ANNUAL REPORT
2015|16

productivity sa
Inspiring a Competitive South Africa

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MISSION: To improve productivity by diagnosing, advising, implementing, monitoring and evaluating solutions aimed at improving South Africa's competitiveness.

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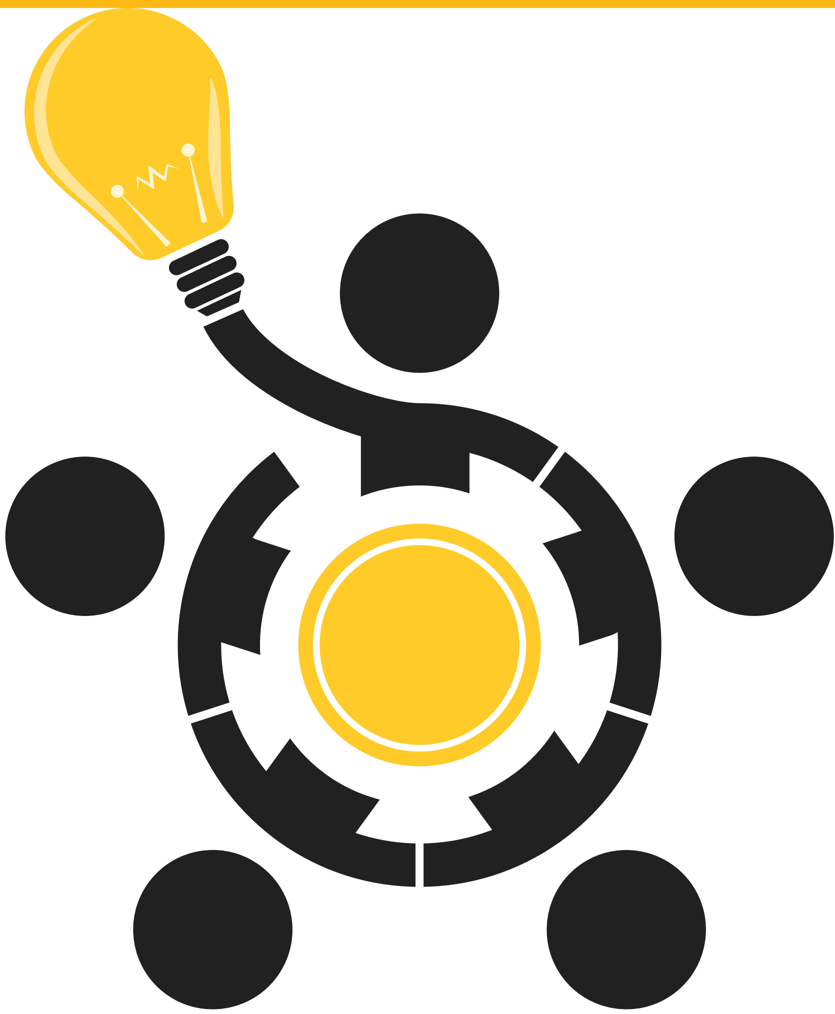


PART A
GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	Productivity SA
PHYSICAL ADDRESS:	Cnr New and Sixth Roads International Business Gateway Midrand
POSTAL ADDRESS:	Private Bag 235 Midrand 1685
TELEPHONE NUMBER:	011 848 5300
FAX NUMBER:	011 848 5555
EMAIL ADDRESS:	info@productivitysa.co.za
WEBSITE ADDRESS:	www.productivitysa.co.za
EXTERNAL AUDITOR:	Nexia SAB&T
BANK:	Nedbank
COMPANY/BOARD SECRETARY:	Ms Barbara Timothy

LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General of South Africa
APP	Annual Performance Plan
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DoL	Department of Labour
dti	Department of Trade and Industry
GDP	Gross Domestic Product
IMD	Institute of Management Development
IPAP	Industrial Policy Action Plan
MEC	Member of Executive Council
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NEDLAC	National Economic and Development Labour Advisory Council
PES	Public Employment Services
PFMA	Public Finance Management Act
SANACO	South African National Cooperatives
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprise
TR	Treasury Regulations
UIF	Unemployment Insurance Fund

Mr Mthunzi Mdwaba

FOREWORD
BY THE CHAIRPERSON

Introduction

The Employment Service Act, 2014 is quite succinct in outlining the duties of Productivity SA. The duties include the promotion of employment, income growth and workplace productivity. The Act specifically outlines the function of the entity as the support of initiatives aimed at preventing job losses amongst others.

In its unrelenting efforts to carry out its functions and promote growth in employment, Productivity SA, similarly to various entities, has found the socio-economic environment during the 2015/16 financial year to be quite challenging.

During this period, Productivity SA was faced with an environment whereby South Africa experienced low economic growth and the unemployment rate hit its highest mark at 26%. Consequently the labour market shed over 355 000 jobs in the last quarter of the 2015/16 financial year. This resulted in growing levels of poverty in the country and placed further strain on the Unemployment Insurance Fund (UIF).

Despite the gloomy environment, South Africa recorded a slight improvement in its competitiveness ratings. The IMD World Competitiveness Yearbook, 2016 indicates that South Africa improved its rating from 53 in 2015 to 52 in 2016.

Despite the slight improvement in rating, the reality is South Africa is lowly placed. The situation calls for Productivity SA to tackle issues of competitiveness and economic growth with strategic partners in the economic cluster of government and industry. A collaborative approach will enable South Africa to improve its competitiveness thereby creating employment.

Governance, leadership and strategic direction for the entity

Productivity SA was established in terms of section 31 of the Employment Services Act, No. 4 of 2014 as a juristic person. Productivity SA is an entity of the Department of Labour and its mandate is to promote employment growth and productivity.

The Board of Productivity SA is established in terms of section 33 of the Act. The tripartite Board is appointed by the Minister of Labour. The Board comprises a Chairperson and six members. Four members are drawn from National Economic and Development Labour Advisory Council with two representing organised labour and the other two representing organised business. The other two members of the Board represent government. Productivity SA is classified as a schedule 3A Public Entity in terms of the Public Finance Management Act, No. 1 of 1999.

As the Chairperson of the Board of Productivity SA I can attest that members of the Board perform their fiduciary responsibilities excellently. The Board understands that Good Governance and regulatory compliance need to be adhered to. The Board has prepared and adopted its Constitution as required in terms of the provisions of section 34 of the Act.

The Board has prioritised the efficacy of the necessary committee structures. The structures include the Audit and Risk Committee plus the Human Resources and Remuneration Committee. The committees have clear terms of reference that assist the Committees in discharging their responsibilities. The terms were cascaded down to the Executive Committee and divisional levels to ensure that the business is also provided with a structure within which management can operate effectively. The Board reviewed Productivity SA's Business Model and placed emphasis on how to deal with the financial challenges facing the entity.

Business performance

During the 2015/16 financial year, Productivity SA shifted its strategic focus towards supporting the National Development Plan (NDP), Vision 2030; the New Growth Path and the Industrial Policy Action Plan (IPAP).

Primarily the entity looked at revitalising the agricultural sector, the agro-processing value chain and unlocking the potential of Small, Medium and Micro Enterprises (SMMEs).

Productivity SA partnered with the Department of Small Business Development in implementing the informal sector support policy.

The aim of the partnership was to provide enterprise development training and business support within the manufacturing sector.

Productivity SA aims to expand its interventions within the manufacturing sector. In pursuit of its strategic objectives, Productivity SA achieved the following:

- Productivity SA's Turnaround Solutions Programme (TAS) secured R17.6 million from the UIF to provide support to companies in distress in order to save jobs.

- TAS supported 41 companies and saved 6976 jobs. This was an improvement from the previous financial year of 2014/15 whereby 34 companies were supported and 1 589 jobs saved.

- Despite the performance, it is fundamental to note the monies transferred from the UIF was a quarter of the funds required to enable Productivity SA to save jobs. The Board has marked the timely transfer of funds as a high priority issue.

- Within the Workplace Challenge Programme (WPC), Productivity SA improved the productivity and competitiveness of companies. WPC is funded by the Department of Trade and Industry (the dti). WPC received funding of R8.1 million from the dti. Due to the funding, 184 new entrepreneurs joined the WPC programme. To date 610 companies are implementing the WPC toolkits to improve productivity within their workplace.

- The Productivity Organisational Solutions (POS) programme within Productivity SA redesigned its SMME Capacity-building programme. The innovation resulted in the training of 4 837 emerging entrepreneurs who were consequently equipped with productivity competencies.

- Through its strategic partnership with the South African National Apex Cooperatives Organisation (SANACO), Productivity SA increased the numbers of Cooperatives accessing the programme. SANACO availed 1463 Cooperatives' members. The members comprised 1136 women, 327 males, 726 youth and 14 people living with disabilities. The members of the Cooperative were trained in productivity principles. The training consisted of the development of Cooperative business plans and mechanisms to implement systems and procedures aimed at assisting cooperatives to improve their business performance and productivity.

Despite the financial challenges facing Productivity SA it is encouraging to note that the new Business Model launched in the latter part of 2015 is beginning to show positive results. The financial challenges that have plagued the entity for a considerable period have been slightly mitigated through an increase in self-generated revenue.

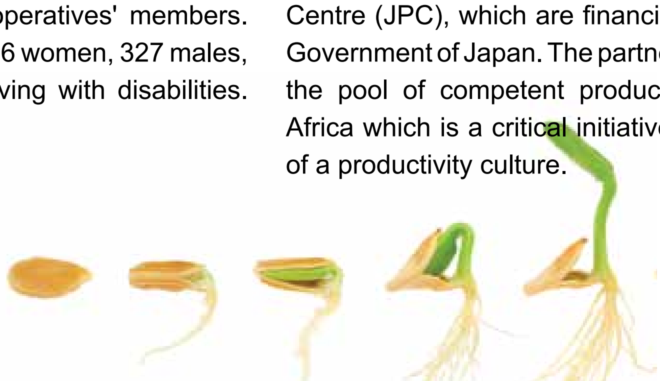
The entity has experienced an exponential increase in self-generated revenue from R1.8 million in the 2010/11 financial year to R23 million in 2015/16. The financial deficit has been reduced from R5.324 million in the 2014/15 financial year to R2.4 million in the 2015/16 financial year.

Bi-lateral and strategic relationships

Productivity SA continues to play a strategic role in Africa by serving as the Secretariat for the Pan African Productivity Association (PAPA). Through PAPA, the Productivity and Competitiveness agenda and related issues were tabled at the Meetings of Ministers of Labour of the African Union (AU) Member States. These measures resulted in the AU's Labour and Social Affairs Commission adopting the Productivity Agenda for Africa.

The input further led to the African Union Commission (AUC) developing a draft Five Year Priority Programme on Employment, Poverty Eradication and Inclusive Development (5YPP). The aim of the 5YPP is to unlock employment opportunities, eradicate poverty and stimulate inclusive development in Africa.

On the wider global scale, Productivity SA also has two significant partnerships with the Asian Productivity Organisation (APO) and the Japan Productivity Centre (JPC), which are financially supported by the Government of Japan. The partnership aims to expand the pool of competent productivity practitioners in Africa which is a critical initiative in the development of a productivity culture.



For the 2015/16 financial year Productivity SA benefitted from these relationships by means of:

- Three (3) Productivity SA personnel undertook JPC's observational study mission to Japan to observe productivity improvement activities of companies in Japan.
- Five (5) Productivity SA personnel attended APO's Training Course for Productivity Practitioners: Industrial Human Resources Development along with participants from Botswana, Burkina Faso, Ghana, Mauritius, Namibia and Zambia.
- Two (2) Productivity SA personnel facilitated the SMMEs Productivity Capacity Building Initiative in Tanzania sponsored by the International Labour Organisation (ILO) and African Union Commission.
- One (1) Productivity SA employee developed the Draft Productivity Measurement tool for the informal economy on behalf of the AUC's Technical Working Group on the Labour Market Information System (LMIS) and Informal Economy.

Challenges faced by Board

There has been a decline in funding for Productivity SA from some of the entity's funders and this has proved to be a huge challenge. The decline in economic activity and increase in companies in distress places great demands on Productivity SA's financial and human resources.

In the absence of an increase in Productivity SA's grant from government, the entity struggles to cope with the demands for support and services for ailing companies. The late provision of funds by the UIF exacerbates the challenges and targets are not realised. This results in a significant loss of jobs within the economy due to retrenchments. The DoL, under the guidance of its Director General (DG), is currently undertaking efforts to remedy the situation.

Medium to long term goals

For the 2016/17 financial year, the Board will vigorously pursue its strategic objectives and targets. The Productivity SA Business Model will be refined to improve the productivity and competitiveness of the South African economy. The aim is to enhance inclusive growth and create decent work.

Productivity SA will heighten efforts to:

- Provide support to organisations and companies in distress to save jobs,
- Improve SA's business efficiency through research on socio-economic systems, productivity and economic sectors,
- Inculcate a culture of productivity within business and greater South African populace.

Acknowledgements/appreciation

I would like to take this opportunity to thank all Productivity SA staff members for their support and guidance in all matters related to the Board.

Without reservation, I relay my gratitude to all the Board members for carrying out their duties with aplomb. I would also like thank Productivity SA's Board Secretariat, Barbara Timothy, for always coordinating Board activities with unfettered enthusiasm.

I would also like to relay my thanks to the Portfolio Committee on Labour for their oversight role. I thank all the departments that provide funding for the entity, namely, the DoL, the dti and the UIF.

