was favourably received by the DHET and accurately reflected labour market trends pertaining to its 13 sub-sectors.

Communities of expert practitioners continued during the period under review to develop qualifications linked to priority occupations in the sector, resulting in the submission of 14 full occupational qualifications and 21 part qualifications to the QCTO for evaluation.

The FP&M SETA, under the spirited guidance of its CEO, Ms Yende, initiated and implemented a number of high profile projects during 2015/16, some of which are detailed below.

Richmond-Indaleni Community Skills Development Centre

With a strategic intent to contribute to the socio economic upliftment of poor and rural communities and address the twin evils of poverty and unemployment within the broader Richmond community, the Methodist Church of Southern

Africa, in conjunction with IMIAP (a community-based organisation in Indaleni), and the Municipality of Richmond, entered into a strategic partnership with the FP&M SETA to build the Richmond-Indaleni Community Skills Development Centre.

It is the strategic intent of the FP&M SETA to provide and promote innovative and multi-disciplinary skills training through partnerships with the community, industry and government. To this effect, the FP&M SETA Board allocated an amount of approximately R20,6 million for the complete construction of the Community Skills Development Centre. The principal stakeholder and project owner, the Methodist Church of Southern Africa, graciously leased the land on a pro bono basis for a period of 99 years. The aim of the Community Skills Development Centre is to address rural development and to reduce youth unemployment in the area, which is estimated at a staggering 33,2%.

During the sod turning ceremony held on 07 April 2015, the Honourable Minister of Higher Education and Training, Dr Blade Nzimande, thanked the FP&M SETA Board and stakeholders for their contribution to realising the vision of the White Paper for a fully functional post school education and training system.

In February 2016, the Methodist Church of Southern Africa appointed a turnkey principal agent to oversee the construction of the building. The building of the Richmond-Indaleni Community Skills Development Centre is a community driven project. One of the special conditions linked to the appointment of the turnkey principal agent was that approximately 20% of unskilled and semi-skilled workers should be sourced from the local community.

Building design and plans have been lodged with the Richmond Municipality. Special features include modern building design, green building concepts and disability friendly access features.



The opening of the Richmond Indaleni Community Centre on the 7th of April 2015 (Honourable Minister of Higher Education and Training (Dr Blade Nzimande), FP&M SETA Chairman of the Board (Mr Sipho Ngidi), FP&M SETA CEO (Ms Felleng Yende) and partners of the FP&M SETA.

PART B: PERFORMANCE INFORMATION

This project is well managed by the Methodist Church of South Africa and regular feedback progress reports are given to a specially constituted Projects Steering Committee, chaired by Professor Simangaliso Kumalo – President of the Methodist Church of Southern Africa.

In order to immediately respond to the interests of the community, the FP&M SETA, in collaboration with Umgungundlovu TVET College, and constituent business organisation, Eddels SA (a local footwear manufacturer), will focus on the provision of occupation-related and technical skills not previously accessible to the community of Richmond-Indaleni.

The FP&M SETA concluded a strategic partnership with Umgungundlovu TVET College for a total quantum of R6,7 million for the purchasing and installation of mobile classrooms that will be located at Richmond-Indaleni in order to provide an interim venue and to facilitate access to learners entering garment construction and furniture making learning programmes. The project will benefit 120 unemployed youth. In order to promote occupationally-directed adult education and training programmes, particularly amongst unemployed rural women, the FP&M SETA allocated an amount of R1 million to Eddels SA to facilitate training provision to 100 learners.

International Leadership Development Programme (ILDP)

The notion of transformation and the capacitation of young leaders with the potential to enter the top echelon of business leaders in the sector, were motivating factors in the conceptualisation of the ILDP programme.

To give effect to this R8 million project, Regenesys Management (Pty) Ltd was selected to design an appropriate curriculum, develop and implement learning modules, and project manage the programme on behalf of the FP&M SETA.

The extensive 10-month programme was aimed at developing leaders who could make a difference in the local industry and the specific sectors they come from. A further objective was to capacitate leaders from previously disadvantaged groups. With this in mind, 26 candidates were chosen to embark on this educational journey, which inter alia required delegates to travel to the USA to spend a week at the Massachusetts Institute for Technology (MIT), studying cutting edge ideas and innovations in the manufacturing sphere.

The programme also included the delivery of learning modules in South Africa by Regenesys to meet the technical knowledge requirements of the delegates and to prepare the delegates for their week at MIT.



“When I envisioned the implementation of the International Leadership Development Programme, I did not imagine at the time that the project would bear such remarkable results, producing potential industry leaders that have current and relevant understanding and knowledge to grow their businesses in an increasing globally competitive environment.”

Ms Felleng Yende,
CEO of the FP&M SETA

The industry learners were accompanied on their trip to the USA by the CEO of the FP&M SETA, Ms Felleng Yende, Chairman of the Board Mr Sipho Ngidi, and other Board members. The senior members of the group were impressed with the way that the group interacted with the acclaimed academics from MIT while learning to adopt a systems engineering approach to manufacturing.

From the excellent reviews that were received from the institutions involved in the programme and from the positive feedback received from the participating firms, it is clear that ILDP 2015 has produced a significant return on investment that will continue to deliver great dividends in the years to follow.

FP&M SETA Skills Summit 2015

The month of August was a very exciting one for the SETAs and the Department of Higher Education and Training. For the first time, a South African team took part in the global Olympics of skills, namely the World Skills Competition in Sao Paolo, Brazil.

It was also the month in which the ninth annual Skills Development Summit was hosted by the FP&M SETA in partnership with Cape Media at the CSIR International Convention Centre in Pretoria.

PART B: PERFORMANCE INFORMATION

The main objective of the Skills Summit 2015, held from 04 to 05 August 2015, was to raise the quality of education and training standards and promote continuous professional development within organisations. The event was attended by more than 900 delegates.

The Skills Summit is one of the major skills events in South Africa, and showcases the remarkable strides made by learning organisations in advancing the national skills development strategy. This year's Summit was facilitated by SABC news anchor and producer, Peter Ndoro. Stakeholders who are passionate about skills development were exposed to expert speakers and participated in informative discussions on skills development, both from a national and international perspective.

Leadership, enterprise development and strategic sustainability in skills development were of primary concern at the Summit. The first day of the Summit focused on the foundation of skills, leadership roles and strategic sustainability of skills. This was followed by the prestigious Achiever Awards ceremony where one of the large conglomerates in the FP&M sector, NAMPAC, was named as finalist in various categories, and was voted the overall winner in the Best Training Provider Category. The second day focused on education institutions, business case studies and enterprise development success stories.

What was exciting and innovative about this year's Skills Summit programme was that for the first time township schools attended the exhibitions that ran parallel to the Summit. Approximately 500 learners were exposed to various career exhibitions and career guidance activities on display that gave them the necessary information to make wise career choices.

The Skills Summit posed an ideal opportunity for employers to respond to commitments to work integrated learning opportunities for TVET college and university graduates. The Minister of Higher Education and Training has been leading the campaign of "turning every workplace into a training space", amongst others, calling for both the private and public sectors to open up spaces for the placement of TVET graduates.

According to Ms Felleng Yende, CEO of the FP&M SETA and one of the most innovative and solution-driven leaders that this country has produced, the FP&M SETA Skills Development Summit 2015 offers "a pragmatic vision of skills development that integrates the need to develop skills, create jobs and grow the economy within a framework of inclusivity and social transformation against a background of international competition. This is the workshop in which the future will be forged."

A keynote address by the Honourable Deputy Minister of Higher Education and Training, Mr Mduduzi Manana, unpacked the effects of skills shortages at grass roots level and the ripple effect this has on the post-school education and training sector and ultimately the corporate world. The Deputy Minister welcomed learners from surrounding high schools in Gauteng. He encouraged the learners to get as much information as possible from the exhibition stands and to make informed career decisions. In his presentation at the Skills Summit, the Honourable Deputy Minister of Higher Education and Training applauded the FP&M SETA and Cape Media Corporation for taking the initiative and throwing their weight behind the advancement of skills development in SA.

"Future perfect skills development is our overall vision at FP&M SETA. We are happy with the response received through this year's summit and are really looking forward to the birth of future skilled leaders in South Africa", Ms Yende told Achiever Magazine.

Tshepo 500 000 Project with the Office of the Premier of Gauteng

The overall objective of the Tshepo 500 000 project is to provide opportunity to 500 000 learners in Gauteng to be empowered through skills development and to enter the employment arena in the greater Gauteng province.

The FP&M SETA has entered into an agreement with the Office of the Premier to provide funding of around R7,7 million for an initial 180 learners to enter into furniture and garment making learnerships, in order to qualify for placement in the furniture and clothing manufacturing sectors.

The project also includes the placement of 70 learners in work integrated learning opportunities.

Skills to Furnish International and Ditebogo Consultancy were engaged to provide the learnership training to the learners. The learnership training commenced in March 2016 in the Johannesburg Central Business District and the training includes a knowledge component, practical training and work placement.

Three firms have opened their doors for the placement of the 70 work integrated learning candidates namely Fair Price Furnishers, Nu Metro (Media Division) and Autopage (Media Division).

The FP&M SETA is excited to be part of this extensive project through which the Gauteng Provincial Government and the private sector have joined hands to develop young entrepreneurs and create 500 000 jobs between 2014 and 2019.

"Racism Stops with Me" Campaign – in partnership with Independent Newspapers and SACTWU

The FP&M SETA applauds the efforts of Independent News, Media SA and SACTWU to address racism in our beloved country with the launch of the "Racism stops with me" campaign.

FP&M SETA acknowledges the invaluable role that skills development will play in raising awareness amongst all South African citizens on the effects of racism on individuals and societies. Nation building and national unity must be integrated into the skills development mandate of our sectors.

We undertake to engage with our industry partners on the implementation of skills development initiatives aimed at capacitating our citizens, including the youth, on issues of transformation and cultural diversity.

To give effect to the above, the FP&M SETA approved a concept proposal aligned to the "Racism stops with me" campaign, for an exciting and innovative skills development project budgeted at approximately R3,5 million, to be implemented by Independent Newspapers during 2016. This project will see 100 young journalism graduates trained through an internship programme to equip them with the skills to produce and manage multimedia content on the topic of race and racism in South Africa.

The programme involves the placement of interns across Independent's portfolios in KwaZulu-Natal, Western Cape and Gauteng. Interns will be coached and mentored in writing articles, producing graphics and videos as well as interactive storytelling on the subject of race and racism in South Africa. This innovative project will have national impact and will contribute to the dispersal of information that will raise the profile of the campaign primarily through the "Racism stops with me" website.



The Honourable Deputy Minister of Higher Education and Training (Mr Mduduzi Manana) and the CEO of FP&M SETA (Ms Felleng Yende) with the learners at the 2015 Skills Summit.

PART B: PERFORMANCE INFORMATION



Bursary students participating in the Exotic Leather Masters programme during their send-off to Northampton University in the United Kingdom.

The FP&M SETA Board and stakeholders, in support of this campaign, undertake to make racism stop – in our factories, in our offices and in our sector – and to facilitate skills development initiatives that will encourage transformation, promote equity and nurture tolerance.

South African National Editors' Forum Media Management Programme

The FP&M SETA is always on the lookout for projects that tick more than just the pure skills development box. It was thus with great excitement that we received a proposal from the South African National Editors' Forum to enhance the knowledge and skills of senior media managers. The proposal to offer the WITS Media Management Certificate to women, in particular, addressed many of the FP&M SETA's priorities, inter alia, women empowerment, gender equality and skills development relating to sector specific high level skills needs. As a result, the FP&M SETA Board allocated approximately R700 000 towards the implementation of the project.

Often women are excluded from opportunities to develop their skills and capabilities, thus preventing them from pursuing their ambitions. By designing this programme specifically for women participants, SANEF, in partnership with Frayintermedia and the media sector, made high level skills development opportunities available to 17 women in order for them to rise to senior leadership positions in the industry. The inclusion of modules on personal development and career coaching as part of the programme would also enable the participants to address their own unique issues and challenges while developing their leadership skills.

The short-term nature and design of the programme made it possible for the course attendees to put the learning into practice without being away from the office for an extended time.

SANEF and the media sector leadership should be commended for implementing this innovative project – for not only realising the potential of women leaders in the media sector, but making a concerted effort to strengthen their capabilities and enabling them to take an active and leading role in shaping the future of the media sector in South Africa.

Exotic Leather Industry embark on high level learning intervention

The FP&M SETA for the first time engaged with the Exotic Leather Cluster to address the critical and high level skills needs of this niche industry. The Exotic Leather Cluster concentrates mainly on the processing of crocodile and ostrich leather.

As a result of a collaboration between FP&M SETA, the Department of Trade and Industry and the Exotic Leather Research Centre of the University of Pretoria, a project was established in partnership with the University of Northampton in England, to offer a one-year post-graduate MSc in leather technology. The FP&M SETA allocated sponsorships to 10 students to enter the programme, at a total amount of R3,5 million.

The 10 students left in January 2016 for England to study at the University of Northampton. This is a unique opportunity for these students to be

exposed to world class training and international best practices in tanning technologies.

This project will create a pool of highly talented individuals that will help to create an attractive sector, capable of retaining key people and developing young leaders.

The ultimate objective of the project is for the students to become lecturers at local universities and colleges to improve research and development capacity or for them to be employed as technical staff in production, retail and research entities throughout South Africa.

The project is widely supported by local firms who are eager to welcome back graduates with the necessary skills and knowledge to lead the South African exotic leather industry in their quest to compete effectively in the global market.

Digital Update for Small Publishers

Media24, in partnership with the FP&M SETA, identified the need for independent small publishers to extend their digital and mobile media capacity in order to increase their already significant reach. As a result, Media24 through its Media24 Academy, offered a skills development programme to strengthen the small publishers' capacity to use digital and mobile media engines more effectively.

There are approximately 250 small independent publishers who operate in small towns, townships and rural areas. They publish around 8 million newspapers per month and have a readership of around 24 million people.

In order to remain current and competitive, it is important for these publishers to obtain the necessary skills to enter the digital and mobile media markets.

With this in mind, Media24 and the FP&M SETA embarked on a programme to upskill small publishers to assist them to remain sustainable and a source of job creation in township and rural areas. The project is in line with the FP&M SETA's transformation mandate. The project has also opened the doors for future partnerships between the independent publishers, Media24 and the FP&M SETA.

2.2. Organisational Environment

The period under review concluded the first five years of the FP&M SETA. The organisation flourished during this year with the new organisational structure as introduced through the CEO's innovative business model being fully implemented.

The organisation increased its performance during the year against the targets as set out in the Annual Performance Plan, recording an 89% performance against targets.

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

During the year under review, the development of the integrated management information system (MIS) aligned to the operational business processes of the SETA, neared completion. External application modules for activities such as the management of mandatory and discretionary grant applications were implemented successfully and positive feedback was received from stakeholders, who found the system to be user-friendly. Quality assurance activities were also enhanced with the implementation of the learner management system, which resulted in the automated and controlled issuing of learnership certificates and skills programme statements of results. Internal modules such as the supply chain management system and HR leave module proved to be time saving and effective. The MIS increased the overall efficiency of operational activities of the SETA and

ensured more accurate reporting and efficient record management.

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

2.3. Key Policy Developments and Legislative Changes

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) - Gazette No. 39386

NSLP 2015 gives effect to the intention of the White Paper for Post-School Education and Training on Expanded, Effective & Integrated Post-School System released by the Minister of Higher Education and Training in January 2014. It proposes a shift to intermediary institutions that supports relationships between post-school education training system, the world of work and the skills development levy distribution model.

Public comments were invited until 29 February 2016. The FP&M SETA Board submitted a detailed position paper on the matters raised in the proposal to the DHET.