Furthermore, I also like to convey Productivity SA's gratitude to the Deputy Minister of DoL, Chief Patekile Holomisa, along with the Secretary General of the Congress of South African Trade Unions (COSATU), Bheki Ntshalintshali, for their participation in the National Productivity Awards.

Lastly I thank the DG of DoL, Thobile Lamati, and the Minister, the Honourable Mildred Oliphant, for their consistent support.

Conclusion

In conclusion, I reiterate that the Employment Services Act 2014 has clearly outlined the role of Productivity SA and the onus is on Productivity SA to realise its objectives and carry out its mandate.

As the entity closes 2015/16 financial year, Productivity SA bids farewell to its former Chief Executive Officer (CEO), Bongani Coka, who left the entity at the close of the financial year after ten years as a dedicated employee.

The Board has appointed Mothunye Mothiba as the new CEO for Productivity SA. The Board looks forward to the leadership and strategic management competencies of Mothiba to take Productivity SA to greater levels.

Mr Mthunzi Mdwaba
Chairperson of the Board
Productivity SA
29 July 2016

Mr Mothunye Mothiba

OVERVIEW
BY THE CHIEF EXECUTIVE OFFICER

General financial review of Productivity SA

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

The vision of Productivity SA is to inspire a productive and competitive South Africa. To execute its mandate, Productivity SA relies on substantial government funding. However, Productivity SA maintains the autonomy to generate income. The entity is run in accordance with general business principles and subscribes to the King Code.

For the 2015/16 financial year, Productivity SA posted a deficit of R2.4 million. This deficit is primarily due to having to defer the recognition of income to a future period. This was brought about by the late transfer of funds from a major funder. The delay stunted the implementation of interventions.

If the challenges posed by the deficit continue unabated, Productivity SA's "going concern" status will be at risk. Productivity SA has a hybrid funding model comprising funding from government and self-generated funding.

For the year under review, Productivity SA has demonstrated its ability to actively generate its own revenue of R23 million. The revenue generated by Productivity SA has increased by 19% from the previous year and represents 20.4% of the total revenue. Whilst the increase of 19% year on year look impressive, the rand values are small as they are off a low base and are still not sufficient to drive the organisation out of its precarious position.

Notwithstanding the deficit, Productivity SA has received an 'Unqualified Audit Opinion'. In passing the opinion, an independent auditor has adjudged that Productivity SA's financial records and statements are fairly and appropriately presented in accordance with SA Standards of GRAP.

Productivity SA has been ruled to be operating within the legislative ambit of the Public Finance Management Act (PFMA) and prerequisite National Treasury Regulations.

Spending trends

Over and above the key operating expenses essential to keep Productivity SA fully functional, the spending of the entity is underpinned by its mandate which is primarily driven by the need to promote employment growth and productivity within South African enterprises. The majority of the expenditure goes towards rolling out interventions towards achieving the desired impact.

Productivity SA's value proposition is carried out through three key programmes to attain its mandate. The programmes are TAS, WPC and POS. Two of the three programmes, namely WPC and POS, have utilised funds allocated. These programmes have expedited the necessary objectives required to fulfil Productivity SA's mandate.

However, the TAS programme has been unable to spend funds allocated in a timely manner as funding for it was received towards the end of the financial year under review instead of quarterly in advance as per the Funding Agreement with the UIF. Furthermore, the amount received was less than that budgeted for and approved by the UIF Board. The underlying causes of the late provision are outlined in detail in the Performance Information section of the Annual Report.

Capacity constraints and challenges facing Productivity SA

The budget allocation for the entity remains constrained. Remedial action continues as the new business model is being implemented. The revised business model seeks to address Productivity SA's financial stability in the short to the long term by way of increasing the value proposition, revising the pricing to clients and skills development to deliver on the value proposition.

Discontinued activities

No activities were discontinued during the year.

New or proposed activities

For the 2016/17 financial year the following are the priorities:

- Strengthening strategic partnerships with Government Departments in the economic cluster with a focus on maximising the impact of our interventions relating to:
  - Providing support to organisations and companies in distress to preserve employment / save jobs; and
  - Improving the productive and competitive capacity of the national economy and business efficiency through research on socio-economic systems, productivity and economic sectors as well as through the collection and supply of information.

- Promoting and inculcating a culture of productivity and competitiveness in all spheres of the nation's economic and community life.

- Unlocking the potential of SMMEs, Cooperatives, Townships and Rural Enterprises, in partnership with the Department of Small Business Development by implementing the Informal Sector Support Policy

Requests for roll over funds

Funds committed towards the TAS programme were received in December 2015 and thus were not fully utilised at year end. The funds were rolled over into 2016/17 financial year.

Supply chain management

Productivity SA follows the provisions of the Preferential Procurement Policy Framework Act (PPPFA) and Supply Chain Management (SCM) policy to ensure a strong internal control and compliance environment.

The threshold espoused by this legislation are observed and a Procurement Committee meets regularly to preside and adjudicate on procurement matters. To this end, Productivity SA invited service providers to be on its database to ensure current information and compliance with legislation.

Through this process, the B-BBEE rating for the financial year under review was maintained at Level 3, having improved from a Level 5 in the previous year. This has also been made possible by Productivity SA engaging in actions that promote SMMEs by observing the 30 days' payment on receipt of complete invoice.

Acknowledgements/appreciations

In conclusion I would like to extend my gratitude to the Board of Productivity SA for their visionary leadership. I would also like to thank our funders, the DoL, the dti and the UIF.

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

Lastly, I wish to extent my unreserved appreciation to business, labour and Productivity SA stakeholders for their support.

Mr Mothunye Mothiba
Chief Executive Officer
Productivity SA
29 July 2016


SCM

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 on the annual report as issued by National Treasury.

The annual financial statements (Part E) have been prepared in accordance with the SA Standards of GRAP 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 information and the annual financial statements.

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

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

Yours faithfully

Mr Mothunye Mothiba
Chief Executive Officer
29 July 2016

Mr Mthunzi Mdwaba
Chairperson of the Board
29 July 2016

STRATEGIC OVERVIEW

Vision

To lead and inspire a competitive and productive South Africa.

Mission

To improve productivity by diagnosing, advising, implementing, monitoring and evaluating solutions aimed at improving South Africa's competitiveness.

Values

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

LEGISLATIVE AND OTHER MANDATES

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

It is classified as a Schedule 3A public entity in terms of the Public Financne and Management Act, No. of 1999.

Functions of Productivity SA

- To promote a culture of productivity in the workplace
- To develop relevant productivity competencies
- To facilitate and evaluate productivity improvement and competencies in workplaces
- To measure and value productivity in the workplace
- To maintain a database of productivity and competitiveness systems and to publicise these systems
- To undertake productivity-related research
- To support initiatives aimed at preventing job losses
- To perform any other function

ORGANISATIONAL STRUCTURE

Minister of Labour
Hon. Mildred Oliphant

Board Chairperson
Mr Mthunzi Mdwaba

Human Resources and Remuneration Committee

Audit and Risk Committee

Chief Executive Officer
Productivity SA
Mr Mothunye Mothiba

- Executive Manager:
  Turnaround Solutions
  Ms Mudzunga Mashamba
- Executive Manager:
  Productivity Organisational Solutions
  Ms Lalane Janse van Rensburg
- Executive Manager:
  Value Chain Competitiveness
  Mr Sello Mosai
- Executive Manager:
  Human Resources
  Ms Tracey Wereley
- Executive Manager:
  Marketing and Communications
  Ms Rebecca Phalatse
- Executive Manager:
  Corporate Services
  Mr Bheki Dlamini
- Regional Manager:
  Western Cape
  Mr Albert Brink
- Regional Manager:
  KwaZulu-Natal
  Ms Amelia Naidoo

BOARD MEMBERS

Mr Mthunzi Mdwaba
Chairperson

Mr Mothunye Mothiba
Chief Executive Officer

Ms Jocelyn Vass

Mr Noel Mbongwe

Mr Nico Vermeulen

Ms Leila Reddy

Ms Imogen Phaladi

Ms Esther Tloane

EXECUTIVE MANAGEMENT

Mr Mothunye Mothiba
Chief Executive Officer

Mr Sello Mosai
Executive Manager - Value Chain Competitiveness

Ms Tracey Wereley
Executive Manager - Human Resources

Mr Bheki Dlamini
Chief Financial Officer

Ms Lalane Janse van Rensburg
Executive Manager - Productivity Organisational Solutions

Ms Mudzunga Mashamba
Executive Manager - Turnaround Solutions

Ms Rebecca Phalatse
Executive Manager - Marketing and Communications

Ms Amelia Naidoo
Regional Manager - KwaZulu-Natal

Mr Albert Brink
Regional Manager - Western Cape

PART B
PERFORMANCE INFORMATION

AUDITOR'S REPORT PREDETERMINED OBJECTIVES

Nexia SAB&T currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report on pages 106 to 110.

SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

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

- Contextual presentations facilitated by workshop participants
- Understanding the AS IS and contextual environment
- Development of the strategic positioning, or TO BE of the organisation
- Confirmation of strategic intent
- Gap closing strategies
- Development of high level strategic focus areas

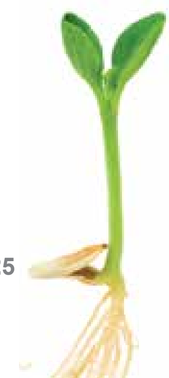
ORGANISATIONAL ENVIRONMENT

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

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

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

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



STRATEGIC OUTCOME ORIENTED GOALS

Strategic Outcome Oriented Goal 1:	To be the employer of choice
Goal Statement	Design, implement and monitor and employee value proposition strategy **(People)**

Strategic Outcome Oriented Goal 2:	To become the leading organisation with regards to productivity and competitiveness issues by establishing and fostering strategic relationships
Goal Statement	Establish new and foster existing strategic partnerships and measure the impact of these partnerships **(Partnerships)**

Strategic Outcome Oriented Goal 3:	To create unique methodology that distinguishes us from our competitors
Goal Statement	Evaluate, design, develop new and existing products and services and demonstrate the impact of these **(Products and Services)**

Strategic Outcome Oriented Goal 4:	To migrate towards a sustainable business model (both non-grant/ grant funding)
Goal Statement	Assess, monitor and evaluate organisation performance **(Performance)**

Strategic Outcome Oriented Goal 5:	To enhance our brand and improve public presence and demonstrate impact
Goal Statement	Assess, measure, monitor and improve public presence and demonstrate impact **(Public Presence)**

Strategic Outcome Oriented Goal 6:	To be the “go-to” organisation and leader in terms of tools and techniques
Goal Statement	Assess, measure, monitor and improve public presence and demonstrate impact **(Processes)**

PERFORMANCE INFORMATION BY PROGRAMME

STRATEGIC OBJECTIVES OF PRODUCTIVITY SA

GOVERNMENT OUTCOME 4:	Contribute to decent employment creation
Strategic Objective 1.1	**Positioning and Branding**
Objective Statement	To position Productivity SA as a leader in productivity and competitiveness in the country
Baseline	• Partnerships with critical stakeholders • Customer Satisfaction Survey • 355 articles on productivity published
Links	Outcome 4
Strategic Objective 1.2	**Knowledge Management and Research**
Objective Statement	• To predict the future status of the socio-economic environment in SA with regards to productivity and competitiveness • To ensure that Productivity SA proactively manages information storage, retrieval and dissemination efficiently and effectively, pro-actively manage matters related to intellectual property and be ccustodians of productivity knowledge • To be the number one source of cutting edge and up to date information on productivity and competitiveness
Baseline	• 4 Research reports published • 26 Seminars conducted pertaining to the studies • Framework for copy writing, patenting and securing intellectual property • Quality Management Systems in place
Links	Outcome 4
Strategic Objective 1.3	**Service Offering**
Objective Statement	Improve productivity and competitiveness through aligning service offering to trends and needs in the market
Baseline	• Productivity interventions in 10698 companies, SMMEs, Cooperatives, Managers and workers • 3417 jobs saved in distressed companies through turnaround strategies
Links	Outcome 4
Strategic Objective 1.4	**Talent Management**
Objective Statement	Management of the development of the talent and skills identified (measured and assessed) for the future leaders
Baseline	A pool of 20 potential candidates identified across Senior Management, Line Management and Junior Management levels. Assessments based on identified core business and HR competencies have been conducted with these candidates. Of the initial 20 candidates, 10 candidates were identified as high potential. These candidates will be accelerated for senior level positions within the organisation
Links	Outcome 4

Strategic Objective 1.6	**Organisational Development**
Objective Statement	To achieve a set of agreed to goals in an organised and participative manner (Establish goal alignment objectively)
Baseline	Culture Shift Journey Pillars are still being implemented
Links	Outcome 4
Strategic Objective 1.7	**Stakeholder Management**
Objective Statement	To solicit buy in and continuous support of our mandate
Baseline	31 Awareness workshops were conducted in conjunction with strategic partners
Links	Outcome 4
Strategic Objective 1.8	**Monitoring and Evaluation**
Objective Statement	To assess the efficiency and effectiveness of Productivity SA
Baseline	Implementation of 8 pillars/strategic priorities to ensure entity reaches its goals
Links	Outcome 4
Strategic Objective 1.9	**Financial Sustainability**
Objective Statement	To improve Productivity SA financial viability
Baseline	Additional revenue of R10.169 million
Links	Outcome 4

PERFORMANCE PER PROGRAMME

PROGRAMME 1: TURNAROUND SOLUTIONS

PROGRAMME PURPOSE

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

STRATEGIC OBJECTIVES OF THE PROGRAMME

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

- Objective 1: Supporting initiatives aimed at preventing job losses

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

STRATEGIC OBJECTIVE 1: Support initiatives aimed at preventing job losses					
Key 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**
Number of Future Forums (FF) established	23	150	39	(111)	Delay in transfer of 2015/16 funds from the funder
Number of work-plans developed	11	150	43	(107)	Delay in transfer of 2015/16 funds from the funder
Number of work-plans implemented	9	150	56	(94)	Delay in transfer of 2015/16 funds from the funder
Number of Close-out reports	0	100	43	(57)	Delay in transfer of 2015/16 funds from the funder

STRATEGIC OBJECTIVE 1: Support initiatives aimed at preventing job losses					
Key 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**
Number of impact assessments	0	100	15	(85)	Impact assessments can only commence once projects have been either closed out or have implemented 2 or more deliverables of the work-plan strategy. The delay in funds delayed the close out and implementation of work-plans therefore further delaying impact assessments from commencing and under-achieving against the year's target
Productivity Champions Training	19	100	19	(81)	Delay in transfer of 2015/16 funds from the funder
Number of jobs impacted	1589	7500	6976	(524)	Delay in transfer of 2015/16 funds from the funder
Number of companies with productivity champions training done	Not planned for	50	19	(31)	Only 28% funding received from funder

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

Strategic Objectives	Performance Indicator	Strategy to address under-performance
Support initiatives aimed at preventing job losses	Number of companies nurtured	The Board raised the issue of delay in transfering funds and the quantum of the amount transferred with the Minister to be in line with the Funding Agreement
	Financial assessments (FA) conducted	The Board raised the issue of delay in transfering funds and the quantum of the amount transferred with the Minister to be in line with the Funding Agreement
	Number of Future Forums (FF) established	The Board raised the issue of delay in transfering funds and the quantum of the amount transferred with the Minister to be in line with the Funding Agreement
	Capacity-building of Future Forums (1 day)	Ensure that the Future Forums are trained within 3 weeks of establishment
	Productivity Champions training (3 days)	Ensure the Productivity Champions training is conducted within 4 weeks of FF being trained

Strategic Objectives	Performance Indicator	Strategy to address under-performance
Support initiatives aimed at preventing job losses	Number of (turnaround strategies) work-plans developed	Increase the capacity of internal expertise to ensure all projects assessed for viability and sent through have work-plans within a month of the FA being conducted
	Number of work-plans implemented	The project to run as per time allocated in the procedure manual to ensure full completion within 9 months
	Number of impact assessments (for quality monitoring for in-progress projects)	Project monitoring tool highlights/notifies a project due for impact assessment based on at least 25% of the strategies on the project plan underway
	Conduct post-implementation monitoring and evaluation reports	Post-implementation monitoring to be done 6 months after project closure and logged into the project monitoring to ensure follow through
	Number of close-out reports (at the end of the turnaround implementation)	Projects to be closed within 9 months of inception and logged into the project monitoring to ensure follow through

COMMENT ON ALL DEVIATIONS

The TAS programme received funding for the 2015/16 financial year in December 2015 instead of a quarterly tranche in advance as per the Funding Agreement. Furthermore, the amount received was less than what was budgeted for and approved by the UIF Board. This gave TAS very limited time to complete work as per the programme activities detailed in the table above.

Lack of funding contributed significantly to the cause of the deviations. The work will flow into the new financial year (2016/17) and an acceleration plan is in place to finalise the 2015/16 obligations.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

Productivity SA has presented to the funder (UIF) the plans to finalise the 2015/16 obligations which means that Productivity SA can simultaneously start nurturing new projects for 2016/17 as soon as the funding for 2016/17 is received. Delayed funding has an effect on the sign-up (nurturing) of projects, which has a domino effect on all processes that follow. Therefore, the efforts and strategies above have been initiated to address all deviations and under-performance. The number of currently interested companies exceeds what the 2015/16 budget could manage; and it is crucial that 2016/17 funding is received in time to manage the demand.

Productivity SA has regular meetings with the funder. A joint committee with representatives from the funder (UIF) and Productivity SA meets on a quarterly basis or as often as needed, to discuss:

- The progress towards targets
- The challenges encountered/variances
- The implications of delayed funding
- Understanding of the funder KPIs measured
- Reporting timelines for submissions to the executive committees
- Plans for the year ahead – funding, targets, timelines, geographic presence and sector impact
- Service level agreement has been drafted and submitted to the funder for review and sign-off

LINKING PERFORMANCE WITH BUDGETS

The expenditure reported below is subject to change as the final expenditure report is yet to be finalised through the company's year-end processes by the finance department during printing of the annual report. The financial statistics on this report are based on the department submission prior to finance year-end processes.

	2014/15			2015/16		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Turnaround Solutions	**8 982**	**19 438**	**(10 456)**	**22 706**	**21 916**	**790**

PROGRAMME 2: PRODUCTIVITY ORGANISATIONAL SOLUTIONS

PROGRAMME PURPOSE

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

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

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

SUB-PROGRAMMES

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

STRATEGIC OBJECTIVES OF THE PROGRAMME

To capacitate Education Training and Development service providers and Small Micro Medium Enterprises in order to contribute to sustainable employment creation.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

STRATEGIC OBJECTIVE: Capacitated ETD service providers and SMMEs in order to contribute to sustainable employment creation					
Key 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**
Number of educators trained	894	950	642	(308)	Access not secured at time of scheduled training with Department of Education
Number of emerging entrepreneurs trained	5 683	5 500	4 837	(663)	Access postponed to new financial year due to changes in strategic partner's implementation strategy

STRATEGIC OBJECTIVE: Capacitated ETD service providers and SMMEs in order to contribute to sustainable employment creation					
Key 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**
Number of workers trained	1 286	900	934	34	Access sufficient due to Productivity SA holistic productivity improvement drive with client
Number of Skills Development Facilitators (SDFs) trained	439	550	299	(251)	Changing sectoral demands restricted access to SDFs
Number of managers trained	216	160	205	45	Access sufficient due to Productivity SA holistic productivity improvement drive with client
Number of graduates engaged	2	5	2	(3)	Target has been decreased due to the intensity of training required for graduates. One resource is required to shadow with each graduate signed on

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

Strategic Objectives	Performance Indicator	Strategy to address under-performance
Capacitate ETD service providers and SMMEs in order to contribute to sustainable employment creation	Number of educators trained	Partnership to be established with the Leadership of the Department of Basic Education
	Number of emerging entrepreneurs trained	Partnerships to be established with the Department of Small Business Development and Economic Development Departments in provinces to ensure sufficient access to SMMEs and cooperatives nationally
	Number of SDFs trained	Target has been decreased to ensure sufficient access of skills development facilitators nationally. Further to this, a partnership has been secured with SEDA National, to ensure access to all SDFs under their service offering

NOTES TO EXPLAIN THE PERCENTAGES ACHIEVED

Strategic Objectives	Performance Indicator	Formula
Capacitated ETD service providers and SMMES in order to contribute to sustainable employment creation	Number of educators trained	68%

Strategic Objectives	Performance Indicator	Formula
Capacitated ETD service providers and SMMES in order to contribute to sustainable employment creation	Number of emerging entrepreneurs trained	88%
	Number of workers trained	104%
	Number of SDFs trained	54%
	Number of managers trained	54%

HOW THE PERFORMANCE FOR PROGRAMMES/ACTIVITIES/OBJECTIVES HAS CONTRIBUTED TO THE ACHIEVEMENT OF THE PUBLIC ENTITY'S STRATEGIC OUTCOMES-ORIENTATED GOALS

A total of 6 917 beneficiaries were capacitated in 2015/16 on productivity-related concepts. Creating awareness on productivity-related concepts contributed to Productivity SA's vision of leading and inspiring a more competitive South Africa.

COMMENT ON ALL DEVIATIONS

The Productivity Organisational Solutions programme receives its funding allocation from the Department of Labour and has also generated additional income to assist with Productivity SA's sustainability.

1) The under-achievement on the SMME target was unforeseen as the training was already anticipated and planned for and was cancelled due to reasons outside of Productivity SA's control.
2) The under-achievement of educators is and has been a constant challenge as Productivity SA has not managed to secure a solid partnership with the Department of Education to ensure access to educators.
3) The under-achievement of SDFs has been a constant challenge as a skills development facilitator carries a dual profile in organisations and access is therefore limited. Productivity SA has managed to secure SETA partnerships and has moved its accreditation to the Public Service Sector SETA in an attempt to address this target for the 2016/17 financial year.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

The under-achievement of targets will be addressed in the 2016/17 financial year as Productivity SA has managed to nurture its relationships with key alliances to ensure access to the necessary number of beneficiaries to make its targets in 2016/17.

1) **SMMEs:** Productivity SA has redesigned its SMME Capacitation Programme to encapsulate market requirements. The programme itself is measurable and competitive, and an appetite for it exists with the current Productivity SA strategic alliances.
2) **Educators**: Productivity SA has decreased the number of educators to participate in the programme in order to increase the outcome of the productivity results. The new comprehensive and measurable School of Excellence model will ensure that Productivity SA not only makes its annual target, but also showcases the successes of implementation at the annual Productivity Awards.
3) **SDFs**: Productivity SA has decreased the number of skills development facilitators to be trained as the uptake by the SETAs has been slower than anticipated. An alternative strategy has been pursued, and Productivity SA has partnered with the Small Enterprise Development Agency (SEDA) to ensure access to its SDFs for training.

CHANGES TO PLANNED TARGETS

An adjustment of targets has been applicable to the educator beneficiary group due to the fact that the programme for educators has been redesigned into a measurable solution that has a longer implementation cycle.

The outcome of the new solution focus instead of workshop focus is that impact per implementation will be evident.

LINKING PERFORMANCE WITH BUDGETS

	2014/15			2015/16		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Productivity Organisation Solutions	**9 749**	**8 594**	**1 155**	**9 092**	**8 980**	**112**

PROGRAMME 3: VALUE CHAIN COMPETITIVENESS

PROGRAMME PURPOSE

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

SUB-PROGRAMMES

- Research Development
- Workplace Challenge
- Knowledge Management

STRATEGIC OBJECTIVES OF THE PROGRAMME

- Productivity research reports for selected sectors

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Research development

STRATEGIC OBJECTIVE: Productivity research reports for selected sectors					
Key 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**
Annual productivity statistics	Report published	Publish report	Report not published	100% deviation	Chief economist was off sick for few months thereby slowing down progress of the project
Annual competitiveness indicator position for *IMD Competitiveness Yearbook*	Report published	Publish report	2015 report published	-	N/A
Annual study on public sector productivity performance and service delivery	Report not published	Publish report	Report not published	100% deviation	Draft report finalised, awaiting validation and sign off by Department of Public Service and Administration (DPSA) and the Limpopo Department of Education (LDoE)

STRATEGIC OBJECTIVE: Productivity research reports for selected sectors					
Key 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**
Develop a report on the best way to manage performance, productivity and remuneration in the PES	Report not published	Publish report	Report not published	100% deviation	Draft report submitted to the client (Public Employment Services) and awaiting approval
Reports conducted on identified relevant sectors as commissioned	2	3 Report 1: Report on the impact of religion on the economy Report 2: Report on Transformation of the Platinum Group Metals (PGMs) Report 3: Report on the Development of a 10-year industrial upgrade, productivity improvement and competitiveness programme	Reports not published	100% Deviation	Report 1: No funding to conduct a comprehensive research provided Report 2: Funding to conduct a comprehensive PGMs value chain research is being sourced Report 3: Report not yet published due to delayed submission of the database by the client. This was also exacerbated by the sorting out of challenges with the quality of information in the database
Number of seminars conducted	9	9	8	(1)	One IMD seminar was cancelled because sufficient coverage was achieved

Workplace Challenge

STRATEGIC OBJECTIVE: Products and services of assisted companies world class and competitive					
Key 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**
Number of new entrepreneurs that joined WPC	241	201	184	(17)	As per agreement with the dti, the planned targets were revised downwards to 170 but this was not revised in the APP
Number of capacity-building workshops	47	30	31	1	Target exceeded due to excess number of enterprises in implementation
Number of companies implementing Workplace Challenge	370	200	278	78	Target exceeded due to demand and additional projects in identified SEZs. Some companies on 24-month programme have been carried over from previous financial years
Number of facilitators and interns coached	13	15	15	-	N/A
Number of enterprises in Aftercare	271	335	332	(3)	Implementation was delayed in three companies in KZN due to challenges in finalising assessment
Number of quarterly newsletters	4	4	4	-	N/A
Research and Development	M&E reports for the Western Cape and Gauteng	Roll out and M&E reports of participating companies	Roll out and M&E reports of participating companies in KZN	-	N/A

STRATEGIC OBJECTIVE: Products and services of assisted companies world class and competitive					
Key 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**
Number of success stories	9	9	11	2	Companies that won Productivity Awards brought more success stories

HOW THE PERFORMANCE FOR PROGRAMMES/ACTIVITIES/OBJECTIVES HAS CONTRIBUTED TO THE ACHIEVEMENT OF THE PUBLIC ENTITY'S STRATEGIC OUTCOMES-ORIENTATED GOALS