The re-establishment of SETAs for a period of two years whilst consulting on the document - Gazette No. 39260

SETAs have been re-established in their current form for two years until 31 March 2018 to allow for consultation on the SETA landscape within the context of an integrated and differentiated post school education and training system.

Extension of the Current NSDS III - Gazette No. 39263

The current NSDS III, which guides disbursement of skills development levies, has been extended until 31 March 2018.

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

The tenure for the current SETA Boards has been extended until 31 March 2018 in line with the re-establishment of the SETAs for the same period.

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

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

Public comments were invited until 26 August 2015.

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3. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

Programme 1:

Establishing a credible institutional mechanism for skills planning

The intention of this programme is to establish a credible institutional mechanism for skills planning and partnerships with key delivery forum partners amongst the provider community, employers, labour unions and interested organised learner communities, to enhance skills planning holistically in the FP&M sector. The rationale is that any human resource/skills planning should be complemented with better data and improved labour market analysis. The FP&M SETA has to establish its own mechanism that is aligned and fully compliant with the reporting requirements of the DHET to enhance skills planning in the sector. It is important for the FP&M SETA to develop its research capacity in order to make accurate labour market projections to inform the FP&M SETA Sector Skills Plan. This would ensure that information sources, with regards to the demand and supply of skills, are co-ordinated. This programme also addresses the implementation of a mandatory grant strategy to encourage firms to participate in skills development at firm level.

Strategic objectives, performance indicators, planned targets, and actual achievements

Strategic Objective: 4.1. Establish institutional capacity for credible labour market research and skills planning

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
4.1.1 Update mechanism for skills planning and partnerships with key delivery partners.	(a) Updated SSP, Strategic Plan, Annual Performance Plan incorporating findings on both horizontal and vertical skills submitted to DHET. (b) 8 Occupational Qualifications reviewed with sub-sector CEPs aligned to QCTO requirements. (c) Approved Research Agenda to address cross sectoral value chain linkages submitted to DHET.	Updated communication strategy approved	Updated communication strategy approved	Target achieved - no deviation.	
4.1.2 Increased number of WSPs and ATRs submitted.	Total number of approved submissions: 1 226 484 small firms	539 small firms	540 small firms	1	Positive variance: 100,2% achievement recorded. Target exceeded due to the deployment of Sector Skills Advisors to assist small and medium firms with mandatory grant submissions.
	382 medium firms	410 medium firms	413 medium firms	3	Positive variance: 100,4% achievement recorded. Target exceeded due to the deployment of Sector Skills Advisors to assist small and medium firms with mandatory grant submissions.

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.1. Establish institutional capacity for credible labour market research and skills planning (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
	360 large firms	391 large firms	354 large firms	-37	<p>Negative variance: 91% of target achieved.</p> <p>A number of large firms that submitted mandatory grant applications did not meet the required criteria.</p> <p>Increased advocacy to increase participation of large firms to be implemented.</p>
4.1.3 An updated scarce and critical skills matrix submitted to DHET by September 2015.	<p>a) Skills matrix instrument developed by SDFs during SDF training funded by the FP&M SETA.</p> <p>b) Approximately 207 000 (64%) employees out of an estimated 321 000 employees were covered during training needs analyses conducted by 1 226 levy paying entities during the submission of WSP/ATRs.</p> <p>c) Discretionary grants were approved by the FP&M SETA Board in July 2014 for implementation of learning programmes addressing scarce and critical skills gaps in the FP&M sector.</p>	An updated skills matrix approved.	An updated skills matrix approved.	Target achieved – no deviation.	

Programme 2:

Increasing access to occupationally-directed programmes

The aim of this programme is to establish projects and partnerships to enable the relevant number of artisans to be trained, to qualify, and become work ready. Many South African learners are poorly prepared to undertake further learning when they leave school. Many cannot access post-school education and training opportunities. A large number of youth and adults are not in employment, education, or training (NEET).

The objective of this programme is to provide opportunity (and funding) to adults and youth to access education and training opportunities that will enable them to acquire a minimum qualification at level 4 of the National Qualifications Framework (NQF).

This will include access to foundational learning programmes as well as adult education and training programmes (AET) and the development of lead occupational learning programmes in each sector with employees matched accordingly.

Strategic objectives, performance indicators, planned targets, and actual achievements

Strategic Objective: 4.2 Increase access to occupationally-directed programmes

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
4.2.1 Number of occupational qualifications aligned to QCTO requirements submitted to QCTO.	(a) One (1) AET occupational programme registered with SAQA. (b) Learnership qualifications are active and registered with QCTO. (c) Apprenticeship qualifications are active and registered with QCTO and NAMB.	29 occupationally-directed qualifications submitted to QCTO during the year.	35 (qualifications and part-qualifications)	6	Positive variance: 120% achievement recorded. DQPs worked with QCTO consultants to develop qualifications and part-qualifications linked to priority occupations in the FP&M sector in order to meet legislative deadlines for phasing out of qualifications.
4.2.2. An updated RPL Strategy and Policy submitted to FP&M SETA Board by March 2016.	Not applicable	An updated and approved RPL strategy. An updated and approved RPL policy.	Approved RPL strategy. Approved RPL policy.	Target achieved – no deviation. Target achieved – no deviation.	
4.2.3 Number of employed learners assessed through RPL.	NIL learners certificated through RPL methodology.	100 employed learners assessed through RPL.	226 employed learners assessed through RPL.	126	Positive variance: 226% achievement recorded. This target was exceeded as a result of dedicated RPL projects implemented in the furniture industry.
4.2.4 Number of employed learners who entered AET programmes.	200 learners entered AET programmes. Funded learners - 200	250 employed learners entered AET programmes.	400 employed learners entered AET programmes. Funded learners – 400	150	Positive variance: 160% achievement recorded. Target exceeded due to commitment of employers to upskill the numeracy and literacy levels of their employees. Additional AET projects approved due to re-allocation of under-utilised funding.

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.2 Increase access to occupationally-directed programmes (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
4.2.4 Number of employed learners who completed AET programmes.	100 learners completed AET programmes. Funded learners - 100	125 employed learners completed AET programmes.	240 employed learners completed AET programmes. Funded learners - 240	115	Positive variance: 192% achievement recorded. Target exceeded due to implementation of a more robust monitoring and evaluation strategy for project turnaround.
4.2.5 Number of unemployed learners who entered AET programmes.	569 learners entered AET programmes. Funded learners - 569	500 unemployed learners entered AET programmes.	403 unemployed learners entered AET programmes. Funded learners - 403	-97	Negative variance: 81% of target achieved. AET grants allocated for training of unemployed learners were under-utilised.
4.2.5 Number of unemployed learners who completed AET programmes.	210 learners completed AET programmes. Funded learners - 210	250 unemployed learners completed AET programmes.	162 unemployed learners completed AET programmes. Funded learners - 162	-88	Negative variance: 65% of target achieved. The majority of AET completions were recorded against employed learners. This is as a result of delayed delivery on AET projects for unemployed learners.
4.2.6. Number of employed learners entered into artisan level programmes.	85 employed learners entered apprenticeship programmes. Funded learners - 85	140 employed learners entered apprenticeship programmes.	70 employed learners entered apprenticeship programmes. Funded learners - 70	-70	Negative variance: 50% of target achieved. The lack of activation of approved projects for artisan development compromised learner entries.
4.2.6. Number of employed learners completed artisan level programmes.	24 employed apprentices certificated on completion of apprenticeship programmes. Funded learners - 24	70 employed learners completed apprenticeship programmes.	82 employed learners completed apprenticeship programmes. Funded learners - 82	12	Positive variance: 117% achievement recorded. Completions were achieved by apprentices employed in the Printing and Packaging industries.

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.2 Increase access to occupationally-directed programmes (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
					The target was exceeded due to implementation of a focused monitoring and evaluation strategy for artisan project turnaround.
4.2.7 Number of unemployed learners entered artisan level programmes.	215 unemployed learners entered apprenticeship programmes. Funded learners - 215	220 unemployed learners entered apprenticeship programmes.	155 unemployed learners entered apprenticeship programmes. Funded learners - 155	-65	Negative variance: 70% of target achieved. The lack of activation of approved projects for artisan development compromised learner entries.
4.2.7 Number of unemployed learners completed artisan level programmes.	NIL unemployed learners certificated on completion of apprenticeship programmes.	110 unemployed learners completed apprenticeship programmes.	28 unemployed learners completed apprenticeship programmes. Funded learners – 28	-82	Negative variance: 25% of target achieved. Problems encountered with the issuing of certificates have impacted on reporting against this indicator.
4.2.8 Number of employed learners entered learnership programmes.	809 employed learners entered learnership programmes. Funded learners - 809	650 employed learners entered learnership programmes.	611 employed learners entered learnership programmes. Funded learners – 611	-39	Negative variance: 94% of target achieved. An insufficient number of employed learners were registered against funded programmes before the end of the financial year.
4.2.8 Number of employed learners completed learnership programmes.	352 employed learners on learnership programmes certificated on completion of programmes. Funded learners – 352	325 employed learners completed learnership programmes.	306 employed learners completed learnership programmes. Funded learners – 306	-19	Negative variance: 94% of target achieved. The Quality Assurance division to focus on turn-around rates of employed learnership projects to ensure increased completion of funded learnerships.
4.2.9 Number of unemployed learners entered learnership programmes.	2 409 unemployed learners entered learnership programmes. Funded learners - 2 409	1 120 unemployed learners entered learnership programmes.	1 617 unemployed learners entered learnership programmes. Funded learners – 1 617	497	Positive variance: 144% achievement recorded. Additional learnership projects approved due to re-allocation of under-utilised funding.

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.2 Increase access to occupationally-directed programmes (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
					Due to the labour intensity of sub-sectors such as clothing, footwear, furniture, and forestry there is a continuous need to upskill unemployed learners through learnerships as a source of skilled labour.
4.2.9 Number of unemployed learners completed learnership programmes.	791 unemployed learners on learnership programmes certificated on completion of programmes. Funded learners - 791	560 unemployed learners completed learnership programmes.	822 unemployed learners completed learnership programmes. Funded learners - 822	262	Positive variance: 147% achievement recorded. Increased monitoring of learnership projects brought about positive results
4.2.10 Bursary programmes entered by employed learners.	143 employed learners entered bursary programmes. Funded learners - 143	75 employed learners entered bursary programmes.	81 employed learners entered bursary programmes. Funded learners - 81	6	Positive variance: 108% achievement recorded. Demand for high level skills across all sub-sectors led to an increase in registration of employed students.
4.2.10 Bursary programmes completed by employed learners.	16 employed learners on bursary programmes certificated. Funded learners - 16	35 employed learners completed bursary programmes.	41 employed learners completed bursary programmes. Funded learners - 41	6	Positive variance: 117% achievement recorded. Bursaries for students from the printing sector to complete a Business Management programme at WITS Business School contributed to the achievement of this target.
4.2.11 Bursary programmes entered by unemployed learners.	414 unemployed learners entered bursary programmes. Funded learners - 414	120 unemployed learners entered bursary programmes.	217 unemployed learners entered bursary programmes. Funded learners - 217	97	Positive variance: 181% achievement recorded. This target was addressed through the SETA partnership with the National Student Financial Aid Scheme (NSFAS).
4.2.11 Bursary programmes completed by unemployed learners.	60 unemployed learners completed bursary programmes. Funded learners - 60	60 unemployed learners completed bursary programmes.	84 unemployed learners completed bursary programmes. Funded learners - 84	24	Positive variance: 140% achievement recorded.

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.2 Increase access to occupationally-directed programmes (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
					Learners funded through NSFAS successfully completed their studies.
4.2.12 Post graduate bursary programmes entered by learners .	15 employed / unemployed learners entered post-graduate bursary programmes. Funded learners - 15	5 learners entered post graduate bursary programmes.	22 learners entered post graduate bursary programmes. Funded learners - 22	17	Positive variance: 440% achievement recorded. Research confirmed the need for high level (post graduate) skills in the sector and as a result, the FP&M SETA has allocated increased funding to address this need.
4.2.12 Post graduate bursary programmes completed by learners.	3 employed / unemployed learners completed post graduate bursary programmes. Funded learners - 3	2 learners completed post graduate bursary programmes.	3 learners completed post graduate bursary programmes. Funded learners - 3	1	Positive variance: 150% achievement recorded. Masters students successfully completed their post graduate studies.

Programme 3:

Promoting the growth of a responsive public TVET college system

NSDS III emphasises partnerships between DHET, SETAs, employers, private providers, and public TVET colleges to create increased capacity to meet industry needs throughout the country. The National Certificate Vocational (NCV) and N-courses are recognised by employers as important base qualifications through which young people are obtaining additional vocational skills and work experience, entering the labour market with marketable skills, and obtaining employment.

The FP&M SETA are working with TVET colleges with relevant programme offerings and has put in place partnerships to offer vocational courses and work experience for TVET college learners.

Strategic objectives, performance indicators, planned targets, and actual achievements

Strategic Objective: 4.3 Promote the growth of a responsive public TVET college system

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
4.3.1 Establish new partnerships with TVET colleges.	Not applicable	Accredit 10 TVET colleges during the year.	10 TVET colleges were accredited during 2015/16. <ul style="list-style-type: none"> • Boland College • False Bay College • Mnambithi TVET College • Coastal KZN TVET College • South West Gauteng College • Tshwane North TVET College • Capricorn TVET College • Umgungundlovu TVET College • Umfolozi TVET College • Enhlanzeni TVET College 	Target achieved – no deviation.	

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.3 Promote the growth of a responsive public TVET college system (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
	11 MOAs signed with public TVET colleges to address TVET strategy. <ul style="list-style-type: none"> • Sekhukhune TVET College • Sparrow TVET Enterprises • Umfolozi TVET College (2) • Fort Cox Agricultural College • Boland College • Elangeni TVET College • Northern Technical College • Sedibeng TVET College • False Bay College • Ekurhuleni TVET College 	Sign discretionary grant agreements with 10 TVET colleges during the year.	Discretionary grant agreements were signed with 10 TVET colleges during 2015/16: <ul style="list-style-type: none"> • Umfolozi TVET College • Mnambithi TVET College • Elangeni TVET College • Central Johannesburg College • Tshwane North College • Sekhukhune TVET College • Northern Technical College • West Coast College • Ekurhuleni TVET College • Sedibeng TVET College 	Target achieved – no deviation.	
	Not applicable	Establish Centres of Excellence at 3 TVET colleges.	3 Centres of Excellence established at TVET colleges: <ul style="list-style-type: none"> • False Bay College • Umfolozi TVET College • Western TVET College (Westcol) 	Target achieved – no deviation.	
	Not applicable	Establish partnerships with 2 universities during the year.	Discretionary grant agreements were signed with 8 universities during 2015/16: <ul style="list-style-type: none"> • University of Pretoria • Durban University of Technology • Cape Peninsula University of Technology • Central University of Technology • Nelson Mandela Metropolitan University • University of Fort Hare • University of Johannesburg • University of KwaZulu-Natal 	6	Positive variance: 400% achievement recorded. Agreements were entered into with universities to fund bursaries from under-utilised funding due to the national call for support of needy students at higher education institutions.
	Not applicable	Facilitate 10 SETA driven workplace agreements between TVETs/HEIs and employers to facilitate WIL placements.	48	38	Positive variance: 480% achievement recorded. MoAs were signed with employers to provide workplace learning for learners and graduates in line with the DHET's advocacy campaign to "turn every workplace into a training space".

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.3 Promote the growth of a responsive public TVET college system (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
	Not applicable	Implement 2 lecturer development programmes and complete 1 programme.	2 1	Target achieved – no deviation. Target achieved – no deviation.	