The Research and Development sub-programme achieved more than 58% of its activities which in turn contributed more than 50% to the achievement of the public entity's strategic objectives to make the entity both relevant and aligned to the goal of assisting the country to be productive and competitive, in order to contribute to wealth creation, job creation, and reduction of income inequality and poverty.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

Strategic Objectives	Performance Indicator	Strategy to address under-performance
Productivity research reports for selected sectors	Productivity research reports published	The amelioration of capacity constraints in the office of the chief economist is at an advanced stage and will be finalised at the new financial year
	Report on the best way of managing productivity and remuneration within the Public Employment Service (PES) branch	Draft report submitted to the client (Public Employment Services) for approval
	Report on public sector productivity, performance, and remuneration	The CEO to address a letter to the two departments to validate the reports by end of quarter 1 of 2016
	3 reports on selected sectors	
	Report on the impact of religion on the economy	Study discontinued due to lack of funds
	Report on the transformation of platinum group metals	Funding to conduct comprehensive PGMs value chain research is being sourced The primary task of the PGMs Transformation Forum is to raise funds to conduct comprehensive research which will investigate the entire value chain of the industry, conclude and make recommendations to be availed to policy-makers and players in the industry

Strategic Objectives	Performance Indicator	Strategy to address under-performance
Productivity research reports for selected sectors	Report on the development of a 10-year industrial upgrade, productivity improvement and competitiveness programme	Report not yet published due to delayed submission of the database by the client. This was also exacerbated by the sorting out of challenges with the quality of information in the database
	Conduct 9 seminars in regions	Ensure that the programme seminar plan is integrated with marketing and communications events planner

NOTES TO EXPLAIN THE PERCENTAGES ACHIEVED

Strategic Objectives	Performance Indicator	Strategy to address under-performance
Productivity research reports for selected sectors	Annual productivity statistics: 40% achieved in line with the research activities	40%
	Report on public sector productivity and performance and service delivery conducted: 70% achieved in line with the research activities	70%
	Report on the performance, productivity and remuneration in the PES: 70% achieved in line with the research activities	70%

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

Strategic Objectives	Performance Indicator	Strategy to address under-performance
Products and services of assisted companies world class and competitive	No. of companies in Aftercare	Implementation of the outstanding companies will be incorporated in the plans for new financial year
	Number of new entrepreneurs that joined WPC	To align the dti Business Plan and Productivity SA APP at the mid-term review

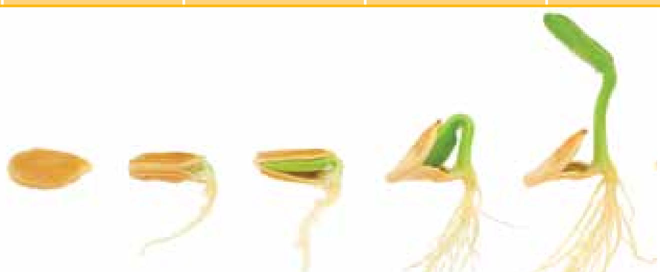
COMMENT ON ALL DEVIATIONS

CHANGES TO PLANNED TARGETS

As per agreement with the dti, the planned targets were revised downwards but this was not revised in the APP and approved by the Board.

LINKING PERFORMANCE WITH BUDGETS

	2014/15			2015/16		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Research and Development	16 371	19 936	(3 565)	21 092	22 710	(1 618)
Workplace Challenge	10 514	11 664	(1 150)	8 902	10 105	(1 202)



PROGRAMME 4: MARKETING AND COMMUNICATIONS

PROGRAMME PURPOSE

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

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

SUB-PROGRAMMES

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

STRATEGIC OBJECTIVES OF THE PROGRAMME

- To run a national awareness campaign

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

STRATEGIC OBJECTIVE: To run a national awareness campaign					
Key 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**
Number of media articles published	320	395	414	19	Relationships with the media houses assisted with the increase in coverage
Number of *Leader* magazines produced	4	4	3	(1)	Not enough articles to publish in magazine
Number of annual reports produced	1	**1**	1	-	-

STRATEGIC OBJECTIVE: To run a national awareness campaign					
Key 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**
Number of workshops and seminars conducted	40	12	51	39	Most of the seminars were conducted by the stakeholders and strategic partners. Productivity SA presented and exhibited at their events
Number of productivity awards held	7	9	8	(1)	Lack of funds to cover additional province
Number of partnerships with stakeholders	16	8	19	11	Due to an increase in presence in the market through exhibitions and events, Productivity SA's access to partners and stakeholders increased as well

HOW THE PERFORMANCE FOR PROGRAMMES/ACTIVITIES/OBJECTIVES HAS CONTRIBUTED TO THE ACHIEVEMENT OF THE PUBLIC ENTITY'S STRATEGIC OUTCOMES-ORIENTATED GOALS

The brand awareness has been increased as civil society, businesses, government and labour had contact with the brand.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

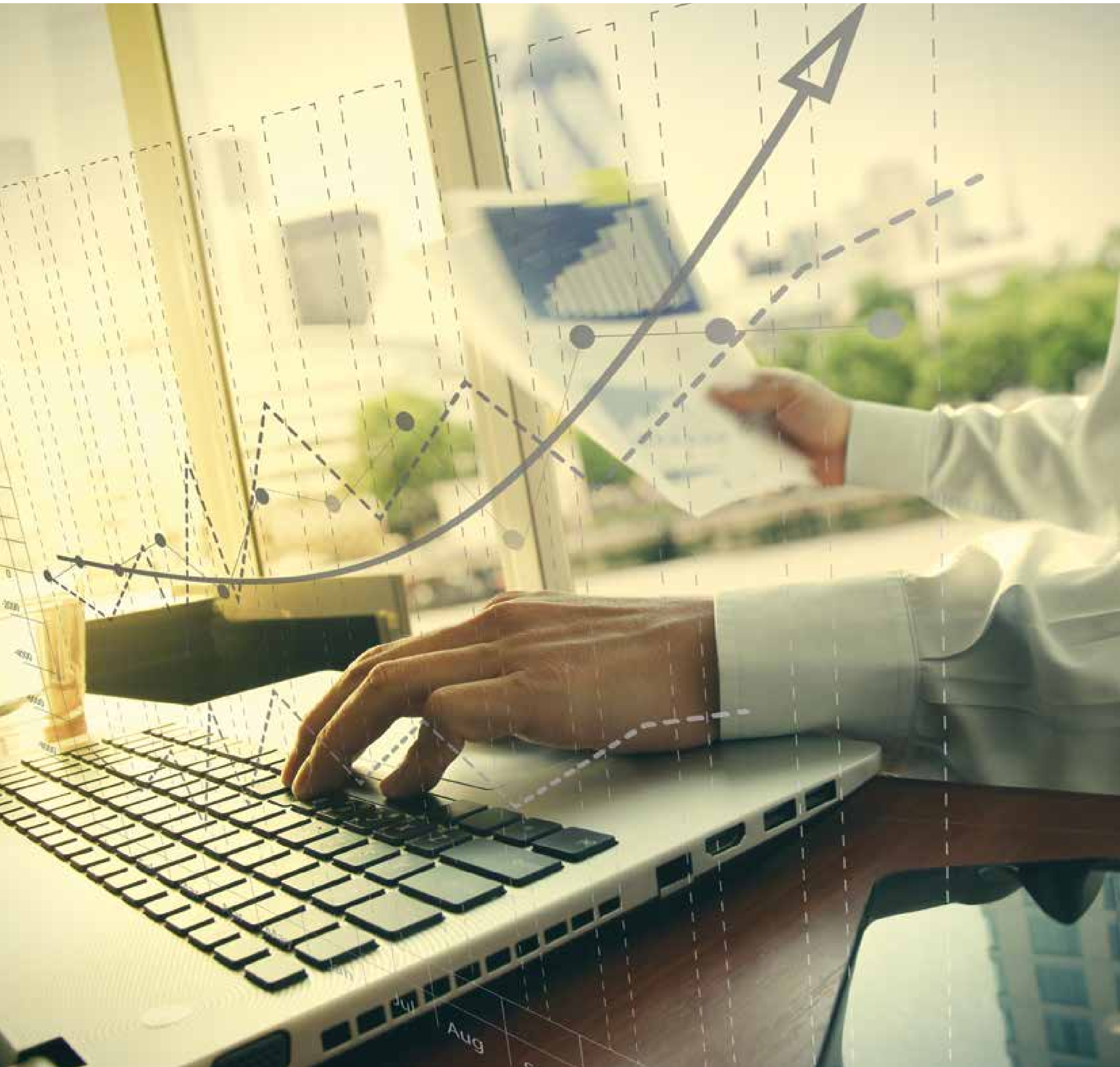
Strategic Objectives	Performance Indicator	Strategy to address under-performance
To run a national awareness campaign	Number of *Leader* magazines produced	Reviewing our marketing and communications strategy to clearly identify and segment our target market.
	Number of Productivity Awards held	The entity will establish strategic partners and alliances to sponsor the awards in each province and the National Awards.

CHANGES TO PLANNED TARGETS

Not applicable.

LINKING PERFORMANCE WITH BUDGETS

	2014/15			2015/16		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Marketing and Communications	8 624	8 627	(3)	9 106	9 574	(468)



PROGRAMME 5: HUMAN RESOURCES MANAGEMENT

PROGRAMME PURPOSE

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

MAIN ACTIVITIES

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

STRATEGIC OBJECTIVES OF THE PROGRAMME

- Talent Management: To develop a pool of skilled and competent potential leaders that will drive the organisation's strategic objectives.
- Organisational Development: To achieve a set of agreed to goals in an organised and participative manner (establish goal alignment objectively) through the implementation of culture shift journey pillars.

STRATEGIC OBJECTIVES OF THE PROGRAMME

- Talent Management: To develop a pool of skilled and competent potential leaders that will drive the organisation's strategic objectives.
- Organisational Development: To achieve a set of agreed to goals in an organised and participative manner (establish goal alignment objectively) through the implementation of culture shift journey pillars.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

STRATEGIC OBJECTIVE: Talent Management					
Key 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**
Generate career path maps	Not achieved	Generate career path maps for Senior, Middle and Junior Management	Not achieved	100% deviation. Career maps incomplete	Due to work commitments, Executives have changed scheduled meetings between themselves and the HR Executive

STRATEGIC OBJECTIVE: Talent Management					
Key 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**
List of development areas of individuals	Achieved	Implementation of Development Plans	100% achieved. Development Plans are currently being implemented	0% deviation	
IDP of persons: identify development	Achieved	Review and consolidate Individual Development Plans	Not achieved	100% deviation	Some employees did not require training due to the start of tertiary studies
Established goal-setting process that facilitates total participation and alignment of goals	Achieved	Performance contracts in place for the organisation	Not achieved	100% deviation	2 employees did not contract during this period.
System processes for assessing performance in a fair and equitable manner (scorecards)	Achieved	Align performance management system to business objectives	Not achieved	100% deviation	Review 1: 4 employees did not conduct reviews during this period
Salary survey to benchmark “market relatedness” of remuneration	Achieved	Salary survey/ benchmarking	100% achieved	0% deviation	
Culture survey and interviews to check change conducted to improve Culture Shift	Not achieved	Climate survey and interviews to check change conducted to improve Culture Shift	Not achieved	100% deviation	Project commitments and the inability to remotely connect to regional team members prevented the Workplace Challenge Programme from having their Team Development Intervention

HOW THE PERFORMANCE FOR PROGRAMMES/ACTIVITIES/OBJECTIVES HAS CONTRIBUTED TO THE ACHIEVEMENT OF THE PUBLIC ENTITY'S STRATEGIC OUTCOMES-ORIENTATED GOALS

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

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

Strategic Objectives	Performance Indicator	Strategy to address under-performance
Talent Management/ Leadership	Generate career path maps for Senior, Middle and Junior Management	Discussions will take place between the Executive Manager HR and Executive Managers of Programmes to finalise career paths
Organisational Development	Review and consolidate Individual Development Plans	The Human Resources Department has prepared individual letters to employees based on submission/non-submission of Individual Development Plans. These letters were signed by the CEO and employees were requested to sign them and return to the Human Resources Department. Financial assistance is offered to employees that want to embark on tertiary-level programmes. Employees that do not require training and development interventions therefore have the option of embarking on tertiary studies
	Improved incentives scheme/ recognition scheme	This may only be implemented once the funding is available or additional revenue is generated to support the scheme
	Climate survey and interviews to check change conducted to improve Culture Shift	Team Development Charters will be reported by the Executives at the monthly Executive Committee meetings

NOTES TO EXPLAIN THE PERCENTAGES ACHIEVED

Strategic Objectives	Performance Indicator	Formula
Talent Management/ Leadership	Generate career path maps for Senior, Middle and Junior Management	50%
Organisational Development	Review and consolidate Individual Development Plans	68%
	Performance contracts in place for the organisation	98%
	Align performance management system to business objectives	96%
	Improved incentives scheme/ recognition scheme	90%
	Climate survey and interviews to check change conducted to improve Culture Shift	90%

COMMENT ON ALL DEVIATIONS

1) 50% of career path maps for Senior, Middle and Junior Management have not been developed due to Executives changing scheduled meetings between themselves and the HR Executive.
2) 32% of Individual Development Plans have not been completed due to employees electing not to embark on training and development and tertiary studies taking preference.
3) 2 employees in the Marketing Department did not submit Performance Contracts due to there being a misunderstanding on these employees' part regarding the performance management process being on trial versus it being formal. The Human Resources Department requested the Marketing Executive to finalise this on numerous occasions.
4) 4 employees did not submit Performance Reviews due to there being a misunderstanding on these employees' part regarding the performance management process being on trial versus it being formal. 2 of the employees were in the Marketing Department and 2 were in the Workplace Challenge Programme. The Human Resources Department has requested the Marketing and Value Chain Competitiveness Executives to finalise this on numerous occasions.
5) 10% deviation of Reward and Recognition Scheme. The draft Reward and Recognition policy has not been implemented as this process relies on additional funding to support the payment of incentive bonuses for employees.

6) 10% deviation of Climate survey: Climate Team Charters have been developed barring the Workplace Challenge Programme. Project commitments and the inability to remotely connect to regional team members prevented the Workplace Challenge Programme from having their Team Development Intervention.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

1) Career path maps: New dates will be scheduled for Career Path discussions between Executives of Programmes and the HR Executive.
2) Individual Development Plans: The Human Resources Department has prepared individual letters to employees based on submission/non-submission of Individual Development Plans. These letters were signed by the CEO and employees were requested to sign them and return to the Human Resources Department. Financial assistance is offered to employees that want to embark on tertiary-level programmes. Employees that do not require training and development interventions therefore have the option of embarking on tertiary studies.
3) Performance Contracts: A directive will be issued from the Office of the CEO that all employees must submit Performance Contracts. This will overcome the misunderstanding by some employees regarding the performance management process.
4) Performance Reviews: A directive will be issued from the Office of the CEO that all employees must submit Performance Reviews. This will overcome the misunderstanding by some employees regarding the performance management process.
5) Reward and Recognition Scheme: This process relies on additional funding to support the payment of incentive bonuses for employees. It can therefore only be implemented once the funding is available or additional revenue is generated to support the scheme.
6) Climate survey: Climate Team Development Charters will be reported by the Executives at the monthly Executive Committee meetings.

LINKING PERFORMANCE WITH BUDGETS

	2014/15			2015/16		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Talent Management	600	317	283	485	416	68
Organisational Development (Training and Development)	1 000	909	90	1 500	977	522

- The Training and Development budget for 2015/16 was R1 500 000. During the 2015/16 period, only R977 088 was utilised due to two of the four business consulting courses being rolled over into the new financial year.

SUMMARY OF FINANCIAL INFORMATION

REVENUE COLLECTION

	2014/15			2015/16		
Sources of revenue	**Estimate**	**Actual Amount Transferred/ Collected**	**(Over)/ Under Collection**	**Estimate**	**Actual Amount Transferred/ Collected**	**(Over)/ Under Collection**
Transfers and subsidies	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Department of Labour (DoL)	43 119	43 119	-	45 531	45 531	-
Unemployment Insurance Fund (UIF)	**58 500**	**19 438**	**39 062**	**22 706**	**12 609**	**10 097**
Department of Trade and Industry (the dti)	10 040	9 170	870	8 094	8 094	-
LEDET	-	220	(220)	-	-	-
Other Income						
Sales of goods and services, interest and other income	11 906	17 965	(6 059)	36 194	30 520	5 674
Total	**123 565**	**89 912**	**33 653**	**112 525**	**96 754**	**15 771**

The bulk of revenue collection activities relate to transfers by way of grants from three main sources as noted above. The main and guaranteed source is from the DoL and amounted to R45.531 million. Transfers and grants account for 67% of total funding whilst the balance is made up by other income.

Transfers/grants have to a great extent been received on time via the SLAs and MoUs as agreed with the funders. Only 28% of the allocated funding from UIF was received in December 2015. The management and Board of UIF have been engaged extensively on this matter yet transfers continue to be received late. This does not bode well for timely reporting and transfer of funding to enable interventions and targets to be implemented on time.

The result of delayed transfers has been that turnaround of companies and indeed the saving of jobs have been impacted negatively.

PROGRAMME EXPENDITURE

Programme Name	2014/15			2015/16		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	67 979	43 661	24 318	46 194	34 223	11 971
Productivity organisational solution	9 749	8 594	1 155	9 092	8 980	112
Value chain competitiveness	16 371	19 936	(3 565)	21 092	22 710	(1 618)
Workplace challenge	10 514	11 664	(1 150)	8 903	10 105	(1 202)
Turnaround solutions	8 982	19 438	(10 456)	22 706	21 916	790
Transnet	-	747	(747)	4 538	1 325	3 213
Total	**113 595**	**104 040**	**9 555**	**112 525**	**99 259**	**13 266**

Capital investment, maintenance and asset management plan

Due to funding limitations, there are no infrastructure projects for the year under review. Capital investments made were those to maintain/replace the current infrastructure in terms of computer equipment (hardware) and software (renewal of licenses for Accpac and Microsoft). Productivity SA's business requirements are such that it urgently needs to acquire an ERP system (Enterprise Resource Planner) that is integrated and will enable it to adequately capture, record, process, store, report and analyse information as and when required by its various stakeholders who span across the whole spectrum. Productivity SA's ability to provide relevant and decision-useful information is impacted by the lack of investment in an integrated software that is compatible with modern times to be able to do business. Key of these stakeholders are Parliament, DoL and Regulatory authorities (National Treasury and Auditor General) who request various pieces of information at the speed of light.

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

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

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

There were no major maintenance projects that have been undertaken during the period under review other than normal service to the motor vehicle and general upkeep of the building through painting.

STATISTICS AND CASE STUDIES BY PROGRAMME

PROGRAMME 1: TURNAROUND SOLUTIONS

Name of project: **Rothe Plantscapers**
Region: **Gauteng**

PROJECT BACKGROUND

Rothe Plantscapers is a landscaping company, with its core business being customised ornamental gardening services. Furthermore, the business provides cutting-edge plant spacing services, and specialises in exterior landscaping and maintenance, interior installation and maintenance, and design and installation of new garden and water features. It offers environmental solutions to businesses in order to minimise industry activities impacting the environment.

Rothe Plantscapers is a member of regulatory body of landscapers, the South African Landscapers Institute (SALI), the Green Building Council of South Africa (GBCSA), Business Ethics Network Africa (BEN Africa), the Landscapers Irrigation Association (LIA) and is accredited with Agriseta.

The business is owned by two historically disadvantaged individuals, Mr Sello Malatjie and Mr Ronald Mangwane, each holding 50% shareholding.

The main customers for the business are, among others, universities such as Wits and UNISA, private estates and big corporates such as Transnet and Standard Bank.

CHALLENGES

Key challenges facing the business were issues relating to cash flow, inadequate equipment and vehicles. As per financial statements submitted and analysed, there was an imminent reduction in operating and net profitability albeit with an increase in revenue and gross profit. Marketing campaigns were unsuccessful despite the support provided by one of the regulatory bodies. Ineffective human resource systems was one of the big challenges hindering the growth and sustainability of Rothe Plantscapers. The business also faced high costs on vehicle repairs, fuel as well as maintenance.

PRODUCTIVITY SA'S APPROACH

Subsequent to an in-depth assessment conducted by an appointed Productivity SA service provider, a diagnostic report was developed which recommended intervention to address the above highlighted issues.

A business plan was developed as a tool to serve as a road map for the business and streamline the entire business operations. Most importantly, the business plan was used to solicit funding to enable the business to acquire the necessary machinery and equipment. Access to funding also improved the cash flow as well as liquidity.

Quality, Cost, Delivery, Speed and Morale (QCDSM) training as well as fleet management systems and policy were put in place to ensure effective monitoring of vehicles, as well as proper management and measurement of business performance.

To address gaps relating to human resource systems and payroll, Pastel Partner Payroll was installed and relevant personnel were trained on it. Manual attendance registers were eliminated and electronic clock-in systems were installed.

The team responsible for marketing was capacitated on marketing management and a marketing strategy was developed to address the challenge relating to marketing.

RESULTS AND IMPACT

As a result of interventions implemented as highlighted above, the business managed to secure a capital injection of R2.6 million. The business managed to increase its number of vehicles from two (2) to the fleet of twenty-four (24) reliable operating vehicles. The business plan further assisted to source a lucrative contract with Sasol enabling sound and sustainable growth, which led to the purchasing of land and the development of the business's own premises.

The fleet management system and policies were successfully developed and implemented, and assisted the business to have proper control, tracking and general regulations on the utilisation of its fleet. This resulted in reduced costs on vehicle expenses, efficient fuel control systems, and controlled and appropriately recorded vehicle maintenance.

The digital biometric system assisted Rothe Plantscapers with accurate capturing and recording of employee time and attendance. This helped avert challenges experienced with manual systems, which included disputes over wages as errors occurred when manual spreadsheets were used.

Over and above the one hundred and ninety (190) jobs sustained, the business managed to create twenty (20) more jobs, which is an improvement of 10.5%.

Rothe Plantscapers' turnover increased by 64.6% from R14.6 million to R24.0 million and the net profit made a significant improvement from 6.7% to 71.4%.

PROGRAMME 2: PRODUCTIVITY ORGANISATIONAL SOLUTIONS

PARTNERSHIPS

Productivity SA has formed strategic partnerships with the Department of Education Gauteng MEC office, Gauteng West District, Gauteng East District, Gauteng South District, Johannesburg Central Office District, Tshwane North and the Black Management Forum (BMF) in order to deliver on its strategic objectives/mandate of inspiring and capacitating a productive workforce that is competitive. Productivity SA has to improve productivity by diagnosing, advising, implementing, monitoring and evaluating solutions aimed at improving South Africa's sustainable growth, development and employment through increased competitiveness. It is in light of this mandate and mission that the entity is training and capacitating educators and learners in the schools on productivity concepts and excellence model in order to help them improve their performance.

SEDA MEMORANDUM OF UNDERSTANDING

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

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

SEDA also entered into partnership with Productivity SA through the Learning Academy to further train practitioners on the Business Performance Improvement Workshop, which is an action learning solution for small enterprises and cooperatives that aims to improve profitability, growth and employment creation within these sectors by measuring and improving productivity indicators that impact the business.

ACCREDITATION SYSTEM IN PLACE

The South African Qualifications Authority (SAQA) regulates the quality of education and training in South Africa. With this in mind, Productivity SA pursued accreditation with the Public Service Sector SETA (PSETA), which is one of its registered SETAs, to deliver unit standard-based courses to all client companies. This process, if compliant, will give Productivity SA full accreditation status. To achieve this objective, Productivity SA had to align all of its productivity learning programmes to unit standards that exist in a relevant Education Training Quality Authority (ETQA). PSETA has been identified as the ETQA under which productivity unit standards are registered and a Memorandum of Understanding (MoU) has been signed with it to secure a relationship.

- The objective of accreditation is to ensure compliance in accordance with the SAQA requirements and regulations of training.
- Registration with PSETA as a levy-paying public organisation.
- Productivity SA has to date achieved programme approval on the following unit standard: 114878 (Identify and Measure Factors that Influence Productivity, Level 4, 10 credits).

- National Certificate for Public Administration unit standard 50060, Level 5, 141 credits.
- Registration with PSETA for the above unit standard as an elective for the following:

SAQA ID	Unit Standard	Level	Credits
National Certificate: Public Administration	50060	5	141
National Diploma: Public Administration	57897	6	240
Identify and Measure Factors that Influence Productivity	114878	4	10
Develop Support and Promote RPL Practices	116587	7	10

NB: The above has positioned Productivity SA to receive programme approval on the mentioned qualifications. It is the intention of Productivity SA to become the leading training provider in support of the priority mandate of the Department of Higher Education. This mandate is to professionalise the public sector and ensure that every public servant will have credits and an understanding of basic productivity concepts as a good foundation.

Productivity SA has also applied for programme approval from the Education Training and Development Practitioners SETA for the unit standard US/ID 117871 in order to train and capacitate training practitioners and consultants on facilitation. This will further ensure that Productivity SA will be able to assist the SETA with the recognition of prior learning of its beneficiaries when appropriate. This unit standard is aimed at improving career pathing and competence as facilitators, and giving an opportunity to include productivity unit standards in all professional sectors.