Programme 4:

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

Many South African learners are poorly prepared to undertake further learning when they leave school and cannot access post-school education and training opportunities. A large number of youth and adults are “not in employment, education, or training” (NEET).

This programme is focused on assisting unemployed adults and youth (including primary and secondary school learners) to access education and training opportunities that will enable them to acquire a minimum qualification at level 4 of the NQF.

Strategic objectives, performance indicators, planned targets, and actual achievements

Strategic Objective: 4.4 Addressing the low level of youth and adult foundational skills in the sector to enable additional training

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
4.4.1 A youth skills development action plan formulated.	(a) One (1) research report completed on low level of young adult literacy and numeracy.	Youth skills development action plan approved.	Youth skills development action plan approved.	Target achieved – no deviation.	
4.4.2 Number of collaborative partnerships with youth development organisations established.	Not applicable	Partnership agreements with 2 youth development organisations.	Partnership agreements with 2 youth development organisations • Green Youth Indaba • YFC Maykhethale KwaDambuza Youth Development Centre	Target achieved – no deviation.	

PART B: PERFORMANCE INFORMATION

Programme 5:

Encouraging better use of workplace-based skills development

The FP&M SSP identified a number of key areas of critical skills demand in the FP&M sector. These areas will affect the efficacy and developmental competitiveness of the sector and include leadership and management skills. There is clearly a need for enhancing leadership - not only in terms of supply, but also in terms of a continuity leadership. Therefore, the FP&M sector should focus its workplace-based skills development more strategically and should address the re-skilling and updating of capacity in key areas where critical skills needs have been identified. Additionally, workplaces must develop 'new' skills, relating to new processes and technology, in order to increase their competitiveness and remain sustainable.

Strategic objectives, performance indicators, planned targets, and actual achievements

Strategic Objective: 4.5 Encouraging better use of workplace-based skills development

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
4.5.1 Number of unemployed learners entered workplace experience / internships.	396 unemployed learners entered work-integrated programmes (internships / workplace experience). Funded learners - 396	250 unemployed learners entered workplace experience / internships.	268 unemployed learners entered workplace experience / internships. Funded learners – 268	18	Positive variance: 107% achievement recorded. Target exceeded due to improved advocacy and marketing of workplace experience / internship programmes in the sector.
4.5.1 Number of unemployed learners completed workplace experience / internships.	125 unemployed learners complete structured WIL programmes. Funded learners - 125	125 unemployed learners completed workplace experience / internships.	169 unemployed learners completed workplace experience / internships. Funded learners – 169	44	Positive variance: 135% achievement recorded. The completion of a project facilitated by SAGDA to place learners with learning disabilities in firms and special schools boosted the achievement of this target.

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.5 Encouraging better use of workplace-based skills development (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
4.5.2 Number of employed learners entered skills programmes.	2 914 employed learners entered skills programmes. Funded learners - 2 914	1 000 employed learners entered skills programmes.	2 090 employed learners entered skills programmes. Funded learners – 2 090	1 090	Positive variance: 209% achievement recorded. Exceeded annual target due to continued participation of industry stakeholders in skills development initiatives. Additional skills programmes for employed learners approved due to re-allocation of under-utilised funding.
4.5.2 Number of employed learners completed skills programmes.	658 employed learners certificated on completion of skills programmes. Funded learners - 658	500 employed learners completed skills programmes.	800 employed learners completed skills programmes. Funded learners – 800	300	Positive variance: 160% achievement recorded. Exceeded annual target due to continued participation of industry stakeholders in skills development initiatives.
4.5.3 Number of unemployed learners entered skills programmes.	1 320 unemployed learners entered skills programmes. Funded Learners - 1 320	800 unemployed learners entered skills programmes.	1 618 unemployed learners entered skills programmes. Funded learners - 1 618	818	Positive variance: 202% achievement recorded. Target exceeded due to the implementation of discretionary grant partnerships with credible providers to implement special projects to address inter alia disability and rural development.

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.5 Encouraging better use of workplace-based skills development (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
4.5.3 Number of unemployed learners completed skills programmes.	965 unemployed learners certificated on completion of skills programmes. Funded learners - 965	400 unemployed learners completed skills programmes.	397 unemployed learners completed skills programmes. Funded learners - 397	-3	Negative variance: 99% of target achieved. Increased monitoring of skills programmes is required to encourage timeous completion of programmes.
4.5.4 Number of unemployed learners entered Work Integrated Learning (WIL) programmes from TVETs.	201 learners from TVETs entered work integrated internships. Funded learners - 201	300 unemployed learners entered WIL TVET placement programmes with workplaces.	362 unemployed learners entered WIL TVET placement programmes with workplaces. Funded learners - 362	62	Positive variance: 114% achievement recorded. Agreement with SAGDA contributed to the achievement of this target. Additional grants were approved to facilitate graduate placement due to re-allocation of under-utilised funding.
4.5.4 Number of unemployed learners completed WIL programmes from TVETs.	161 learners from TVETs completed work integrated internships. Funded learners – 161	150 unemployed learners completed WIL TVET placement programmes with workplaces.	193 unemployed learners completed WIL TVET placement programmes with workplaces. Funded learners - 193	43	Positive variance: 129% achievement recorded. Focused monitoring of WIL projects improved the performance against this target.
4.5.4 Number of unemployed learners entered Work Integrated Learning (WIL) programmes from HETs.	159 learners from HETs entered work integrated internships. Funded learners - 159	155 unemployed learners entered WIL HET placement programmes with workplaces.	175 unemployed learners entered WIL HET placement programmes with workplaces. Funded learners - 175	20	Positive variance: 113% achievement recorded. Agreements with employers and universities contributed to the achievement of this target. The anti-racism project in partnership with Independent News further boosted the numbers.

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.5 Encouraging better use of workplace-based skills development (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
4.5.4 Number of unemployed learners completed WIL programmes from HETs.	97 learners from HETs completed work integrated internships. Funded learners - 97	75 unemployed learners entered WIL HET placement programmes with workplaces.	90 unemployed learners entered WIL HET placement programmes with workplaces. Funded learners – 90	15	Positive variance: 120% achievement recorded. Agreements with employers and universities contributed to the achievement of this target.
4.5.5 An impact assessment study on interventions conducted by March 2016.	Not applicable	A final impact assessment report presented to the Board.	Impact assessment report was compiled and presented to the CEO.	Target partially achieved - impact assessment report not presented to FP&M SETA Board by 31st March 2016.	Final impact assessment report was only presented to combined EXCO on 16th May 2016.

Programme 6:

Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO, and community training initiatives

The FP&M SSP identified a number of key areas of critical skills demand for cooperatives, small enterprises, worker-initiated, NGO, and community training initiatives that affect the efficacy and sustainability of these enterprises.

This programme aims to provide support to cooperatives, NGOs, community-based organisations (CBOs), and small enterprises (SMMEs) through the funding of skills development and training projects to expand the business and technical skills capacity of these organisations and to contribute to sector economic and employment growth by creating opportunities for the creation of new ventures.

Strategic objectives, performance indicators, planned targets, and actual achievements

Strategic Objective: 4.6 Upskilling of cooperatives, small enterprises, worker-initiated, NGO, and community training initiatives to promote entrepreneurship and rural development

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
4.6.1 Number of SMMEs, NGOs, cooperatives and community training initiatives funded.	22 cooperatives / worker organisations, identified and supported through discretionary grant projects.	20 cooperatives	21 cooperatives	1	Positive variance: 105% achievement recorded. Discretionary grant agreements were concluded with cooperatives to deliver skills development interventions.
	20 small enterprises identified and supported through discretionary grant projects.	20 small enterprises	21 small enterprises	1	Positive variance: 105% achievement recorded. Discretionary grant agreements were concluded with small enterprises to deliver skills development interventions.

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.6 Upskilling of cooperatives, small enterprises, worker-initiated, NGO, and community training initiatives to promote entrepreneurship and rural development (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
	11 NGOs identified and supported through discretionary grant projects.	3 NGOs	7 NGOs	4	Positive variance: 233% achievement recorded. Discretionary grant agreements were concluded with NGOs to deliver skills development interventions.
	6 CBOs identified and supported through discretionary grant projects.	3 CBOs	3 CBOs	Target achieved - no deviation.	
	Not applicable	2 Trade Unions	3 Trade Unions	1	Positive variance: 150% achievement recorded. An increased demand for training of union officials and shop stewards resulted in the conclusion of discretionary grant agreements with labour unions to deliver skills development interventions.
4.6.2 Number of SMMEs, NGOs, cooperatives and community training initiatives supported through capacity building initiatives.	Not applicable	50 SMMEs, NGOs, cooperatives and community training initiatives supported through capacity building initiatives.	52 SMMEs, NGOs, cooperatives and community training initiatives supported through capacity building initiatives.	2	Positive variance: 104% achievement recorded. Small publishing firms were sponsored to attend the SA Book Fair and small newspaper publishers participated in a capacity building project on the use of online media.

PART B: PERFORMANCE INFORMATION

Programme 8:

Building career and vocational guidance

For FP&M sector learners to succeed, they need to be guided prior to enrolment as to the best match of their interests and abilities to occupational requirements, as well as best prospects for employment and decent remuneration. Information gathered and support services generated need to be synchronised centrally and made available nationally. To this end, the FP&M SETA has participated in identified career exhibitions across the provinces and has made information available on career opportunities in the FP&M sector.

Strategic objectives, performance indicators, planned targets, and actual achievements

Strategic Objective: 4.8 Building career and vocational guidance

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
4.8.1 Number of career awareness initiatives conducted.	<p>Learners and unemployed youth from 378 schools and organisations were reached through participation in the following 22 career exhibitions:</p> <ul style="list-style-type: none"> • Artisan Development Launch: Flavius Mareka TVET College, 01 April 2014. • College of Cape Town Open Day, Cape Town, 11- 12 April 2014. • DHET Career Expo False Bay College Mitchells Plain, Cape Town, 23 April 2014. • DHET Career Expo Mhlontlo Municipality (Tsolo), 5 May 2014. • Northlink College Employers Day, Cape Town, 15 May 2014. • Nkungumathe Sports Day and Careers Expo, 21 June 2014. • Young Communist League of SA Career Event, Siyabuswa Library, 21 June 2014. • Alexandra Sports Day and Career Expo, Atrex Stadium, Alexandra, 27 June 2014. • Eastern Cape Dept of Rural Dev and Agrarian Reform Career Expo, Mthatha, 30 June 2014. • Nkungumathe Sports Day, 19 July 2014. • LG SETA Sterkspruit Career Expo, 21 July 2014. • CTEX Expo, Cape Town, 23-24 July 2014. • UFET Career Guidance, Pietermaritzburg, 06 August 2014. • Wow DUT Exhibition Day, Durban, 07 August 2014. 	Participate in 5 career awareness events.	<p>Participated in 23 career awareness events:</p> <ul style="list-style-type: none"> • Safcol Komatiland Career Event, Limpopo, 11 April 2015. • Career Expo in Mautse, Limpopo West, 28 April 2015. • Decade of the Artisan Advocacy Programme, Umhlathuze Municipality, 15 May 2015. • Tembisa Career Exhibition, 23 May 2015. • Career Expo, Bushbuckridge Local Municipality, Mpumalanga, 08 June 2015. • Ministerial Imbizo Career Exhibition (Imbizo) Thabazimbi, 21 June 2015. • Presidential Siyahlola Monitoring & Evaluation Career Expo, 23 June 2015. • Yomoo Exhibition, Mafikeng, 30 July 2015. • National Skills Summit, Pretoria, 04-05 August 2015. • South African Book Fair, Johannesburg, 31 July - 02 August 2015. • Newcastle Career Exhibition, 18-21 August 2015. • eNdwendwe Youth Exhibition, 08 August 2015. • Adelaide Tambo Career Exhibition, 25 August 2015. • Freedom Park Career Exhibition, Soweto, 22 August 2015. • Ermelo Career Exhibition, 18 August 2015. • Bela Bela Career Exhibition, 20 June 2016. • Boksburg Career Exhibition, 08 October 2016. 	18	<p>Positive variance: 460% achievement recorded.</p> <p>An overwhelming number of invitations were received to attend various events coordinated by government departments and other organisations. The marketing and communications budget was increased in order to meet the demand.</p>

PART B: PERFORMANCE INFORMATION

Strategic Objective: 4.8 Building career and vocational guidance (continued)

Performance Indicators	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target to actual achievement for 2015/16	Comment on deviations
	<ul style="list-style-type: none"> • Northlink College Open Day, Cape Town, 07 August 2014. • Artisan Launch, Ehlanzeni TVET College, Nelspruit, 08 August 2014. • Tshwane University of Technology Career Expo, Pretoria, 13 August 2014. • DHET Khetha Career Guidance, Bloemfontein, 21 August 2014. • DHET Khetha Career Guidance, Khayelitsha, 26 September 2014. • Presidential Imbizo, Pietermaritzburg, 30 September 2014. • Deputy President Imbizo, Lichtenburg, 16 November 2014. • Umlazi Entrepreneurship Expo, Durban, 04 December 2014 ** 		<ul style="list-style-type: none"> • KwaDambuza Launch Exhibition, 04 December 2015. • Durban Brand Show Exhibition, 10 December 2015 . • Voter Education Drive, Tshwane University of Technology, 04 March 2016. • Apply Now Campaign Launch, Edumbe, 04 March 2016. • Soweto Youth Expo, Johannesburg, 20 February 2016. • Public Service Career Exhibition, Ugu Municipality, 09-11 February 2016. 		
4.8.2 Number of schools where educators are trained on FP&M sector career opportunities.	See above	30 schools attended career awareness events.	422 schools attended career awareness events.	392	<p>Positive variance: 1 406% achievement recorded.</p> <p>Annual target exceeded. An overwhelming number of invitations were received to attend various events coordinated by government departments and other organisations. The marketing and communications budget was increased in order to meet the demand. These events were attended by schools from the surrounding areas.</p>

PART B: PERFORMANCE INFORMATION

3.1. Additional achievements funded by industry

Additional achievements relating to learners registrations and completions that were funded by industry contributed to the FP&M SETA's overall performance during 2015/16.

Programmes	Unfunded Learners 2014/15	Unfunded Learners 2015/16	Overall Performance (funded and unfunded learners)
4.2.8 Number of employed learners entered learnership programmes	60	94	Total achievement: 705 (108%)
4.2.8 Number of employed learners completed learnership programmes.	-	30	Total achievement: 336 (103%)
4.2.9 Number of unemployed learners entered learnership programmes.	110	120	Total achievement: 1 737 (155%)
4.2.9 Number of unemployed learners completed learnership programmes	-	14	Total achievement: 836 (149%)
4.2.10 Bursary programmes entered by employed learners	-	1	Total achievement: 82 (109%)
4.5.1 Number of unemployed learners entered workplace experience / internships.	-	42	Total achievement: 310 (124%)
4.5.2 Number of employed learners entered skills programmes.	350	1 306	Total achievement: 3 396 (340%)
4.5.2 Number of employed learners completed skills programmes.	110	714	Total achievement: 1 514 (303%)
4.5.3 Number of unemployed learners entered skills programmes.	151	94	Total achievement: 1 712 (214%)
4.5.3 Number of unemployed learners completed skills programmes.	100	58	Total achievement: 455 (114%)

3.2. Additional achievements recorded during the year

The following achievements were not included in the 2015/16 performance report as these related to learner registrations and completions concluded in the previous financial year. Due to the late submission of documentation by project beneficiaries, these achievements were not reported during the 2014/15 financial year.

Goals / Outcome / Outputs	Total
4.2.1 Learnerships Unemployed Entered	210
4.2.1 Bursaries Unemployed Entered	45
4.2.1 Internships Unemployed Entered	30
4.2.1 Skills Programmes Unemployed Entered	182
4.2.1 Learnerships Unemployed Completed	25
4.2.1 Internships Unemployed Completed	1
4.2.1 Skills Programmes Unemployed Completed	22
4.2.2 Total Artisan Entered	24
4.2.2 Total Artisan Completed	5
4.2.1 Learnerships Workers Entered	135
4.2.1 Bursaries Workers Entered	4
4.2.1 Skills Programmes Workers Entered	316
4.2.1 Skills Programmes Workers Completed	281
4.2.1 Recognition Of Prior Learning (RPL)	85
4.2.3 University Student Placements Entered	15
4.2.3 University Student Placements Completed	4
4.4. AET Programmes Entered	39
4.4. AET Programmes Completed	14
TOTAL Learners Entered	1 000
TOTAL Learners Completed	437

PART B: PERFORMANCE INFORMATION

4. REVENUE COLLECTION

Sources of revenue	2015 / 2016			2014 / 2015		
	Estimate	Actual amount collected	(Over) / Under collection	Estimate	Actual amount collected	(Over) / Under collection
	R'000	R'000	R'000	R'000	R'000	R'000
SDL	348,489	324,323	24,166	318,835	315,744	3,091
Penalties and interest	3,458	10,203	(6,745)	3,232	7,814	(4,582)
Investments	17,500	33,622	(16,122)	17,500	33,298	(15,798)
Donor funding (TLS)	-	3,442	(3,442)	-	5,114	(5,114)
Other revenue	-	364	(364)	-	178	(178)
Total	369,447	371,954	(2,507)	339,567	362,148	(22,581)

During the current financial year, the FP&M SETA received R324,3 million in skills development levy (SDL) income.

SDL income was monitored against budget on a monthly basis. The SETA remained within the 10,5% administration budget threshold for the 2015/16 financial year.

SDL income was increased by R740 000 as a result of the reversal of the provision in the current financial year for firms that fall below the R500 000 threshold level, and receipt of these funds has now accumulated for 5 years.

Penalties and interest (R10,2 million) were received by the FP&M SETA as a result of late payment of SDL by employers to SARS.

Investment income exceeded budget based on the assumption that the majority of discretionary funding would be spent during the period under review. However, this did not materialise due to a delay in the implementation of projects by project beneficiaries.

Donor funding (R3,4 million) was received to fund training interventions. These were approved in terms of the Create SA / Department of Arts and Culture (DAC) project. The funding was received from Create SA / DAC.

Other revenue (R364 000) was generated from fees paid by learners to re-write examinations relating to apprenticeship programmes.

4.1. Capital investment

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

- During the reporting period, all excess funds were transferred monthly to the CPD account of the SETA that is held with the Reserve Bank. The excess funds were based on monthly cash flow reports. All interest has been capitalised on a monthly basis.
- In terms of the asset management plan, redundant or broken assets were identified and written off during the year. Listed below are details of how asset holdings have changed during the period under review, including information on the disposals, scrapping, and loss as a result of theft:
 - During the year, assets valued at a cost of R3,355 602 (and accumulated depreciation of R3,277 216) were written off because they have been made redundant. Assets were also stolen.
- The following measures were taken to ensure that the asset register of the FP&M SETA remained up-to-date during the period under review:
 - The asset register was updated regularly taking into account all redundant assets and any additions to assets. All assets were assigned an asset number. Assets were also insured upon delivery.
- The current state of the capital assets of the FP&M SETA is as follows:
 - 97% of assets are in a good condition while the balance (3%) are in a fair state.

PART C: GOVERNANCE

1. INTRODUCTION

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

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

2. PORTFOLIO COMMITTEES

The FP&M SETA was not called to appear in front of any of the Parliamentary Portfolio Committees during the period under review.

3. EXECUTIVE AUTHORITY

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

- Four (4) SETA Quarterly Monitoring Reports (SQMR) for 2015/16.
- FP&M SETA Annual Report 2014/2015.

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

4. THE ACCOUNTING AUTHORITY / BOARD

Introduction

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

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

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

During the year under review, 13 members regularly participated in the meetings and activities of the FP&M SETA Board. The two (2) vacancies that existed [one (1) labour representative and one (1) independent member] have been filled and approval of the appointments was received from DHET.

The Board met four (4) times during the period under review. In addition, three (3) task team meetings were held to discuss the proposed changes in the SETA Landscape. The Board also participated in a two-day FP&M SETA strategic planning session held on 06 and 07 August 2015. The purpose of the session was to provide input into the 2016/2017 strategic and annual performance plans of the SETA.

The Board has operated according to the policies of the SETA and meetings were conducted in line with the procedures detailed in the constitution. The FP&M SETA subscribed to the principles of good governance as set out in the King III report and duties were carried out diligently, objectively, and without prejudice.

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

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

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



FP&M SETA Board: From left to right (front row): Ms Felleng Yende (FP&M SETA CEO), Mr Sipho Ngidi (Chairman), Adv Michelle Odayan (Independent Member) From left to right (back row): Mr Trevor Boltman (Independent Audit Committee Chairman), Ms Susan Khumalo (Labour Representative), Mr Thamsanqa Mhlongo (Labour Representative), Ms Devaranie Naidoo (Labour Representative), Mr Mike Truelock (Employer Representative), Ms Syriana Maesela (Employer Representative), Mr Frans Barnard (Employer Representative), Mr Johann Baard (Employer Representative), Mr Steven Thobela (Employer Representative) **Not present at the time of the photograph:** Mr Roger Godsmark (Employer Representative), Mr Andre Kriel (Labour Representative), Ms Abieda Abrahams (Labour Representative), Mr Brian Wafawarowa (Employer Representative), Mr Phillip Myburgh (Labour Representative)

PART C: GOVERNANCE

Composition of the Board

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (eg.: Audit committee / Ministerial task team)	Number of Meetings attended
Sipho Ngidi	Independent Chairman	01 April 2011	Not applicable	Bachelor of Administration. Industrial Relations Development Programme. Bachelor of Commerce (Honours) Economics.	Finance, HR Management, Industrial Relations.	Ithala Limited HR and Remuneration Committee. Reatile Timrite Social and Ethics Committee.	Chairman of the Executive Committee. Chairman of the Governance and Strategy Committee.	3 of 4
Frans Barnard	Non-executive member	13 August 2013	Not applicable	Master's Degree in Industrial Relations. Master HR Professional. South African Board for People Practices (SABPP).	Strategic HR Management, HR Risk Management, Talent Management, Workforce Planning, Learning and Development, Industrial Relations, HR Technology and Safety / Wellness.	South West Gauteng TVET College. WESTCOL TVET College. Aranda Textile Mills (PTY) Ltd. Aranda Learnership College (PTY) Ltd. National Textile Bargaining Council.	HR and Remuneration Committee Member. Quality Assurance Committee Member.	4 of 4
David Bowen	Non-executive member	01 October 2011	Not applicable	Bachelor of Arts University Education Diploma. Advanced Diploma in Education. Master's in Education.	Training and Development, Finance Management.	N/A	Executive Committee Member. Finance, Projects and IT Governance Committee Member.	4 of 4
Roger Godsmark	Non-executive member	01 October 2011	Not applicable	Bachelor of Science (Honours) Agricultural Economics.	Economics, Finance.	N/A	Governance and Strategy Committee Member. Audit and Risk Committee Member.	4 of 4
Susan Khumalo	Non-executive member	01 October 2011	Not applicable	Grade 12.	Labour relations.	N/A	Governance and Strategy Committee Member. Finance, Projects and IT Governance Committee Member.	1 of 4
Thabo Muthwari	Alternate			Grade 12.	Labour relations.	N/A	HR and Remuneration Committee Member.	1 of 4

PART C: GOVERNANCE

Composition of the Board (continued)

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (eg.: Audit committee / Ministerial task team)	Number of Meetings attended
Andre Kriel	Non-executive member	01 October 2011	21 December 2015	Bachelor of Social Science.	Labour relations HR Management.	Not applicable	Executive Committee.	0 of 4
Abieda Abrahams	Alternate			National Diploma Clothing Management (CPUT). Diploma - ETD- Outcomes Based Assessment: Plan and Conduct Assessment of Learning (UJ). National Diploma - Education Training and Development (UCT). Diploma – Post Graduate Diploma in Labour Law (UWC).	Training and skills development.		Quality Assurance Committee Member. Governance and Strategy Committee Member. HR and Remuneration Committee Member.	4 of 4
Thamsanqa Mhlongo	Non-executive member	13 August 2013	Not applicable	Grade 12.	Labour relations.	Wood and Paper Bargaining Council. Furntech. COSATU Central Executive Committee.	HR and Remuneration Committee Member.	3 of 4
Devaranie Naidoo	Non-executive member	01 October 2011	Not applicable	Grade 10.	Labour relations.	Clothing Bargaining Council (KZN).	Chairperson of the Quality Assurance Committee. Finance, Projects and IT Governance Committee Member.	4 of 4
Michelle Odayan	Non-executive member (Ministerial appointee)	01 October 2011	Not applicable	Bachelor of Arts (Law) LLB. Advocate of High Court of South Africa.	Law, Finance, Strategy, Governance, Project Management, HR Development, Organisational Development, Gender Mainstreaming.	Court-Consult Africa (PTY) Ltd. Indiba-Africa, Group (PTY) Ltd. MTR Investments (PTY) Ltd. Play Africa- Children's Museum NPO. People Opposing Women Abuse (POWA) NPO.	Chairperson of the Finance, Projects and IT Governance Committee. Audit and Risk Committee Invitee.	3 of 4

PART C: GOVERNANCE

Composition of the Board (continued)

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (eg.: Audit committee / Ministerial task team)	Number of Meetings attended
Mike Truelock	Non-executive member	01 October 2011	Not applicable	National Diploma in Organisation and Work Study. National Diploma in Personal Management. Industrial Relations Diploma Programme. Management Development Programme.	Organisational Development, HR Management, Learning and Development, Management.	Santa Barbara Home Owners Association. Truelock Adventures cc.	Chairman of the HR and Remuneration Committee. Executive Committee Member. Finance, Projects and IT Governance Committee Member.	3 of 4
Brian Wafawarowa	Non-executive member	01 October 2011	Not applicable	Bachelor of Arts (Honours). Masters in Literature. Executive Masters in Business Administration. Masters of Business Leadership.	Management Publishing.	Not applicable	Governance and Strategy Committee Member. Finance, Projects and IT Governance Committee Member.	1 of 4
Mpuka Radinku	Alternate			Bachelor of Arts (Honours) (University of the Witwatersrand).	Management Publishing.	South African Book Development Council Board (Deputy Chairperson). South African Book Fair Board (Executive Director).		3 of 4
Phillip Myburgh	Non-executive member	Awaiting ministerial approval	Not applicable	Diploma Labour Relations.	Labour relations.	Trustee of SATU's retirement fund. Principal Officer of Employee benefits fund. Non-executive director of Transparent Financial Services. Chairman of the Statutory Council for Printing, Newspaper and Packaging Industry.	Executive Committee Member. Governance and Strategy Committee Member. Finance, Projects and IT Governance Committee Member.	4 of 4

PART C: GOVERNANCE

Composition of the Board (continued)

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (eg.: Audit committee / Ministerial task team)	Number of Meetings attended
Syriana Maesela	Non-executive member	Awaiting ministerial approval	Not applicable	Masters in Art of Teaching. Bachelor of Arts in Junior Secondary Teaching.	Strategic & Human Resources Management, Leadership Development, Organisational Development	Not applicable	HR and Remuneration Committee Member.	3 of 4

Committees

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

Committee	Number of meetings held	Number of members	Name of members
Executive Committee	8	7	Sipho Ngidi (Chairman) David Bowen Phillip Myburgh Andre Kriel
Audit and Risk Committee	5	5	Trevor Boltman (Chairman) Karien de Villiers Roger Godsmark
		1	In attendance Michelle Odayan
Governance and Strategy Committee	1	7	Sipho Ngidi (Chairman) Abieda Abrahams Phillip Myburgh Roger Godsmark
Finance, Projects and IT Governance Committee	2	7	Michelle Odayan (Chairperson) David Bowen Susan Khumalo Devaranie Naidoo
HR and Remuneration Committee	4	8	Mike Truelock (Chairman) Johann Baard Frans Barnard Syriana Maesela
Quality Assurance Committee	2	12	Devaranie Naidoo (Chairperson) Abieda Abrahams Jai Deepnarain Lance Faul Matseliso Masimula Pamela Naidoo

PART C: GOVERNANCE

Remuneration of Board members

The FP&M SETA based its Board remuneration structure on the National Treasury guidelines as communicated to the SETAs in 2015. Remuneration is reviewed on an annual basis.

Board members qualifying for remuneration are classified as follows:

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

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

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

Name	Re-presentation	Remuneration (R'000)	Other re-imbursements (R'000)	Total (R'000)
Mr Sipho Ngidi	Board Chairman Governance and Strategy Committee Chairman	219	3	222
Adv. Michelle Odayan	Finance, Projects and IT Governance Chairperson	106	2	108
Mr Trevor Boltman	Audit and Risk Committee Chairman	76	3	79
Total		401	8	409

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

5. RISK MANAGEMENT

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

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

Progress made in addressing the risks identified

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

6. INTERNAL AUDIT AND AUDIT COMMITTEES

Internal Audit Function

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

The internal audit function reported to the Audit and Risk Committee in line with the Internal Audit Charter. It provided objective assurance regarding the state of internal control, risk management, and governance processes at the FP&M SETA.

The input received from the Internal Auditors and the risks identified, as a result of the extensive internal audits conducted at the FP&M SETA, contributed to the effectiveness of the organisation and strengthened its internal control systems.

Key activities and objectives of the internal audit

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

Audit work carried out

The Internal Auditors conducted audits in line with their 2015/2016 internal audit plan. Operational areas that were scrutinised included human resources and payroll, projects/ discretionary grants, supply chain management, IT Governance and risk management.

An information technology review and audit of predetermined objectives were also carried out.

PART C: GOVERNANCE

Audit Committee

The independent Audit Committee of the FP&M SETA carried out its duties during the period under review, according to its Audit Charter. The Audit Committee met 5 times during the year and was chaired by an independent Chairman, as appointed by the FP&M SETA Board. An external independent committee member was appointed on the 01 March 2016.

The Audit Committee ensures that the organisation operates according to a strict ethical code, implements fair practice, and embodies good corporate governance. The Audit Committee, working with the Board and SETA staff, oversees the implementation of relevant and updated policies and procedures across all governance structures and SETA departments. The committee oversee the implementation of sound financial practices, effective risk management, and legal compliance.

Key activities and objectives of the Audit Committee

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

The table below discloses the relevant information on the Audit Committee members.

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

7. COMPLIANCE WITH LAWS AND REGULATIONS

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

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

Internally, the FP&M SETA has undertaken training interventions to strengthen the capacity of staff in order to ensure continued compliance with acceptable practices. FP&M SETA staff have also attended meetings and workshops coordinated by DHET, the QCTO and SAQA in order to receive information on the latest operational and reporting requirements.

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

8. FRAUD AND CORRUPTION

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

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

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

9. MINIMISING CONFLICTS OF INTEREST

The FP&M SETA has 'Declaration of Interest' practices in place at all levels of the organisation. Staff members are required to disclose their

financial interest annually. Additionally, staff in the SCM Division also declare any interest in relation to transactions entered into with service providers. The declaration is printed on the purchase order.