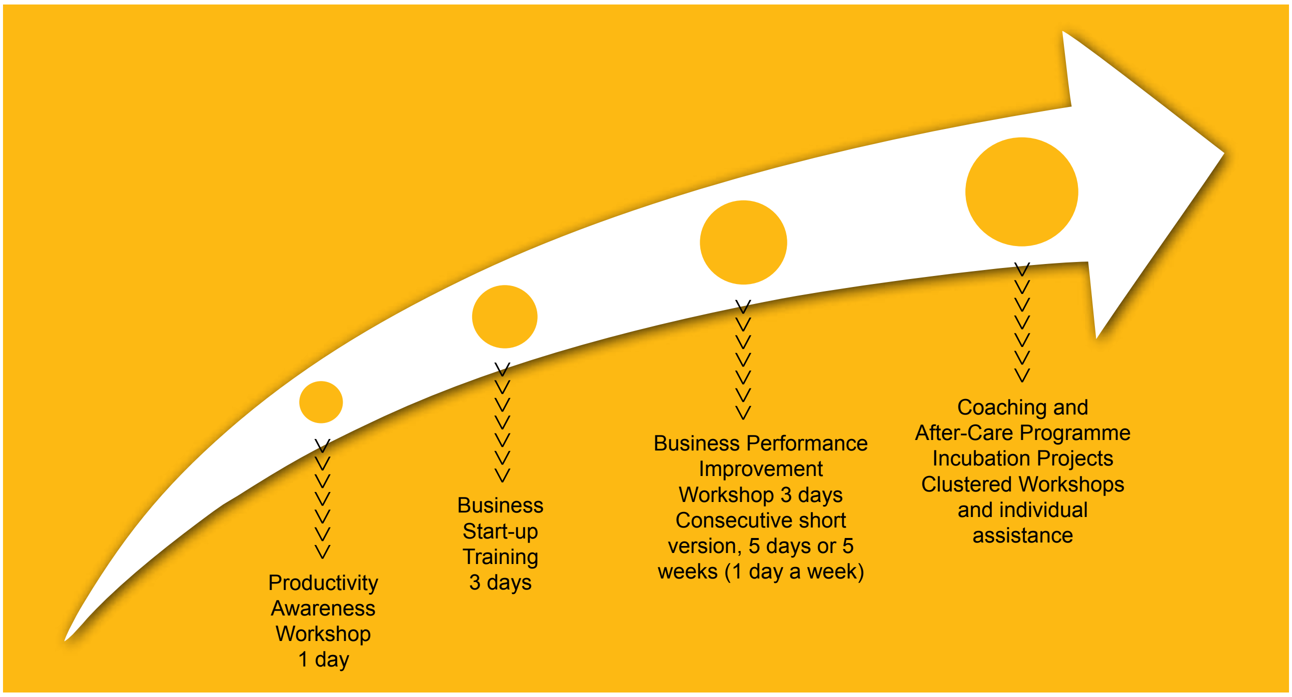
SMALL, MEDIUM AND MICRO ENTERPRISES (SMME)

The Small, Medium and Micro Enterprise (SMME) development programme leads the development, customisation and distribution of productivity competencies and mindsets among SMMEs and cooperatives to provide productivity improvement solutions to public-benefit and private organisations. The intention of the programme is to contribute to decent employment through inclusive economic growth and competitiveness.

The SMME strategic objective, performance indicator, planned and actual achievements and delivery model have been depicted as:

STRATEGIC OBJECTIVE: To capacitate ETD service providers and SMMEs in order to contribute to sustainable employment and creation					
Key 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**
Number of emerging entrepreneurs trained	5 683	5 500	4 872 (89%)	(628)(-11%)	Access postponed to new financial year due to changes in strategic partners' implementation process

SMME PRODUCTIVITY CAPACITY-BUILDING MODEL

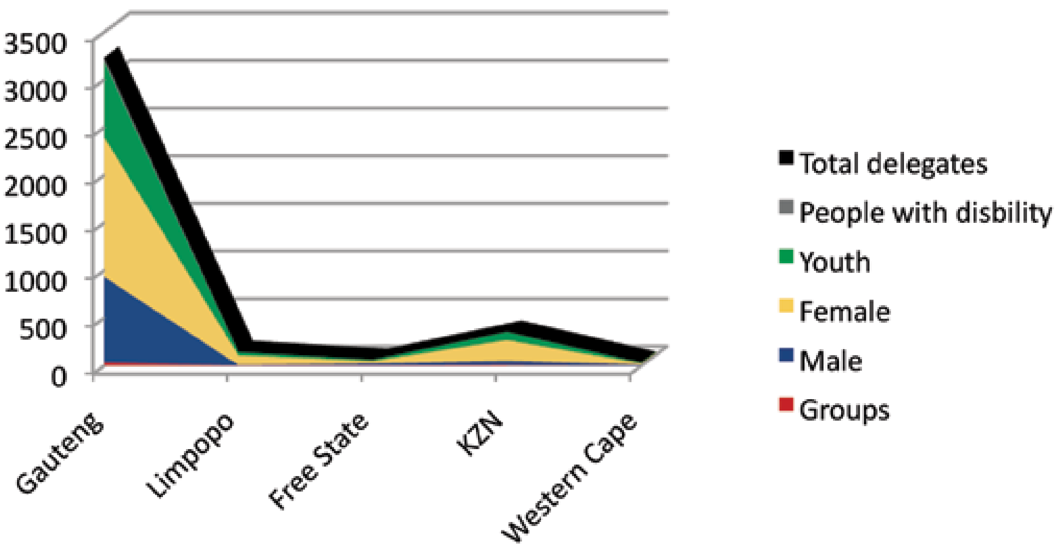


PHASE 1: PRODUCTIVITY AWARENESS WORKSHOP (PAW)

The objectives of this phase are to introduce Productivity SA's service offering, stages of intervention, productivity concepts and measurements, productivity benefits and values, needs analysis processes and partnership engagement model to its beneficiaries.

This phase assists with taking the Productivity SA brand and value proposition to partners, people, emerging enterprises and cooperatives. The ultimate outcome of a Phase 1 Intervention is to create productivity awareness and an interest in participating in further phases of productivity interventions as a vehicle towards becoming an Ambassador of Productivity.

PRODUCTIVITY AWARENESS WORKSHOPS ACROSS PROVINCES



Participants in the Productivity Awareness Workshop included Gauteng (2 365) with the following partners in ascending order of beneficiary participation: South African Congress for Non-Profit Organisations (Sacono) (757), City of Tshwane (576), Small Enterprise Development Agency (270), Gauteng Department of Social Development (150), Ekurhuleni Metropolitan Municipality (81), Emergent Africa (80), Ithemba Foundation (70), South African Black Hawkers Association (Sabhiba) (53), Regenesys Business School (48), Gauteng Department of Economic Development (35) and South African Small Business Commerce and Industry (20).

KwaZulu-Natal's beneficiary participation had a total of 260 delegates from the KZN Fashion Council (14), eThekwini Community Church (20), Department of Trade and Investment (42), iLembe District Municipality (81) and Rural Women in Business Exhibitors (103).

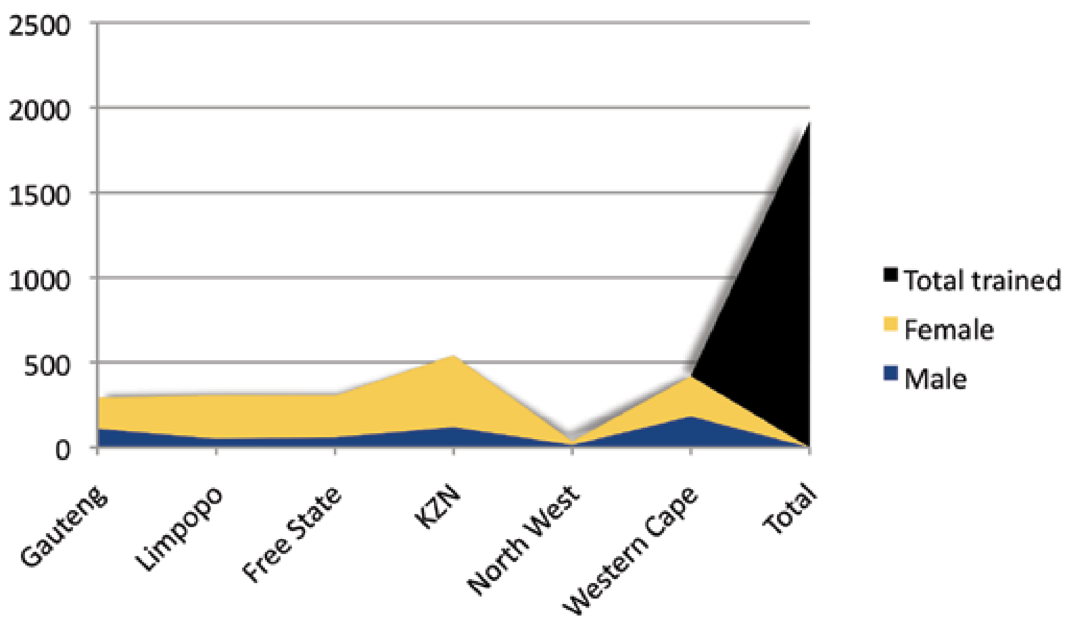
Limpopo's participation was 109 (SANACO-members) followed by the Free State (47) (University of Free State) and the Western Cape (24) (West Coast College).

PHASE 2: BUSINESS START-UP WORKSHOP (BSUW)

This workshop is aimed at giving emerging entrepreneurs and cooperatives a good understanding of all aspects of business planning, and help to turn their ideas into viable businesses. This could increase job creation, elevate the standard of living and improve productivity within the industry, which could ultimately contribute to the provincial and national economy. The objective of this workshop is to cultivate productive behaviour and distribute productivity competencies among South Africans by enabling them to achieve the following learning outcomes:

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

BUSINESS START-UP WORKSHOPS ACROSS PROVINCES



KwaZulu-Natal (542) contributed through the partnership between Productivity SA and the South African National Apex Cooperative (SANACO).

The Western Cape was second with a total of 420 delegates coming from WesBank (338), SANACO (47), Rural Development and Land Reform (15), Bettys Bay municipality (10) and Casidra (10).

Limpopo (306) was third, followed by the Free State (305) both due to SANACO membership**.** Gauteng (295) was fifth with contributions from SANACO (263), Gauteng Department of Economic Development (18) and Soweto Business Access (14). The Northern Cape trained 13 delegates and will receive a greater level of focus for partnerships during the next financial year to ensure that the number of beneficiaries receiving training increases dramatically

A case study has been included to show impact:

Productivity SA and the South African National Apex Cooperative (SANACO) signed a one-year (2015/16) cost-sharing Memorandum of Understanding to promote a culture of productivity within 1 200 of their listed cooperatives, develop relevant productivity competencies, facilitate and evaluate feasibility studies and business plans by selected and trained members of SANACO cooperatives, and to support initiatives aimed at cooperative members' employment and poverty alleviation.

SANACO pays particular attention to cooperative development and mobilisation for government support and new ways of reaching out to marginalised sectors of the community, such as women, the youth/learners and rural communities as well as cooperatives and entrepreneurs with disabilities. Productivity SA signed with SANACO in order to assist the government with its job creation objective by focusing on South African cooperative development.

The case study below illustrates the provincial footprint where Business Start-Up Workshops (BSUW) training was conducted to provide feedback on the number of cooperatives trained.

TARGET POPULATION AND ENTRY REQUIREMENTS

The workshop was aimed at 1 200 SANACO cooperative members who met the following minimum entry requirements:

- A business start-up and/or existing business
- Owners must have attended the Start-up Programme before they can send their employees
- Delegates require basic mathematics for measurements (primary school mathematics)
- Commitment to attend and complete the three modules
- Submission of completed business plans

IMPLEMENTATION STRATEGY

The time allocated to each module includes the presentation of content by the workshop leader, discussion of content, group exercises and the discussion of action plans.

The implementation will follow this sequence:

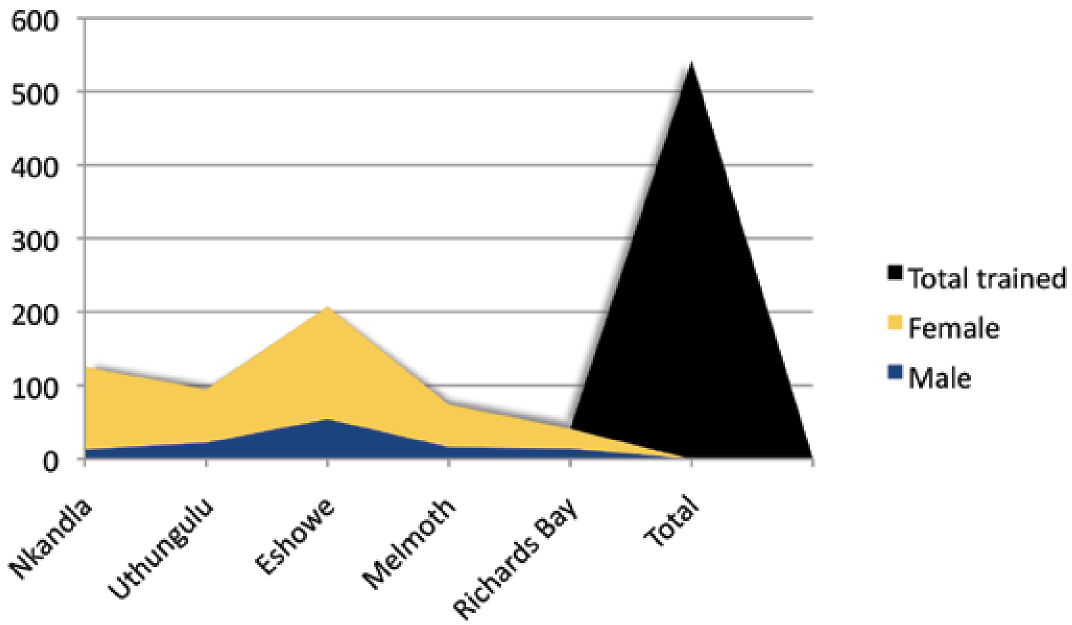
- Productivity SA and SANACO planned awareness/marketing campaigns and schedule training workshops. The regional representatives of the partner followed up on the campaigns to ensure that planned workshops were fully attended, catered for and venues provided.

- The partner was responsible for the selection of delegates.
- Predetermined dates were set for each area, so that training occurs regularly. This ensured that the cooperatives or emerging entrepreneurs had a timetable of the workshops that they could attend, to allow for planning.
- Productivity SA facilitators conducted workshops in all major regions as agreed.
- The three modules ran over two consecutive days, and on the third day delegates presented their action plans for advice and assistance.
- Each module exercise built up to an action plan to be implemented by the delegate in their business.
- This action plan is presented for input and becomes a tangible output of the workshop.
- Certificates were issued to delegates who completed the action plan/business plan.