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

10. CODE OF CONDUCT

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

The Code of Conduct stipulates that Board members must:

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

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

11. HEALTH, SAFETY, AND ENVIRONMENTAL ISSUES

The safety and wellness of its employees are key priorities of the FP&M SETA. The FP&M SETA has implemented policies and procedures to ensure the safety of its employees, visitors, and any other person who may be affected by its activities.

Productivity and efficiency of employees are closely related to their emotional and physical wellbeing and it is therefore of utmost importance to maintain safe working conditions and productivity enhancing environment, compliant with all relevant legislation and approved codes of practice.

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

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

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

12. SOCIAL RESPONSIBILITY

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

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

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

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

The FP&M SETA's goal is to make available "future perfect skills development" for all people involved in the broader FP&M community and to break down the barriers to education through focused and accessible skills development interventions.

PART C: GOVERNANCE

13. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

Audit Committee Responsibility

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

The Effectiveness of Internal Control

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

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

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

The following were areas of concern:

- Projects with specific reference to commitments register.

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

In-Year Management and Monthly / Quarterly Report

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

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 Auditor-General and the Accounting Authority.
- Management letter and management's response thereto .

Auditor's Report

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



Mr Trevor Boltman
Chairman of the Audit Committee
FP&M SETA
Date: 31 July 2016



Mr Trevor Boltman
Chairman of the
Audit Committee

PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

During the reporting period, the FP&M SETA has implemented a number of measures to align its organisational human resources practices to recognised best practice.

Overview of HR matters

The overall mandate of the FP&M SETA is to provide skills development advice and facilitation to a diverse range of stakeholders. To meet and exceed stakeholder expectations in terms of service delivery, the organisation requires competent and dedicated staff. The FP&M SETA has taken great care during the year under review to manage its staff successfully, to ensure excellent customer care, maximum productivity and overall staff wellness.

At the end of the reporting period, the staff complement totalled 72.

HR priorities for the year under review and the impact of these priorities

The alignment of positions to the approved business model has been successfully implemented to ensure efficient and effective project management. A projects clustering model was implemented within the three FP&M regional offices, which proved to be successful in increasing the overall efficiency of the offices.

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

Fair and equitable principles inform the recruitment and selection processes of the SETA. The basis on which employees are recruited, selected, promoted, trained and developed relate to the inherent requirements of the job

and the ability of the employee to perform the job adequately and satisfactorily. Key vacancies that occurred during the year were filled within a reasonable timeframe.

Employee performance management framework

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

Employee wellness programmes

Employees are kept abreast of new developments, organisational requirements and changes through staff and management meetings, and workshops. The wellness of employees is key to the organisation's efficiency and the SETA provides support, where required, to all its employees.

Team building initiatives are observed through the celebration of national holidays (e.g. Heritage Day). The aim is to build a fully motivated functional workforce, to ensure proper understanding of the business model and the processes required to be a credible partner to the FP&M sector.

Policy development

Procedures and processes are in place to enhance the implementation of operational objectives. These are reviewed regularly by the HR and Remuneration Committee to ensure alignment with local legislation and international trends. Organisational policies are approved by the Board for implementation.

Achievements

Placements of interns within the regional offices continued through the year successfully.

This placed the interns in advantageous positions, as most of them were absorbed by the market on completion of their work experience. Overall, the FP&M SETA has a healthy workforce with a low staff turnover.

Various training opportunities were made available to staff. This included a Leadership and Emotional Intelligence Programme, which was attended by the entire management team.

An online leave module was implemented successfully, which resulted in more efficient document and information storage. It also enhanced the processing of data for analysis and reporting.

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

Challenges faced by the public entity

The FP&M SETA has selected not to confirm the permanent employment of its former CFO and the matter was successfully concluded. The lessons learnt will be duly applied.

Future HR plans/goals

The process of reviewing policies in order to keep abreast of changes in the legislation that governs the labour market remains a priority, and adequate time will be allocated to ensure compliance. Another priority is to strive towards a clean audit outcome.

PART D: HUMAN RESOURCE MANAGEMENT

2. HUMAN RESOURCE OVERSIGHT STATISTICS

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

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	2,912	10%	2	1,456
Senior Management	3,828	14%	4	957
Professional qualified	7,262	26%	13	559
Skilled	10,831	38%	31	349
Semi-skilled	2,827	10%	15	188
Unskilled	262	1%	4	65
Other	406	1%	17	24
Total	28,327	100%	86	329

Note: "Other" refers to interns employed by the SETA.

Performance rewards

Programme / activity / objective	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost
Top Management	216	2,912	7%
Senior Management	135	3,828	4%
Professional qualified	306	7,262	4%
Skilled	454	10,831	4%
Semi-skilled	104	2,827	4%
Unskilled	14	262	4%
Other	-	406	-
Total	1,229	28,327	4%

Training costs

Programme by departments	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of employees trained	Average training cost per employee
Office of the CEO	2,662	69	3%	2	35
Research, Planning & Reporting	5,238	101	2%	11	9
Projects	9,014	135	1%	26	5
Quality Assurance	3,570	49	1%	6	8
Finance	4,268	136	3%	11	12
Governance / Risk / Compliance / Legal and M&E	3,169	52	2%	4	13
Other	406	22	5%	11	2
Total	28,327	564	2%	71	8

PART D: HUMAN RESOURCE MANAGEMENT

Employment and vacancies

Programme / activity / objective	2014/2015 No. of Employees	2015/2016 Approved	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Top Management	2	2	2	1	50%
Senior Management	5	4	4	-	-
Professional Qualified	16	12	13	1	8%
Skilled	26	27	31	-	-
Semi-skilled	28	16	15	3	20%
Unskilled	4	4	4	-	-
Other	11	-	*17	-	-
Total	92	65	86	5	6%

Explanations:

- *Interns on work integrated learning programmes (university and TVET graduates) and fixed term staff who were contracted after their internships were terminated.
- The process to recruit a CFO is underway. Internal candidates do not meet the technical requirements and attributes of the position. The position has been vacant for 4 months, and a consultant has been appointed to fulfil the role of the CFO.
- Other positions are strengthened by the appointment of SSAs and or interns funded through discretionary funding.

Employment changes

Levels	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	1	1	1
Senior Management	4	-	-	4
Professional Qualified	12	2	3	11
Skilled	28	3	3	28
Semi-skilled	16	-	2	14
Unskilled	4	-	-	4
Other	-	*17	7	10
Total	65	23	16	72

Note:

- *Interns employed by the SETA.
- In the previous financial year (2014/15), the interns were placed through the Discretionary Grant Project by the South African Graduates Development Association (SAGDA) and the SETA was a host employer.
- Their contracts with SAGDA expired at the end of August 2015 and some at the end of September 2016.
- The FP&M SETA absorbed these interns into the SETA payroll system.
- Two staff members were deployed to other positions at different levels.

PART D: HUMAN RESOURCE MANAGEMENT

Reasons for leaving staff

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	4	29%
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	9	64%
Other	1	7%
Total	14	

Explanations:

- Found alternative employment with higher remuneration packages than the SETA offers.
- Interns were absorbed by the market and received permanent employment opportunities.
- A deliberate attempt is made to recruit and attract individuals with relevant skills and attributes which meet the SETA requirements.
- In terms of expired contracts, the terminations refer to interns and fixed-term staff members whose contracts expired during the period under review.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal Warning	0
Written Warning	11
Final Written warning	2
Dismissal	0
Other	1

Equity Target and Employment Equity Status

Explanations:

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

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	2	2	-	-	1	1	1	1
Professional qualified	6	5	-	-	1	1	-	-
Skilled	7	5	-	-	1	1	2	2
Semi-skilled	1	1	-	-	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-
Other	8	7	-	-	-	-	-	-
Total	24	20	-	-	3	3	3	3

PART D: HUMAN RESOURCE MANAGEMENT

Equity Target and Employment Equity Status (continued)

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	2	-	-	-	-	-	-
Senior Management	-	-	-	-	-	-	-	-
Professional qualified	4	4	-	-	-	-	2	2
Skilled	14	13	1	-	2	2	4	4
Semi-skilled	7	7	2	2	3	3	2	3
Unskilled	4	4	-	-	-	-	-	-
Other	9	7	-	-	-	-	-	-
Total	40	37	3	2	5	5	8	9

Note: Targets not met due to vacant positions.

Levels	DISABLED STAFF					
	Male			Female		
	Current	Target		Current	Target	
Top Management	-	-		-	-	
Senior Management	-	-		-	-	
Professional qualified	-	-		-	-	
Skilled	-	-		1	-	
Semi-skilled	-	-		1	-	
Unskilled	-	-		-	-	
Total	-	-		2	-	

Publishing

Pulp and Paper

Part E:

FINANCIAL INFORMATION



PART E: FINANCIAL INFORMATION

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FIBRE PROCESSING AND MANUFACTURING SECTOR EDUCATION AND TRAINING AUTHORITY

Report on the financial statements

Introduction

1. I have audited the financial statements of the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA) set out on pages 65 to 101, 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 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 of South Africa, 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 FP&M SETA as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA and the SDA.

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the FP&M SETA at, and for the year ended, 31 March 2015.

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 for selected programmes 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 for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2016:

- Programme 1: establishing a credible institutional mechanism for skills planning on pages 28 to 29.
- Programme 2: increasing access to occupationally directed programmes on pages 30 to 34.
- Programme 4: addressing the low level of youth and adult language and numeracy skills to enable additional training on page 36.
- Programme 5: encouraging better use of workplace-based skills development on pages 37 to 40.

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 programmes. 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 Programme Performance Information (FMPPPI)*.

12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

13. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 1: establishing a credible institutional mechanism for skills planning on pages 28 to 29.

- Programme 2: increasing access to occupationally directed programmes on pages 30 to 34.
- Programme 4: addressing the low level of youth and adult language and numeracy skills to enable additional training on page 36.
- Programme 5: encouraging better use of workplace-based skills development on pages 37 to 40.

Additional matter

14. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected programmes I draw attention to the following matter:

Achievement of planned targets

15. Refer to the annual performance report on page(s) 28 to 43 for information on the achievement of the planned targets for the year.

Unaudited supplementary schedules

16. The supplementary information set out on page 44 does not form part of the annual performance report and is presented as additional information. I have not audited this schedule and, accordingly, I do not report on them.

Compliance with legislation

17. I performed procedures to obtain evidence that the FP&M SETA had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

18. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor - General.

Pretoria
31 July 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

PART E: FINANCIAL INFORMATION

Statement of Financial Position as at 31 March 2016

		2016	2015
	Note(s)	R'000	Restated*
			R'000
Assets			
Current assets			
Cash and cash equivalents	5	553,019	586,322
Receivables from non-exchange transactions	6	4,577	31,582
Receivables from exchange transactions	7	1,158	769
Inventories	8	152	159
		558,906	618,832
Non-current assets			
Property, plant and equipment	3	2,253	2,661
Intangible assets	4	267	140
		2,520	2,801
Total assets		561,426	621,633
Liabilities			
Current liabilities			
Trade and other payables - exchange transactions	11	2,157	1,946
Trade and other payables - non-exchange transactions	10	26,422	114,070
Government grants and donor funding received in advance	9	10,821	14,240
Provisions	12	8,711	8,426
Total liabilities		48,111	138,682
Net assets		513,315	482,951
Reserves			
Administration reserve	34	2,520	2,798
Discretionary reserve	34	510,795	480,153
Total Net Assets		513,315	482,951

* See Note 25

PART E: FINANCIAL INFORMATION

Statement of Financial Performance

		2016	2015 Restated*
	Note(s)	R'000	R'000
Revenue			
Revenue from exchange transactions			
Other revenue	14	364	178
Finance income	15	33,622	33,298
Total revenue from exchange transactions		33,986	33,476
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and donor funding	22	3,442	5,114
Skills development levy (SDL) revenue	16	324,323	315,744
SDL penalties and interest received	17	10,203	7,814
Total revenue from non-exchange transactions		337,968	328,672
Total revenue	13	371,954	362,148
Expenditure			
Employee related costs	18	(20,312)	(19,798)
Depreciation and amortisation	3	(1,304)	(1,958)
Lease rentals on operating lease	23	(3,714)	(3,549)
Debt impairment	19	(557)	87
Employer grant and project expenses	20	(296,983)	(396,945)
Expenditure on conditional grants	22	(3,442)	(5,114)
Other administrative expenses	21	(15,199)	(12,943)
Total expenditure		(341,511)	(440,220)
Loss on disposal of assets and liabilities		(78)	(82)
Surplus / (deficit) for the year		30,365	(78,154)

* See Note 25

PART E: FINANCIAL INFORMATION

Statement of Changes in Net Assets

	Administration reserve	Employer grant reserve	Discretionary reserve	Total reserves	Accumulated surplus	Total net assets
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance as previously reported	4,001	77	554,762	558,840	-	558,840
Adjustments prior period error (refer to note 25)	-	-	2,265	2,265	-	2,265
Balance at 01 April 2014 as restated*	4,001	77	557,027	561,105	-	561,105
Changes in net assets surplus for the year	-	-	-	-	(78,154)	(78,154)
Allocation of unappropriated surplus	3,155	1,869	(83,178)	(78,154)	78,154	-
Transfer to discretionary reserves: Excess funds	(4,358)	(1,946)	6,304	-	-	-
Total changes	(1,203)	(77)	(76,874)	(78,154)	-	(78,154)
Opening balance as previously reported	2,801	-	479,592	482,393	-	482,393
Adjustments prior period error (refer to note 25)	(3)	-	560	557	-	557
Restated* balance at 01 april, 2015 as restated*	2,798	-	480,152	482,950	-	482,950
Changes in net assets surplus for the year	-	-	-	-	30,365	30,365
Allocation of unappropriated surplus	1,525	14,940	13,900	30,365	(30,365)	-
Transfer to discretionary reserves: Excess funds	(1,803)	(14,940)	16,743	-	-	-
Total changes	(278)	-	30,643	30,365	-	30,365
Balance at 31 March 2016	2,520	-	510,795	513,315	-	513,315
Note(s)	27	27	27			

* See Note 25

Cash Flow Statement

	Note(s)	2016 R'000	2015 Restated* R'000
Cash flows from operating activities			
Receipts			
Cash receipts from stakeholders		332,820	323,241
Other cash receipts from stakeholders		387	910
Interest income		33,622	33,298
		366,829	357,449
Payments			
Grants and project payments		(356,036)	(345,059)
Special projects		(3,442)	(5,114)
Compensation of employees		(20,268)	(17,579)
Payments to suppliers and other		(19,284)	(15,875)
		(399,030)	(383,627)
Net cash flows from operating activities	26	(32,201)	(26,178)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(631)	(722)
Purchase of other intangible assets	4	(471)	(116)
Net cash flows from investing activities		(1,102)	(838)
Net increase / (decrease) in cash and cash equivalents		(33,303)	(27,016)
Cash and cash equivalents at the beginning of the year		586,322	613,338
Cash and cash equivalents at the end of the year	5	553,019	586,322

* See Note 25

PART E: FINANCIAL INFORMATION

Statement of Comparison of Budget and Actual Amounts

Budget on cash basis

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

Statement of financial performance

Revenue

Revenue from exchange transactions

Other revenue	-	-	-	364	364	
Interest received - investment	17,500	-	17,500	33,622	16,122	37.1
Total revenue from exchange transactions	17,500	-	17,500	33,986	16,486	

REVENUE FROM NON-EXCHANGE TRANSACTIONS

Transfer revenue

Government grants & subsidies	-	-	-	3,442	3,442	
SDL revenue	348,489	-	348,489	324,323	(24,166)	37.2
SDL penalties and interest received	3,458	-	3,458	10,203	6,745	37.3
Total revenue from non-exchange transactions	351,947	-	351,947	337,968	(13,979)	
Total revenue	369,447	-	369,447	371,954	2,507	

EXPENDITURE

Personnel	(21,825)	1,407	(20,418)	(20,312)	106	37.5
Lease rentals on operating lease	(3,225)	(460)	(3,685)	(3,714)	(29)	37.5
Employer grant and project expenses	(323,708)	-	(323,708)	(296,981)	26,727	37.4
Expenditure on conditional grants	-	-	-	(3,444)	(3,444)	
General expenses	(20,689)	2,483	(18,206)	(17,060)	1,146	37.5
Total expenditure	(369,447)	3,430	(366,017)	(341,511)	24,506	
Operating surplus	-	3,430	3,430	30,443	27,013	
Loss on disposal of assets and liabilities	-	-	-	(78)	(78)	37.5
Surplus before taxation	-	3,430	3,430	30,365	26,935	
Actual amount on comparable basis as presented in the Budget and actual comparative statement	-	3,430	3,430	30,365	26,935	

PART E: FINANCIAL INFORMATION

1. Presentation of financial statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost and subsequently using the cost model. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment. Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The useful lives of items of property, plant and equipment have been assessed as follows:

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

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

1.4 Intangible assets

An intangible asset is recognised when:

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the

PART E: FINANCIAL INFORMATION

date of acquisition is measured at its fair value as at that date.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software	Licence period

Intangible assets are derecognised:

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

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

1.5 Financial instruments

Definitions

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

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

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

A financial asset is:

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

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

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

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

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

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

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset Measured at Amortised cost
Trade and other Receivables: Exchange	Financial asset Measured at Amortised cost
Trade and other receivables: Non-exchange	Financial asset Measured at Amortised cost

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

Class	Category
Trade and other payables: exchange	Financial liability measured at Amortised cost
Trade and other payables: Non-exchange	Financial liability measured at Amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value (if subsequently measured at fair value).

Subsequent measurement of financial assets and financial liabilities

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

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

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

Gains and losses

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

ACCOUNTING POLICIES

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Financial assets are measured at amortised cost:

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

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

Derecognition

Financial assets

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

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

1.6 Tax

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

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessee

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

1.8 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value. Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity. Inventory primarily comprise of consumables and office stationery that is not used at year end.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

ACCOUNTING POLICIES

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

1.10 Share capital / contributed capital

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

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

- Administration reserve
- Employer grant reserve
- Discretionary reserve

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

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

Purpose of Total SDL payments from employer	% Allocation 14/15	% Allocation 15/16
Administration costs of the SETA	10,50 %	10,50 %
Mandatory grants	20,00 %	20,00 %
Discretionary grants and projects	49,50 %	49,50 %
	80,00 %	80,00 %

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

The net surplus / (deficit) is allocated to the administration reserve, the mandatory grant reserve and the discretionary fund reserve based on the above.

The amount retained in the administration reserve equates to the net book value of property, plant and equipment and intangible assets. Excess cash reserves are transferred to the discretionary reserve.

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

1.11 Employee benefits

Short-term employee benefits

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

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

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

Defined Contribution Plans

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

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

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. Disclosures are required in respect of unrecognised contractual commitments. Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements and these include discretionary grant contracts that are non-cancellable or only cancellable at significant cost.

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

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Interest, royalties and dividends

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

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

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

1.15 Revenue from non-exchange transactions

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

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

Levy income

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the SETA pay a skills development levy (SDL) of 1% of the total payroll cost to the South African Revenue Services (SARS). 80% of SDL are paid over to the SETA (net of the 20% contribution to the National Skills Fund).

SDL income is recognised on the accrual basis.

ACCOUNTING POLICIES

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

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

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

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

Penalties and interest

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

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

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

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

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

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

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

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

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

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

1.21 Budget information

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

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

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

The approved budget covers the fiscal period from 2015-04-01 to 2016-03-31.

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

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

1.22 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

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

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

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

1.24 Grants and project expenditure

Grants and project expenditure

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

Mandatory grants

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

Discretionary grants

A SETA may out of any surplus monies determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. The grant payable and the related expenditure are recognised when the application has been approved to the extent that the conditions of the grant have been met and the services have been rendered

(substance over form is applied to ensure that minor administrative compliance deliverables do not result in a deviation from the accrual principle to which these financial statements are prepared).

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 18: Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission.

Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The effective date of the standard is for years beginning on or after 01 April 2015.

The effect of the standard on presentation and disclosure is being assessed as there are no distinguishable components that provide specific outputs. The impact of the standard, if any, is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2016 or later periods:

GRAP 20: Related parties

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

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

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

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

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

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

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

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

The standard elaborates on the definitions and identification of:

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

ACCOUNTING POLICIES

3. 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	3,326	(2,477)	849	3,388	(2,095)	1,293
Motor vehicles	141	(126)	15	141	(126)	15
Office equipment	2,201	(1,398)	803	1,887	(1,191)	696
Computer equipment	2,272	(1,723)	549	2,123	(1,523)	600
Artwork	279	(242)	37	279	(223)	56
Signage	172	(172)	-	172	(171)	1
Total	8,391	(6,138)	2,253	7,990	(5,329)	2,661

Reconciliation of property, plant and equipment - 2016

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

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture and fittings	1,923	92	(60)	(662)	1,293
Motor vehicles	15	-	-	-	15
Office equipment	1,025	248	(12)	(565)	696
Computer equipment	729	382	(10)	(501)	600
Leasehold improvements	-	-	-	-	-
Artwork	112	-	-	(56)	56
Signage	2	-	-	(1)	1
	3,806	722	(82)	(1,785)	2,661

Assets with a cost price of R192 077 and an accumulated depreciation of R164 219 were identified as not working during the asset count that as conducted during the current financial year and an impairment loss of R27 858 was recognised in profit and loss.

Assets costing R701 993 (2015: R529 000) that have a zero carrying value are still in use.

Refer to note number 36 for changes in accounting estimates.

ACCOUNTING POLICIES

4. Intangible assets

	2016			2015		
	Cost / valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software licence	-	-	-	-	-	-
Computer software	881	(614)	267	411	(271)	140
Total	881	(614)	267	411	(271)	140

Reconciliation of intangible assets - 2016

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

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	197	116	(173)	140

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2016 R'000	2015 R'000
Petty cash on-hand	5	15
Bank balances	52,002	57,960
Donor funds held	25,378	24,552
Short-term deposits	475,634	503,795
	553,019	586,322
Current assets	553,019	586,322
Current liabilities	-	-
	553,019	586,322

Short term deposits is held with the Corporation of Public Deposits (CPD), is available on demand and is subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, bank balances and deposits held on call with CPD.

6. Receivables from non-exchange transactions

	2016 R'000	2015 R'000
Employer receivables due as a result of SARS (overpayments): gross value	1,473	29,626
Inter-SETA receivables	47	3
Other debtors	2,350	688
Training Layoff Scheme (TLS) Debtors	1,429	1,429
Allowance for doubtful debts provision	(722)	(164)
	4,577	31,582

NOTES TO THE FINANCIAL STATEMENTS

Receivables from non-exchange transactions impaired

As of 31 March 2016, other receivables from non-exchange transactions of R721 461 (2015: R164 326) were impaired and provided for.

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

	2016 R'000	2015 R'000
Opening balance	(163)	(250)
Provision for impairment (increase) decrease	(558)	87
	(721)	(163)

7. Receivables from exchange transactions

	2016 R'000	2015 R'000
Deposits	338	338
Prepaid Expenses	534	159
Sundry Debtors	286	272
	1,158	769

8. Inventories

	2016 R'000	2015 R'000
Stationery and other consumables	152	159
Inventories recognised as an expense during the year (Inventory comprises cartridges, paper, kitchen items and other consumables.)	198	126
Inventories reconciliation		
Opening carrying amount	159	138
Purchases	191	147
Amount utilised	(198)	(126)
	152	159

9. Government grants and donor funding received in advance

FP&M SETA received conditional grants as follows:

	2016 R'000	2015 R'000
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Department of Arts and Culture	1,989	1,989
Create SA	3,434	6,877
TLS: UIF	551	527
W&R SETA and CTFL SETA Collaboration Project	851	851
TLS: DHET	3,996	3,996
	10,821	14,240

NOTES TO THE FINANCIAL STATEMENTS

9. Government grants and donor funding received in advance (continued)

FP&M SETA received conditional grants as follows:

	2016 R'000	2015 R'000
Movement during the year		
Balance at the beginning of the year	14,240	18,615
Additions during the year	23	739
Income recognition during the year	(3,442)	(5,114)
	10,821	14,240
Non-current liabilities	-	-
Current liabilities	10,821	14,240
	10,821	14,240

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

10. Trade and other payables from non exchange transactions

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

Non-exchange payables are as follows:	2016 R'000	2015 R'000
DHET levy control account - non-exchange	-	16
Mandatory grant payables	992	52,584
Discretionary grant payables	6,991	12,064
Inter-SETA payables - non-exchange	1	163
NSF Liability - TVET Infrastructure - non-exchange	-	32,728
Accruals discretionary grant payables	13,442	10,263
Accrual for mandatory grants	4,996	6,253
	26,422	114,070

11. Trade and other trade payables from exchange transactions

	2016 R'000	2015 R'000
Trade payables	862	1,069
Accrued expense: Administrative expenses	1,057	656
Accrued expense: Salary deductions payable	201	-
Accrued expense: Operating lease straight-lining	37	221
	2,157	1,946

NOTES TO THE FINANCIAL STATEMENTS

12. Provisions

Reconciliation of provisions: 2016	Performance bonus	Leave pay	Levies from exempt companies*	Total
Opening balance	2,421	778	5,226	8,425
Amount utilised in profit and loss	(1,229)	-	(739)	(1,968)
Additions	947	125	1,182	2,254
	2,139	903	5,669	8,711

Reconciliation of provisions: 2015	Performance bonus	Leave pay	Levies from exempt companies*	Total
Opening balance	-	-	5,328	5,328
Amount utilised in profit and loss	-	-	(1,428)	(1,428)
Additions	2,421	778	1,327	4,526
	2,421	778	5,227	8,426

During the financial year the SETA received SDL income from companies whose gross salary cost is less than R500 000. DHET issued guidance to all SETAs indicating that these funds must continue to be accounted for as liabilities for a period of 5 years unless the related companies claim back these funds during this 5 year period. Thereafter the SETA can recognise these funds as income if they are not claimed. At 31 March 2016 the amount claimable was R5.6m (2015: R5.2m).

13. Revenue

	2016 R'000	2015 R'000
Other revenue	364	178
Interest received - investment	33,622	33,298
Government grants & subsidies	3,442	5,114
SDL revenue	324,323	315,744
SDL penalties and interest	10,203	7,814
	371,954	362,148

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

Other revenue	364	178
Interest received - investment	33,622	33,298
	33,986	33,476

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

Government grants & subsidies	3,442	5,114
SDL revenue	324,323	315,744
SDL penalties and interest	10,203	7,814
	337,968	328,672

NOTES TO THE FINANCIAL STATEMENTS

14. Other income

	2016 R'000	2015 R'000
Testing certificates - non-exchange	174	155
Insurance refund - exchange	190	23
	364	178

15. Finance Income

	2016 R'000	2015 R'000
Interest revenue		
Interest from deposits and bank	33,622	33,298
	33,622	33,298

16. Levies

	2016 R'000	2015 R'000
Administration - SDL received from SARS	42,642	41,360
Administration - Inter SETA transfer in	8	23
Administration - Inter SETA transfer out	-	7
Employer grants - SDL grants received from SARS	81,041	86,232
Employer grants - Inter SETA transfer in	-	72
Employer grants - Inter SETA transfer out	-	45
Discretionary grants - SDL received from SARS	200,593	187,916
Discretionary grants - Inter SETA transfers in	40	82
Discretionary grants - Inter SETA transfers out	(1)	7
	324,323	315,744

17. SDL penalties and interest received

	2016 R'000	2015 R'000
SDL interest income	5,140	3,744
SDL penalties income	5,063	4,070
	10,203	7,814

NOTES TO THE FINANCIAL STATEMENTS

18. Employee related costs

	2016 R'000	2015 R'000
Basic	17,266	15,957
Bonus	947	2,685
Medical aid - company contributions	630	163
UIF	71	80
Workmens compensation	96	26
SDL	190	166
Leave pay provision charge	108	(369)
Short term benefit	344	-
Other short term costs	-	154
Travel, motor car, accommodation, subsistence and other allowances	88	170
Overtime payments	13	13
Acting allowances	18	22
Car allowance	541	353
Termination benefits	-	378
	20,312	19,798

19. Debt impairment

	2016 R'000	2015 R'000
Allowance for credit losses / bad debts	557	(87)
	557	(87)

20. Employer grant and project expenses

	2016 R'000	2015 R'000
Discretionary grant expenses		
Non-pivotal skills administrative project costs	7,638	7,070
Non-pivotal skills project expenses	95,800	140,367
Project expenses on non-window funded projects	6,765	34,916
Pivotal skills administrative expenses	2,704	1,757
Pivotal skills project expenses	117,975	128,354
	230,882	312,464
Mandatory grant expenditure		
Mandatory grant to employers	66,101	84,481
Employer grant and project expenses for the period	296,983	396,945

NOTES TO THE FINANCIAL STATEMENTS

21. Other administrative expenses

	2016 R'000	2015 R'000
Internal audit fees	818	1,174
Advertising	211	171
Auditors remuneration	2,089	1,617
Bank charges	63	38
Cleaning	70	89
Board committee fees including audit committee	137	39
Computer expenses	35	61
Legal expenses	100	25
Board fees and expenses	410	343
Insurance	390	262
Conferences and seminars	-	3
Repairs and maintenance	34	43
Fuel and oil	17	24
Consultant fees	2,667	1,193
Productions	-	227
Postage and courier	106	86
Printing costs	317	306
Management information system costs	2,052	2,076
Stationery	89	57
Security	42	29
Staff welfare	5	2
Subscriptions and membership fees	465	477
Telephone and fax	769	837
Staff training and development costs	286	138
Travel - local	1,423	1,628
Electricity	945	889
QCTO expenses	1,125	844
Catering and refreshments	342	132
Office expenses	192	133
	15,199	12,943

NOTES TO THE FINANCIAL STATEMENTS

22. Government grants and subsidies

	2016 R'000	2015 R'000
Operating grants		
Create SA: NSF	3,442	4,989
TLS: DHET	-	5
TLS: UIF	-	81
TLS: W&R SETA	-	39
	3,442	5,114

DEPARTMENT OF ARTS AND CULTURE

Balance unspent at beginning of year	1,989	1,888
Current year receipts	-	101
Conditions met - transferred to revenue	-	-
	1,989	1,989

CREATE SOUTH AFRICA (SA)

Balance unspent at beginning of year	6,877	11,262
Current year receipts	-	604
Conditions met - transferred to revenue	(3,443)	(4,989)
	3,434	6,877

TLS - UIF

Balance unspent at beginning of year	527	580
Current year receipts	24	27
Conditions met - transferred to revenue	-	(80)
	551	527

W&R SETA AND CTFL SETA JOINT COLLABORATION PROJECT

Balance unspent at beginning of year	851	851
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TLS - W&R SETA

Balance unspent at beginning of year	-	39
Conditions met - transferred to revenue	-	(39)
	-	-

DHET

Balance unspent at beginning of year	3,996	4,001
Conditions met - transferred to revenue	-	(5)
	3,996	3,996

NOTES TO THE FINANCIAL STATEMENTS

23. Lease rental on operating lease

The operating leases relates to building premises used as office accommodation in our two regional offices and head office. The current lease agreement in Durban has been extended from 31 March 2016 on a month-to-month basis. The Cape Town and Johannesburg offices' leases expire at the end of June 2016. Annual escalation for all three regions amounts to 9%.