PROVINCIAL FOOTPRINT

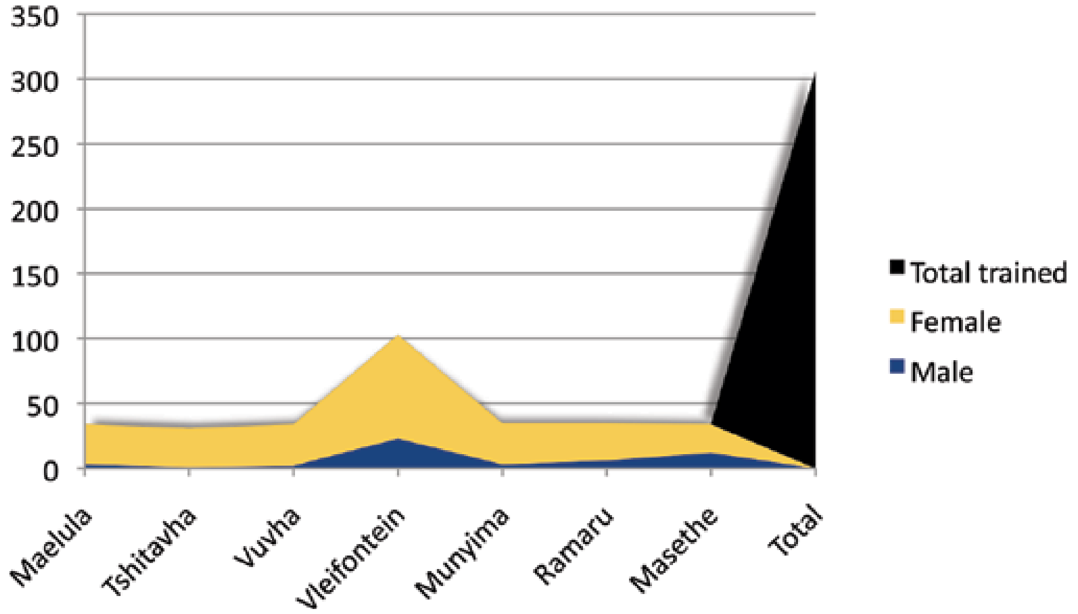
The provinces were graphically represented in the order of most delegates trained.

KWAZULU-NATAL



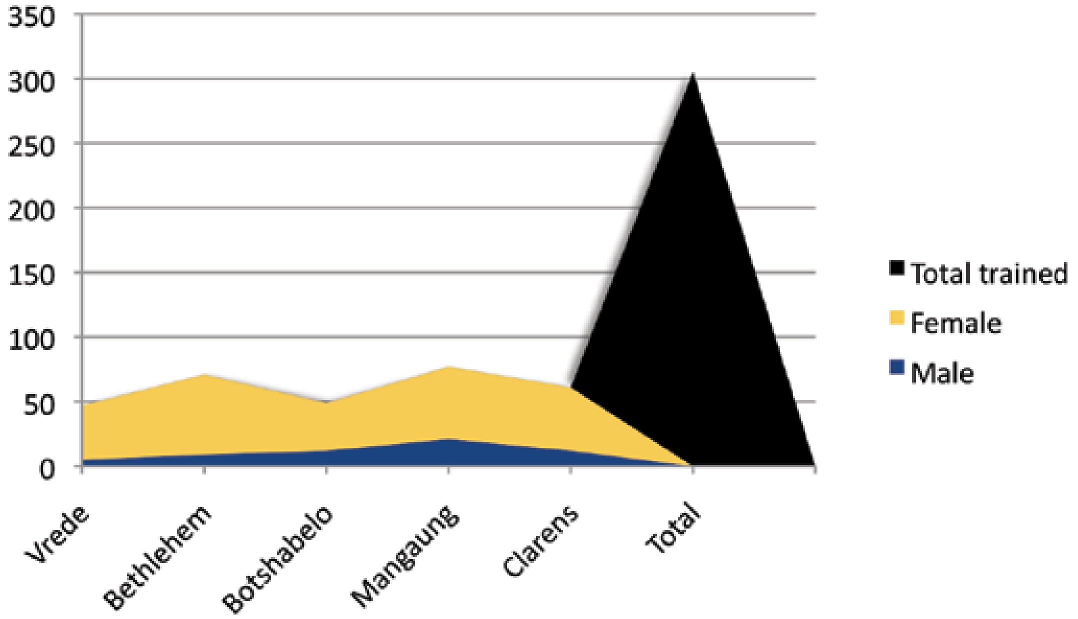
Total number trained: 542. Females: 423. Males: 119. Number of groups: 8.

LIMPOPO



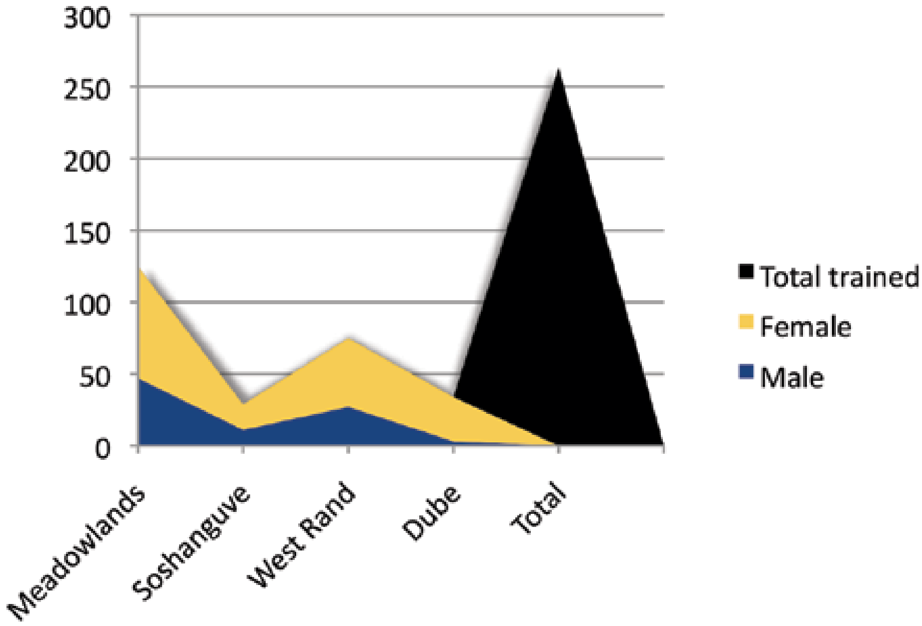
Total number trained: 306. Females: 256. Males: 50. Number of groups: 9.

FREE STATE



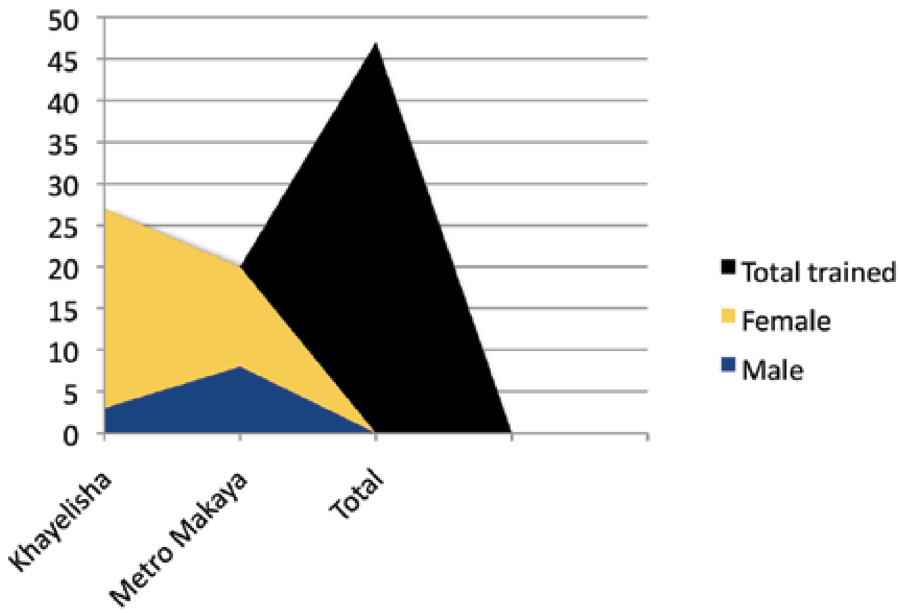
Total number trained: 305. Females: 246. Males: 59. Number of groups: 10.

GAUTENG



Total number trained: 263. Females: 175. Males: 88. Number of groups: 9.

WESTERN CAPE



Total number trained: 47. Females: 36. Males: 11. Number of groups: 2.

HIGHLIGHTS AND IMPACTS

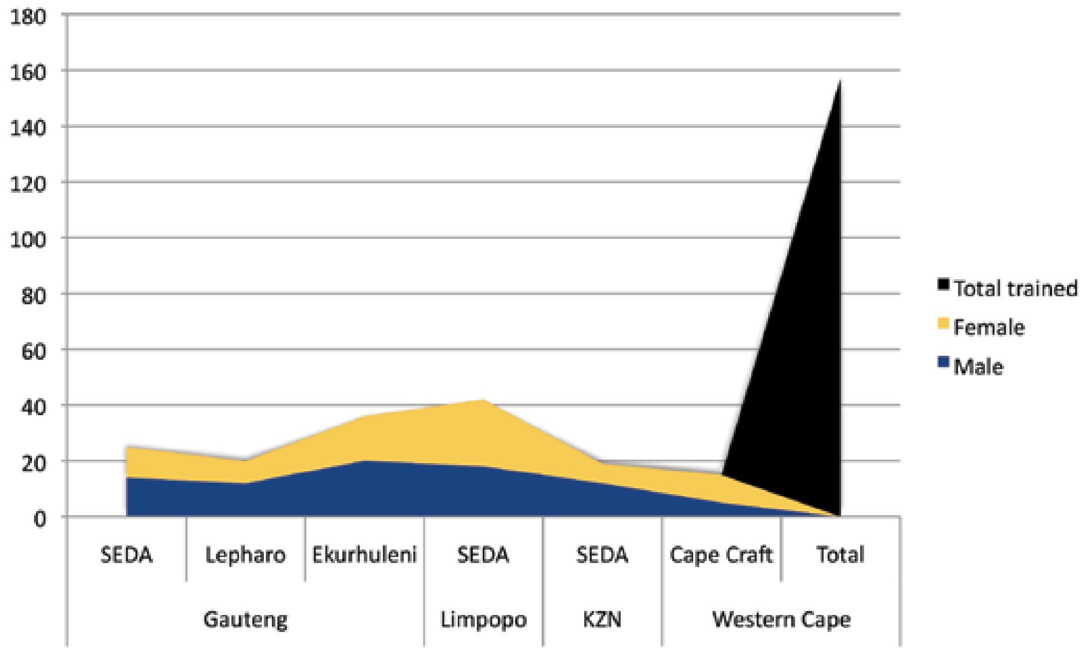
Highlights and impacts include the following:

- Beneficiary satisfaction for both course content and trainers is 97% and 99% respectively.
- 1 463 cooperative members (123% of the 2015/16 target of 1 200) were trained, of which 1 136 were women, 327 male and 726 youth. Fourteen were people with disabilities.
- Training took place in five provinces: KwaZulu-Natal (542), Limpopo (306), the Free State (305), Gauteng (263) and the Western Cape (47).
- The province with the highest total number of groups trained is the Free State (10), followed by Limpopo (9) and KwaZulu-Natal (8)
- Feasibility studies were simulated, presented and evaluated so that delegates complete their cooperative business plans.
- Delegates were enthusiastic and grateful for being given the opportunity to be empowered with hands-on and useful tips on business improvements and increasing profitability.
- The trainers' experience and skills assisted to translate productivity and business concepts in their home languages.
- Demonstration of applying productivity values in their everyday lives.

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

The Business Performance Improvement Workshop is an action learning solution developed to assist Small, Medium and Micro Enterprises (SMMEs) and cooperatives to implement systems and procedures that will assist them to improve performance and productivity in their businesses in order to increase profitability and employment growth.

BPIW ACROSS PROVINCES



productivity sa
Inspiring a Competitive South Africa

Productivity SA trained 157 delegates representing 64 business advisors from SEDA and 93 SMMEs, 20 from Lepharo metal-based incubator, 22 from SEDA Capricorn branch, 36 from Ekurhuleni Metropolitan Municipality and 15 from Cape Craft Design Initiative.

The delegates covered productivity concepts, waste elimination, sales, reducing operational costs through speed and quality improvement, maximising profits, and the development of an Early Warning System as a proactive management system that deals with business challenges.

ORGANISATIONAL ASSESSMENT – THE ASSESSMENT CENTRE OF PRODUCTIVITY SA

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

All projects undertaken by Productivity SA are baselined and measured by an assessment process that has been customised to show the impact of the productivity journey undertaken by Productivity SA.

PROGRAMME 3: VALUE CHAIN COMPETITIVENESS

WORKPLACE CHALLENGE

TSHEDZA CONCRETE ART

Introduction

Tshedza Concrete Art is a 100% black-owned company that started operations in 2011 in the Makhado Municipality area. The company manufactures unique quality paving and building bricks for various clients and customers.

Tshedza Concrete Art's patented products makes them an exclusive manufacturer in the Limpopo province.