	2016 R'000	2015 R'000
Reconciliation of future minimum lease payments:		
Not later than one year	570	2,723
Later than one year and not later than five years	-	570
Later than five years	-	-
	57 0	3,293

24. Related parties

Relationships	Member (Refer to Member's Report Note)
Zenzeleni Clothing (PTY) Ltd	Andre Kriel (Authority Member)
Caxton Associates	Daphne Erasmus (Authority Member)
CTP Limited	Daphne Erasmus (Authority Member)
Aranda Textile Mills (PTY) Ltd	Frans Barnard (Authority Member)
Aranda Learnership College (PTY) Ltd	Frans Barnard (Authority Member)
Pearson Holdings SA (PTY) Ltd	Brian Wafawarowa (Authority Member)
DHET	Shareholder
SAPPI SA Ltd	Mike Truelock (Authority Member)
Other SETAs	Parent Entity is the Department of Higher Education and Training
THETA	SETA under same control
MICT SETA	SETA under same control
W&R SETA	SETA under same control
MerSETA	SETA under same control
AgriSETA	SETA under same control
FASSET	SETA under same control

Related party balances	2016 R'000	2015 R'000
Receivables		
UIF	1,176	1,176
W&R SETA	47	254
Agri SETA	-	3

Unspent conditional grants and receipts		
Department of Arts and Culture	(1,989)	(1,989)
UIF	(551)	(527)
DHET	(3,996)	(3,996)
W&R SETA and CTFL SETA Collaboration Project	(851)	(851)

Trade and other payables non-exchange		
Inter-SETA		
MICT SETA	-	(81)
W&R SETA	(1)	-
AgriSETA	-	(79)
Services SETA	-	(3)

NOTES TO THE FINANCIAL STATEMENTS

24. Related parties (continued)

Related party transactions	2016 R'000	2015 R'000
Administration expenses		
Ethekwini Municipality	(56)	(58)
Telkom	(529)	(496)

Related party	Nature of relationship	Transaction type	Amount P / L 2016*	Amount receivable/ payable 2016	Amount P / L 2015*	Amount receivable/ payable 2015
Zenzeleni (PTY) Ltd	Andre Kriel (Authority Member)	Mandatory grants	-	-	23	9
SAPPI SA Ltd	Mike Truelock (Authority Member)	Mandatory grants	6,161	220	10,001	1,863
SAPPI SA Ltd	Mike Truelock (Authority Member)	Discretionary grants	4,087	65	4,400	-
Publishers Association of South Africa	Brian Wafawarowa (Authority Member)	Discretionary grants	-	-	1,870	132
Pearson Holdings SA (PTY) Ltd	Brian Wafawarowa (Authority Member)	Mandatory grants	251	16	264	21
Pearson Holdings SA (PTY) Ltd	Brian Wafawarowa (Authority Member)	Discretionary grants	-	-	90	-
Caxton Associates	Daphne Erasmus (Authority Member)	Mandatory grants	-	-	598	116
CTP Limited	Daphne Erasmus (Authority Member)	Discretionary grants	-	-	5,511	209
CTP Limited	Daphne Erasmus (Authority Member)	Mandatory grants	-	-	1,282	387
Aranda Textile Mills (PTY) Ltd	Frans Barnard (Authority Member)	Discretionary grants	1,309	955	4,064	-
Aranda Textile Mills (PTY) Ltd	Frans Barnard (Authority Member)	Mandatory grants	65	5	66	19
Aranda Learnership College (PTY) Ltd	Frans Barnard (Authority Member)	Discretionary grants	2,610	-	10,156	446
Subtotal			14,483	1,261	38,325	3,202

NOTES TO THE FINANCIAL STATEMENTS

24. Related parties (continued)

Related party	Nature of relationship	Transaction type	Amount P / L 2016*	Amount receivable/ payable 2016	Amount P / L 2015*	Amount receivable/ payable 2015
Zenzeleni Clothing (PTY) Ltd	Andre Kriel (Authority Member)	Levies	-	-	(117)	-
Caxton Associates	Daphne Erasmus (Authority Member)	Levies	-	-	(1,475)	-

24. Related parties (continued)

Related party	Nature of relationship	Transaction type	Amount P / L 2016*	Amount receivable/ payable 2016	Amount P / L 2015*	Amount receivable/ payable 2015
Zenzeleni Clothing (PTY) Ltd	Andre Kriel (Authority Member)	Levies	-	-	(117)	-
Caxton Associates	Daphne Erasmus (Authority Member)	Levies	-	-	(1,475)	-
CTP Limited	Daphne Erasmus (Authority Member)	Levies	-	-	(4,604)	-
Aranda Textile Mills (PTY) Ltd	Frans Barnard (Authority Member)	Levies	(265)	-	(265)	-
Pearson Holdings SA (PTY) Ltd	Brian Wafawarowa (Authority Member)	Levies	(1,026)	-	(1,067)	-
SAPPI SA Ltd	Mike Truelock (Authority Member)	Levies	(37,368)	-	(34,479)	-
			(24,176)	1,261	(3,682)	3,202

*P/L is the transaction value recognised in profit and loss.

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

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

T Zororo was appointed as an Audit Committee member in Feb 2016.

This relates to fees paid for attending Audit and Risk Committee (ARC) meetings by a member of the accounting authority who is not an ARC member.

NOTES TO THE FINANCIAL STATEMENTS

Board and committee remuneration 2015	Attendance fee	Expenses	Total
Board members			
S Ngidi (Chairman)	232	6	238
M Odayan	52	-	52
D Fredericks	-	8	8
T Boltman	31	-	31
Audit committee			
T Boltman	7	1	8
S Ngwenya	7	-	7
K De Villiers	17	2	19
	346	17	363

Mr Sithembiso Ngwenya resigned from the Audit Committee on 31/01/2015.

24. Related parties (continued)

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

i) The CFO, Nonhlanhla Khumalo, was appointed in August 2015 and her employment was terminated on 01 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

2015	Basic Salary	Allowances	Company contributions	Bonus	Backpay	Leave pay	Other benefits received	Total
CEO	1,521	306	21	54	(9)	-	-	1,893
EM: Governance, Compliance, Risk and Legal	795	82	11	-	-	-	-	888
EM: Projects	375	33	5	-	-	-	-	413
EM: Research, Planning and Reporting	756	122	11	4	-	-	-	893
CFO	591	57	9	16	-	56	-	729
EM: Quality Assurance	322	28	5	-	-	-	-	355
CE: Strategy and Corporate Affairs	267	6	3	-	-	-	378	654
	4,627	634	65	74	(9)	56	378	5,825

i) The CFO, Mrs Gina Layzell, resigned on 31/12/2014. The Finance Manager, Avinash Gangoo, acted in the position during January 2015 and the new acting CFO, Mr Sithembiso Ngwenya, was appointed on 02/02/2015 on a fixed term contract.

24. Related parties (continued)

- ii) The Executive Manager: Projects commenced service with the FP&M SETA on 01/09/2014.
- iii) The Executive Manager: Quality Assurance commenced service with the FP&M SETA on 01/10/2014.
- iii) The Chief Executive: Strategy and Corporate Affairs' employment was terminated on 31/07/2014.

25. Prior period errors

The following prior period errors were identified and corrected retrospectively in the period affected by the error:

1. Mandatory grant creditors were presented in the statement of financial position net of debtors amounting to R29 445 337-88 in the 2015 year. The change was corrected by increasing trade debtors and creditors by R29 445 337-88.
2. During the 13/14 year project expenses amounting to R2 264 801-62 were incurred in relation to the TLS. The funds related to this project were received in advance in the prior year and were recognised in the statement of financial position as a deferred conditional grant.

The error was accounted for by reversing the deferred income liability and recognising income in the 13/14 year.

3. Accruals for discretionary grants were overstated by R566 000 in the 14/15 year and this resulted in the overstatement of grant expenses. The operating lease accrual was understated by R20 668 in the 14/15 year. The error was corrected against the lease expense account in the prior year.
4. Salaries expense was overstated by R26 293 due to a staff loan that was not included in the statement of financial position in 14/15. This resulted in the overstatement of expenses and an understatement of staff debtors.
5. Trade debtors were overstated by R13 882 in the 14/15 year due to error in the calculation of the amount receivable. The error was corrected by reversing the overstatement in profit and loss.
6. Adjustments were made to the project commitment values as disclosed in the notes to the financial statements due to the following reasons: a) Incorrect values were captured in the commitments register and these were adjusted to agree with

the Memoranda of Agreement with the stakeholders. b) Expenditure was incorrectly classified between the various training interventions that are disclosed in the commitments note.

7. The operating lease accrual was understated by R20 668 in the 14/15 year. The error was corrected against the lease expense account in the prior year.
8. Leasehold improvements that were made to the old head office building in Rivonia were not derecognised when the lease expired in 2013. This resulted in the overstatement of furniture and fittings cost and accumulated depreciation amounted to R3 125 547 and this was corrected retrospectively.

Assets amounting to R344 000 were not recognised and included in the financial records in the previous financial year and these assets are still in use and have a carrying amount of Rnil. These corrections have no impact on the carrying amount of property, plant and equipment.

All these errors were corrected retrospectively and the impact of the correction is as follows [also refer to note 35 on Commitments for the impact of the prior year corrections]:

NOTES TO THE FINANCIAL STATEMENTS

Statement of Financial Position

	2016 R'000	2015 R'000
Increase in trade receivables: Exchange	-	12
Increase in trade receivables: Non-Exchange	-	29,445
Decrease in donor funding received in advance	-	2,265
Increase in non-exchange trade payables	-	(28,879)
Increase in exchange trade payables	-	(21)
Increase in reserves 13/14	-	(2,265)
Increase in reserves 14/15	-	(557)

Statement of Financial Position

	2016 R'000	2015 R'000
Increase in operating lease expense	-	(21)
Decrease in discretionary expenses	-	566
Decrease in administrative expenses	-	12
Increase in net surplus	-	557

26. Cash used in operations

	2016 R'000	2015 R'000
Surplus / (deficit)	30,365	(78,154)
Adjustments for:		
Depreciation and amortisation	1,304	1,958
Loss on assets written off	78	82
Debt impairment	557	(87)
Movements in provisions	285	(3,300)
Changes in working capital:		
Inventories	7	(22)
Receivables from exchange transactions	(389)	(134)
Bad debt provision movement	(557)	87
Other receivables from non-exchange transactions	27,005	(5,694)
Trade and other trade payables from exchange transactions	211	6,192
Trade and other payables from non-exchange transactions	(87,648)	57,276
Government grants and donor funding received in advance	(3,419)	(4,382)
	(32,201)	(26,178)

NOTES TO THE FINANCIAL STATEMENTS

27. Allocation of net surplus

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

	Administration reserve	Employer reserve mandatory grants	Discretionary reserve	DG: Special projects	Total per statement of performance
2014 / 15					
Total income					
Government grants and donor funding	-	-	-	5,114	5,114
SDL revenue	41,389	86,348	188,007	-	315,744
SDL penalties and interest received	-	-	7,814	-	7,814
Other revenue	-	-	178	-	178
Finance income	-	-	33,298	-	33,298
Sub total	41,389	86,348	229,297	5,114	362,148
Total expenses					
Administration expenses	(37,992)	-	-	-	(37,992)
Expenditure on conditional grants	-	-	-	(5,114)	(5,114)
Employer grants and project expenses	-	(84,479)	(312,717)	-	(397,196)
	3,397	1,869	(83,420)	-	(78,154)

28. Surplus funds transferable to National Treasury & NSF

	2016 R'000	2015 R'000
Transfers of excess funds from:		
Discretionary reserve	510,795	480,153
Administration reserve	2,520	2,798
Application for approval for accumulation	(513,315)	(482,951)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

28. Surplus funds transferable to National Treasury & NSF (Continued)

	2016 R'000	2015 R'000
Surplus funds due to NSF		
Inventory	152	158
Cash and cash equivalents	553,019	586,323
Receivables from non-exchange transactions	4,577	31,582
Receivables from exchange transactions	1,158	769
Less current liabilities	(48,111)	(105,955)
Less closing balance of commitments	(504,978)	(454,285)
	5,817	58,592
 Reserves before NSF	 5,817	 58,592
5% Retention of total discretionary reserves	(25,665)	(25,495)
	(19,848)	33,097

29. Financial instruments disclosure

Categories of financial instruments		
2016		
Financial assets	At Amortised Cost	Total
Trade and other receivables from exchange transactions	1,158	1,158
Trade and other payables from non-exchange transactions	4,577	4,577
Cash and cash equivalents	553,019	553,019
	558,754	558,754
 Financial liabilities		
Trade and other payables from exchange transactions	(2,157)	(2,157)
Trade and other payables from non-exchange transactions	(26,422)	(26,422)
	(28,579)	(28,579)
 2015		
Financial assets	At Amortised Cost	Total
Trade and other receivables from exchange transactions	769	769
Trade and other payables from non-exchange transactions	31,582	31,582
Cash and cash equivalents	586,322	586,322
	618,673	618,673
 Financial liabilities		
Trade and other payables from exchange transactions	(1,946)	(1,946)
Taxes and transfers payable (non-exchange)	(114,070)	(114,070)
	(116,016)	(116,016)

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments disclosure (continued)

Financial instruments in statement of financial performance

2016	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments		
At amortised cost	33,622	33,622
2015		
Interest income (calculated using effective interest method) for financial instruments		
At amortised cost	33,298	33,298

30. Risk management

Financial risk management

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

Liquidity risk

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

2015/16	Carrying amount	Contractual cash flows	Less than 1 Year	1 to 2 Years	More than 2 Years
Trade and other trade payables from Exchange transactions	(2,157)	(2,157)	(2,157)	-	-
Trade and other payables: non-exchange	(26,422)	(26,422)	(26,422)	-	-
	(28,579)	(28,579)	(28,579)	-	-
2014/15					
Trade and other trade payables from Exchange transactions	(1,946)	(1,946)	(1,946)	-	-
Trade and other payables: non-exchange	(114,070)	(114,070)	(114,070)	-	-
	(116,016)	(116,016)	(116,016)	-	-

Credit risk

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

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

Financial instrument	2016	2015
Receivables from exchange transactions	1,158	769
Cash and cash equivalents	553,019	586,322
Receivables from non-exchange transactions	4,577	31,582

NOTES TO THE FINANCIAL STATEMENTS

30. Risk management (continued)

2015/16 Age analysis	Current	30 to 60 days	60 to 90 days	90 to 120 days	More than 120 days	Carrying amount
Receivables from exchange transactions	214	-	-	-	944	1,158
Cash and cash equivalents	553,019	-	-	-	-	553,019
Receivables from non-exchange transactions	2,684	-	-	-	1,893	4,577
Gross before impairment	555,917	-	-	-	2,837	558,754
Impairment loss	(721)	-	-	-	(721)	(1,442)
	555,196	-	-	-	2,116	557,312

2014/15 Age analysis	Current	30 to 60 days	60 to 90 days	90 to 120 days	More than 120 days	Carrying amount
Receivables from exchange transactions	-	260	-	159	350	769
Cash and cash equivalents	586,322	-	-	-	-	586,322
Receivables from non-exchange transactions	29,281	-	-	-	2,301	31,582
Gross before impairment	615,603	260	-	159	2,651	618,673
Impairment loss	-	-	-	-	(163)	(163)
	615,603	260	-	159	2,488	618,510

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

NOTES TO THE FINANCIAL STATEMENTS

30. Risk management (continued)

Interest rate risk

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

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

2015/16	Interest bearing amount	Effective interest rate	Non-interest bearing amount
Financial assets			
- Receivables from exchange transactions	-	-%	1,158
- Cash and cash equivalents	553,019	5,89%	-
- Receivables from non-exchange transactions	-	-%	4,577
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	-%	(2,157)
- Trade and other payables (non-exchange)	-	-%	(26,422)
	553,019	5,89%	(22,844)
2014/15	Interest bearing amount	Effective interest rate	Non-interest bearing amount
Financial assets			
- Receivables from exchange transactions	-	-%	769
- Cash and cash equivalents	586,322	6,00%	-
- Receivables from non-exchange transactions	-	-%	31,582
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	-%	(1,946)
- Trade and other payables (non-exchange)	-	-%	(114,070)
	586,322	6,00%	(83,665)

Fair value and market risk

Market risk

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

Fair values

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

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

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

Cash and cash equivalents

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

Accounts receivable

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

Accounts payable

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

31. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Minister of Higher Education and Training has approved the SETA licence until 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

31. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Minister of Higher Education and Training has approved the SETA licence until 31 March 2018.

32. Fruitless and wasteful expenditure

	2016 R'000	2015 R'000
Reconciliation of fruitless and wasteful expenditure		
Opening balance	179	179
Incurred during the year	3	-
Amount condoned	-	-
	182	179

Fruitless and wasteful expenditure consist of the following: Details	Disciplinary or other actions taken	2015/16	2014/15
SARS penalty for PAYE	Matter is under investigation and appropriate steps will be taken	3	-
Cancelled tender advertisement	Matter is under investigation and appropriate steps will be taken	36	-
		39	-

33. Irregular expenditure

	2016 R'000	2015 R'000
Opening balance	6,216	4,966
Add: irregular expenditure - current year	818	1,250
	7,034	6,216

Details of irregular expenditure – current year

Details	Disciplinary or other actions taken	2015/16
Current year expenditure on contracts with prior year SCM non-compliances due to functionality criteria that were not advertised in the tender advert. The services were delivered to the SETA and there was value for money.	Matter will be investigated and appropriate action will be taken.	818
		818

NOTES TO THE FINANCIAL STATEMENTS

Details of irregular expenditure not recoverable (not condoned)

	2015/16	2014/15	Before 14/15
SCM non-compliance: 3 quotes not requested	-	-	186
SCM non compliance: Evaluation / functionality criteria not included in the specification document	818	1,250	3,928
SCM non-compliance: Deviation from competitive bidding process in contravention of National Treasury Regulations	-	-	852
	818	1,250	4,966

The services were delivered and the internal controls have been modified to prevent re-occurrence of irregular expenditure. The current year's expenditure relates to long term contracts that have been found to be irregular in the prior financial years.

34. Contingencies

Surplus funds

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury. The amended grant regulations define surplus as a favourable residual balance in the statement of financial performance for the financial year ending on 31 March less commitments to training of learners in programmes funded from discretionary funds; 'commitments' in this context mean that contractual obligations exist at the end of the financial year that will oblige the SETA to make a payment or agreement, written with specific terms between a SETA and third party whereby the third party undertakes to perform something in relation to a discretionary project for which a SETA will be obliged to make payment against the discretionary grants should an application for retention of surplus funds be denied. We have on the 31 May 2016 submitted an application to the DHET for retention of surplus funds and to retain funds used for internal projects.

Reserves carried over from the previous financial year outside of the definition of surplus have been disclosed as a contingent liability and request for approval for these funds has been submitted to National Treasury. As in the previous year FP&M SETA expects that National Treasury will approve the retention of surplus funds.

	2016 '000	2015 '000
Administrative reserve	2,520	2,798
Discretionary reserve	510,795	480,153
	513,315	482,951

In terms of Section 53 (3) of the PFMA, public entities listed in Schedule 3A and 3C to the PFMA may not retain cash surpluses that were realised in the previous financial year without obtaining the prior written approval of National Treasury. During September 2015, National Treasury issued Instruction No.3 of 2015/2016 which gave more detail to the surplus definition. According to this instruction, a surplus is based on the cash flow from operating activities and net investing activities in financial assets.

As of the 31 March 2016 FP&M SETA had a net cash outflow from operating and investing activities of R33 303 000 and therefore no available cash surplus to surrender.

35. Commitments

Of the balance of R510.7 million available in the discretionary reserves at the end of March 2016, R504.98 million has been approved and contractually committed. Amounts for expenses that have already been contracted or incurred and therefore included in grant expenses in the statement of financial performance, are also indicated. A request for the accumulation of these funds has been submitted to National Treasury on 31 May 2016. At the time of compiling the annual financial statements, no reply had been received.

35. Commitments (continued)

2015 Interventions	Opening balance	Restatements	Restated opening balance	Expenditure	Sweepings	Other movements	Additions	Restated closing balance
	14/15	13/14	14/15	14/15	14/15		14/15	31 March 2015
AET	4,885	111	4,996	(2,474)	(102)	(267)	2,073	4,225
Apprenticeship employed	35,494	861	36,355	(5,146)	(895)	(2,016)	16,025	44,323
Apprenticeship RPL	387	(10)	377	(73)	(15)	(100)	125	315
Apprenticeship unemployed	65,536	(880)	64,657	(15,269)	(700)	(3,138)	32,469	78,018
Bursary employed	24,673	(419)	24,254	(5,820)	(1,505)	(1,498)	15,530	30,962
Bursary employed Postgraduate	1,250	(105)	1,145	(440)	-	150	600	1,455
Bursary unemployed	34,150	(280)	33,870	(29,060)	-	(35)	2,250	7,026
FET infrastructure project (2013\2014)	-	-	-	-	-	-	-	-
FET infrastructure project (2014\2015)	-	-	-	(30,619)	-	-	30,619	-
Learnership employed	48,613	57	48,670	(27,937)	(714)	(1,327)	13,005	31,697

NOTES TO THE FINANCIAL STATEMENTS

2015 Interventions	Opening balance	Restatements	Restated opening balance	Expenditure	Sweepings	Other movements	Additions	Restated closing balance
	14/15	13/14	14/15	14/15	14/15		14/15	31 March 2015
Learnership unemployed	52,228	(1,515)	50,714	(31,572)	(1,385)	(2,694)	33,525	48,588
Prior SETAS	38,548	-	38,548	(3,860)	(18,165)	-	-	16,523
Qualifications development	54,725	1,350	56,075	(16,800)	-	-	-	39,275
Sectoral priorities	500	-	500	(500)	-	-	-	-
Skills programme employed	15,627	(508)	15,119	(5,084)	(530)	(812)	6,458	15,151
Skills programme RPL	1,084	(55)	1,029	(970)	-	50	3,432	3,540
Skills programme unemployed	6,106	(108)	5,998	(3,626)	(187)	(1,562)	3,672	4,295
Special project	10,484	(4,295)	6,190	(1,018)	(1,026)	15	37,019	41,179
Special project - disabilities	5,360	-	5,360	(5,524)	(5)	-	2,623	2,454
Special project - rural development	25,384	117	25,502	(16,298)	(144)	(1,466)	10,631	18,225
Special project - Sectoral priority	44,827	605	45,432	(38,128)	-	(780)	30,038	36,561
Training layoff scheme	-	-	-	-	-	-	-	-
TVET	-	-	-	(500)	-	-	5,522	5,022
Work integrated learning	15,350	-	15,350	(16,150)	-	(582)	13,097	11,715
Workplace experience / Internship	10,957	(30)	10,927	(7,217)	(233)	(540)	6,776	9,714
Grand total	496,169	(5,103)	491,066	(264,083)	(25,606)	(16,602)	265,488	450,262

2016 Interventions	Opening Balance as per prior year audited AFS	Cumulative Restatements	Restated Opening Balance	Expenditure	Additions	Sweepings	Closing balance
	01 April 2015	14/15	01 April 2015	15/16	15/16	15/16	31 March 2016
AET	4,022	204	4,226	(1,960)	2,826	(1,172)	3,920
Apprenticeship Employed	56,316	(11,993)	44,323	(3,710)	11,400	(4,781)	47,232
Apprenticeship RPL	338	(24)	315	(20)	95	(110)	280
Apprenticeship Unemployed	63,933	14,085	78,018	(15,555)	46,650	(7,784)	101,329
Bursary Employed	40,606	(9,644)	30,962	(6,817)	6,405	(2,511)	28,039
Bursary Employed Postgraduate	10	1,445	1,455	(922)	1,400	(277)	1,656
Bursary Unemployed	9	7,017	7,026	(15,350)	51,322	(1,150)	41,848
Learnership Employed	31,149	548	31,697	(13,635)	14,940	(7,169)	25,833
Learnership Unemployed	49,938	(1,350)	48,588	(36,055)	47,535	(9,748)	50,319
Prior SETAS	16,522	-	16,522	(1,348)	-	(11,000)	4,175
Qualifications Development	53,500	(14,225)	39,275	(10,400)	9,900	-	38,775
Sectoral Priorities	-	-	-	(14,631)	62,223	-	47,592
Skills Programme Employed	15,434	(283)	15,151	(3,825)	7,092	(4,865)	13,553
Skills Programme RPL	3,533	7	3,540	(2,442)	-	(344)	755

NOTES TO THE FINANCIAL STATEMENTS

2016 Interventions	Opening Balance as per prior year audited AFS 01 April 2015	Cumulative Restatements 14/15	Restated Opening Balance 01 April 2015	Expenditure 15/16	Additions 15/16	Sweepings 15/16	Closing balance 31 March 2016
Skills Programme Unemployed	4,355	(60)	4,295	(6,160)	10,404	(519)	8,020
Special Project	28,562	12,617	41,179	(24,853)	-	(2,759)	13,568
Special Project - Disabilities	2,654	(200)	2,454	(2,746)	4,010	(334)	3,384
Special Project - Rural Development	18,608	(383)	18,225	(17,499)	17,063	(1,967)	15,823
Special Project - Sectoral Priority	35,799	762	36,561	(15,982)	-	(2,304)	18,275
Training Layoff Scheme	-	-	-	-	3,288	-	3,288
TVET	5,022	-	5,022	(3,706)	4,509	(90)	5,735
Work Integrated Learning	11,398	317	11,715	(10,809)	9,463	(306)	10,063
Workplace Experience / Internship	9,968	(255)	9,714	(5,539)	21,040	(3,697)	21,518
Grand Total	451,676	(1,414)	450,262	(213,963)	331,566	(62,886)	504,979

36. Change in estimate

Property, plant and equipment

The estimated useful life of property and plant assets was revised by management during the year taking into account the physical condition and expected usage of the asset. The impact of the change is a decrease in depreciation for the current year amounting to R1 881 413 and the depreciation expense for future periods is expected to increase by the same amount.

37. Budget differences

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

37.1. Interest income (favourable)

Interest income was higher than budget by R16.12m due to higher cash average cash balances that were invested during the year. The favourable movement was also due to increases in the effective interest rate on invested funds.

37.2 SDL income (un-favourable)

SDL income was lower than budgeted by R24.2m (6.9%) and this was due to a slow growth of the South African economy and a lower than expected growth of salaries in the sector.

37.3 SDL penalties and interest received

Income from penalties and interest arise when employers fail to submit their returns as required by legislation. These amounts typically vary significantly year-on-year. The full balance is made available for projects and the FP&M SETA received more income in this regard than was budgeted by R6.7m.

37.4 Employer grant and project expenses

Project expenditure was less than budget by 7.7% due to slow moving discretionary grant projects. Most of these slow moving projects were swept during the financial year. Refer to the commitments note 35.

37.5 Administrative expenses

Total administrative expenses were lower than budget by R1.2m and this was due to levy income that was lower than expected. Administrative expenses are estimated based on 10.5% of levy income. The legislative limit for administrative costs for the FP&M SETA was not exceeded during the financial year.

38. Segment information

Segment surplus or deficit, assets and liabilities

FP&M SETA reports to management on the basis of three functional segments namely; administration, mandatory and discretionary. Management uses these segments in determining strategic objectives and allocating resources. The reporting of these segments is also appropriate for external reporting purposes.

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

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

NOTES TO THE FINANCIAL STATEMENTS

38. Segment information (continued)

2016	Administration	Mandatory	Discretionary	Unallocated	Total
Revenue					
Revenue from non-exchange transactions					
SDL: Income	42,651	81,041	200,631	-	324,323
SDL: Penalties and Interest	-	-	10,203	-	10,203
Government grant and donor funding	-	-	-	3,442	3,442
Revenue from exchange transactions					
Other income	-	-	364	-	364
Interest revenue	-	-	33,622	-	33,622
Total segment revenue	42,651	81,041	244,820	3,442	371,954
Entity's revenue					371,954
Expenditure					
Employee cost	20,312	-	-	-	20,312
Deprecation and amortisation	1,304	-	-	-	1,304
Other administration expenses	19,548	-	-	-	19,548
Employer grant and project expenditure	-	66,100	230,883	3,442	300,425
Total segment expenditure	41,164	66,100	230,883	3,442	341,589
Total segmental surplus / (deficit)					30,365
Assets					
Non-current assets	2,506	-	-	-	2,506
Consumables	152	-	-	-	152
Account receivables from exchange transactions	1,158	-	-	-	1,158
Account receivables from non-exchange transactions	-	1,473	3,104	-	4,577
Cash and cash equivalents (unallocated asset)	-	-	-	553,019	553,019
Total segment assets	3,816	1,473	3,104	553,019	561,412
Total assets as per statement of financial position					561,412
Liabilities					
Trade and other payables from non-exchange	-	11,657	14,765	-	26,422
Trade and other payables from exchange transactions	2,157	-	-	-	2,157
Provisions	3,042	-	5,669	-	8,711
Government grants and donor funding received in advance	-	-	-	10,821	10,821
Total segment liabilities	5,199	11,657	20,434	10,821	48,111
Total liabilities as per statement of financial position					48,111

NOTES TO THE FINANCIAL STATEMENTS

38. Segment information (continued)

2015	Administration	Mandatory	Discretionary	Unallocated	Total
Revenue					
Revenue from non-exchange transactions					
SDL: Income	41,389	86,348	188,007	-	315,744
SDL: Penalties and Interest	-	-	-	7,814	7,814
Government grants and donor funding	-	-	-	5,114	5,114
Revenue from exchange transactions					
Other income	-	-	178	-	178
Investment income	-	-	33,298	-	33,298
Total segment revenue	41,389	86,348	221,483	12,928	362,148
Entity's revenue	362,148				
Expenditure					
Employee cost	19,798	-	-	-	19,798
Deprecation and amortisation	1,958	-	-	-	1,958
Other administration expenses	16,236	-	-	-	16,236
Employer grant expenses	-	84,479	312,717	5,114	402,310
Total segment expenditure	37,992	84,479	312,717	5,114	440,302
Total segmental surplus/(deficit)	(78,154)				
Assets					
Non-current assets	2,801	-	-	-	2,801
Inventory	159	-	-	-	159
Account receivables from exchange transactions	769	-	1,956	-	2,725
Account receivables from non-exchange transactions	-	29,626	-	-	29,626
Cash and cash equivalents (unallocated asset)	-	-	-	586,322	586,322
Total segment assets	3,729	29,626	1,956	586,322	621,633
Total assets as per statement of financial position	621,633				
Liabilities					
Trade and other payables from non-exchange	-	64,063	50,008	-	114,071
Trade and other payables from exchange transactions	1,946	-	-	-	1,946
Provisions	3,199	-	5,226	-	8,425
Government grants and donor funding received in advance	-	-	-	14,240	14,240
Total segment liabilities	5,145	64,063	55,234	14,240	138,682
Total liabilities as per statement of financial position	138,682				

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

[illegible]



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