Tshedza Concrete Art is headed by Mr Mamphaga Rudzani who has been in the industry for 14 years. The company started with only four employees. All operations were performed at the owner's home in his backyard.

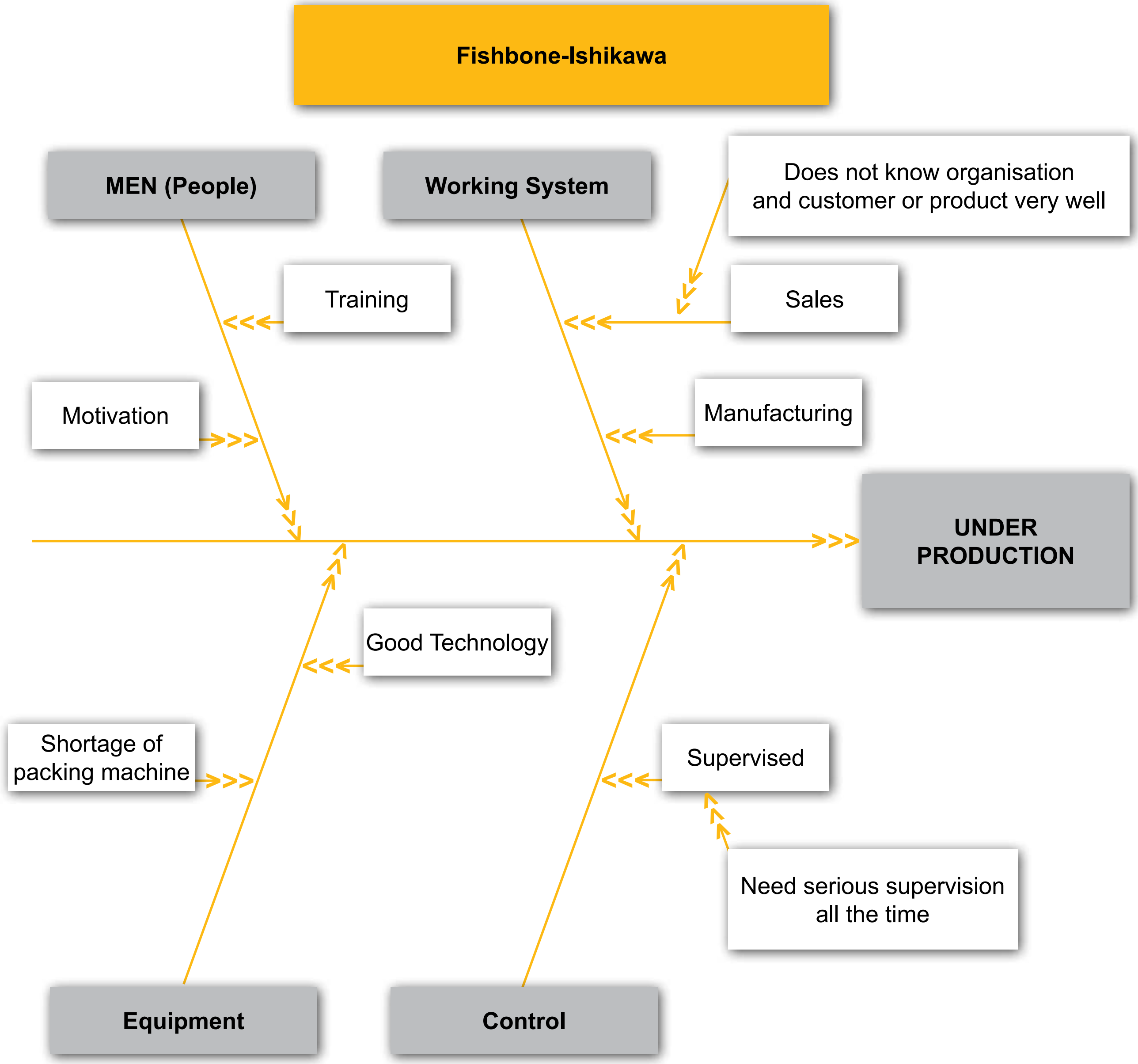
In 2012 the company moved to new premises with an office, two hectares of good working space and currently has a staff complement of 25 workers: 12 manufacturers, two installation teams consisting of five members each, a salesperson, a receptionist and a manager.

As part of a community upliftment scheme, management has adopted the recruitment practice of working closely with local leaders (head men) to recruit unemployed youths as workers for the factory.

Kaizen project

Productivity South Africa's Workplace Challenge Programme, focusing on Lean Manufacturing methodology, was initiated early in 2015. The first step in the company's productivity approach was to conduct a Kaizen Project focused on productivity improvement.

Using the Fishbone Diagram to analyse the reasons for under-production, Tshedza Concrete Art identified various production problems. In the long term, the Workplace Challenge Programme was intended to entrench a continuous improvement culture within the company.



Goal alignment

The next step was to establish Mini Business Units and to implement the Goal Alignment Toolkit of the Workplace Challenge Programme. The outcome of this was the streamlining and alignment of Tshedza's strategic objectives with operations.

To measure company performance, workers and management committee meetings take place once a month. During these management meetings Kaizen problem-solving techniques are used to solve problems and corrective actions are taken to improve productivity levels.

Cleaning and organising

Through the initial Kaizen Project, the company has identified the need to organise the working environment through demarcations, instilling discipline to maintain standards of cleanliness, and clear signage. It is creating a work environment that enhances both health and employee morale, adherence to safety standards as dictated by the industry, and work practices that follow ergonomics principles towards reducing work fatigue, by implementing the Workplace Challenge Programme's Cleaning & Organising Toolkit.

Results

Over the period 2013 to 2014, Tshedza Concrete Art's performance improved across all fronts as a result of its productivity initiatives.

Delivery performance

- In 2014, production increased threefold, resulting in production output improving from 85% to 95%.
- On-time delivery performance increased from 90% to 98%, due to new machinery to the value of R700 000 that was bought with the assistance of SEDA.

Quality innovations

- All products were SABS approved and ISO 900l certified.
- A quality rep was appointed to conduct quality checks on Tshedza Concrete Art's products before delivery to the customer.
- Tshedza has also implemented a process of surveying customer satisfaction, to identify any customer complaints with regards to quality.

Quality performance

- In 2014, the reject rate decreased from 12% to 5%, and in 2015 it came down further to 2%.
- During 2014, the rework rate decreased from 15% to 6%, and in 2015 it was reduced even further to 3%.

Morale performance

- Absenteeism decreased from 6% to 2%. In 2015 it was almost non-existent at 0.001%.
- Staff turnover was only 2% in 2014, and in 2015 it came down to 0%!

Financial performance

- Sales grew by 5% in 2014 and by 30% in 2015.
- The profit/revenue ratio (the total profit divided by the total revenue of the company) increased in 2013 by 10% and in 2014 by 15%. In 2015 it increased by 30%.
- The company's financial growth has enabled it to plough back into the community – it has a budget of R50 000 per year to help matriculants with university registration fees. Ten pupils were sponsored in the 2014 financial year. In 2015, the company sponsored maths and chess leagues at schools in Makhado Municipality worth R100 000 and the Kutama Sinthumule Soccer Challenge worth R70 000.

Tshedza Concrete Art produces a unique product that exceeds customer requirements. Not only is it the only manufacturer in the Makhado district, it is also the preferred supplier in the whole Limpopo province.

In September 2015, Tshedza Concrete Art won the Limpopo Regional Gold Productivity Award, and in October 2015 a well-deserved National Gold Productivity Award in the Emerging Sector Awards category!

PROGRAMME 4: MARKETING AND COMMUNICATIONS

Marketing and Communications unit initiatives promote a culture of productivity in workplaces. The culture of productivity can be promoted once the knowledge on productivity and competitiveness is heightened in employees and employers.

Media articles, workshops, seminars, exhibitions, newsletters and publications are mediums utilised to share knowledge and inform South Africans on issues pertaining to productivity and competitiveness. Productivity Awards showcase success stories, share lessons and inspire a productivity mindset in businesses and the public sector environment.

Productivity Awards are held in seven provinces including Limpopo, North West, Mpumalanga, Eastern Cape, Western Cape, KwaZulu-Natal and Gauteng. Awards criteria are set out with an objective to assess the level of productivity improvement within an organisation, benefits derived as well as its impact on the people, environment and employment.

Categories for the awards are as follows:

- Public Sector
- Corporate Sector
- Cooperatives Sector
- Emerging Sector

Regional awards culminate in the National Productivity Awards whereby winners in the various categories for the 2015 year are inaugurated. The National Productivity Awards take place in October which has been declared Productivity Month. During Productivity Month an array of events are scheduled to create awareness on the productivity concepts and its discourse.

The 2015 National Productivity Award winners were as follows:

Cooperatives Sector	Bakutudi Cooperative
Emerging Sector	Tshedza Concrete Art
Public Sector	Transnet Port Terminals (Port Elizabeth)
Corporate Sector	K-Way Manufacturer (Pty) Ltd
	H & M Rollers
	Gibb Africa

PART C
GOVERNANCE

INTRODUCTION

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

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

PORTFOLIO COMMITTEES

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

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

EXECUTIVE AUTHORITY

Productivity SA submitted regular reports including the Annual Performance Plan (APP) 2015/16 and Strategic Business Plan 2015/19 and approved by the Minister.

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

THE ACCOUNTING AUTHORITY/BOARD

The Board members serve as the Accounting Authority of Productivity SA. The duties of the Board are captured in the Productivity SA Constitution and outlined in the requirements of the Public Finance Management Act (PFMA) No. 1 of 1999 (as amended by Act 29 of 1999). The Board as the Accounting Authority of organisation meets at least four (4) times a year.

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

The Board sets the vision and mission of the Productivity SA and is responsible for the overall strategic direction, performance and control of the entity in executing its mandate.

The Board is responsible to:

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

BOARD CONSTITUTION

Name	Designation (in terms of the Public Entity Board Structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (list the entities)	Other Committees or Task Teams (e.g: Audit Committee/Ministerial Task Team)	Number of Meetings Attended
Mthunzi Mdwaba	Non-Executive Chairperson	2 Feb 2015	Current	Bachelor of Arts and Bachelor of Law	Business	Productivity SA	Board	10
Nico Vermeulen	Non-Executive	9 Dec 2014	Current	Bachelor of Commerce (Honours)	Business	Productivity SA	Board/ Audit and Risk Committee	11
Monga Phaladi	Non-Executive	9 Dec 2014	Current	Diploma in Business Management	Business	Productivity SA	Board/ HR and R Committee	12
Esther Tloane	Non-Executive	9 Dec 2014	Current	Bachelor of Arts Social work, Bachelor of Arts Psychology	Government	Productivity SA	Board/ HR and R Committee	12
Jocelyn Vass	Non-Executive	9 Dec 2014	Current	M A (ECON) Labour Studies	Government	Productivity SA	Board/ Audit and Risk Committee	6
Leela Reddy	Non-Executive	9 Dec 2014	Current	Matric	Labour	Productivity SA	Board/ Audit and Risk Committee	13
Noel Mbongwe	Non-Executive	9 Dec 2014	Current	Matric	Labour	Productivity SA	Board/ HR and R Committee	11

COMPOSITION OF THE BOARD

Committees

Committee	Number of Meetings held	Number of Members	Name of Members
Audit and Risk Committee	4	4	Mr H. Buthelezi Mr N. Vermeulen Ms L. Reddy Ms J. Vass
Human Resources and Remuneration Committee	3	3	Mr N. Mbongwe Ms M. Phaladi Ms. E. Tloane

REMUNERATION OF BOARD MEMBERS

For members who are remunerated, the remuneration of Board members is determined as follows:

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

Those members that are not remunerated:

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

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

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

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

Remuneration rates for the Board of the Productivity SA:

Chairperson	R2 404.55 per day
Board/Alternate/Co-opted members	R1 454.20 per day

Name	Remuneration for Attendance per Meeting	Other Allowance	Other Re-imbursements	Total
Mthunzi Mdwaba	R2 404.55	None	Travel	R19 838.40
Nico Vermeulen	R1 454.20	None	Travel	R14 552.67
Monga Phaladi	R1 454.20	None	Travel	R16 913.16
Leela Reddy	R1 454.20	None	Travel	R14 179.45
Noel Mbongwe	R1 454.20	None	Travel	R16 207.95
Humphrey Buthelezi	R2 404.55	None	Travel	R14 570.64

RISK MANAGEMENT

Due to its size and its quest for value and independence, Productivity SA outsources the Internal Audit function. The previous incumbents in this function were Baitsenape Management Consulting (Pty) Ltd (BMCSA) and the contract ended June 2015. KPMG Services (Pty) Ltd (KPMG) were appointed effective 1 August 2015.

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

Productivity SA continues to perform the following as required by the Public Finance Management Act, 1999 (as amended):

- Adopted a risk management policy;
- Annually conducted a risk assessment; and
- Implemented a fraud prevention policy and plan.

INTERNAL CONTROL

Internal control is evaluated in a combined effort by management, internal audit and external audit.

The findings on internal controls by internal audit and external audit are reported to the Audit and Risk Committee and actions to clear them are monitored.

BMCSA performed the following internal audit work as approved by the Audit Committee:

- Reviewed the controls in the IT Governance;
- BMCSA's audit findings continue to be monitored by the audit committee.For the year under review, KPMG carried out the annual internal audit plan as approved by the audit committee which included the following internal audit work:
  - Reviewed the quarterly Performance information of quarter 1, 2 and 3 (Pre-determined objectives);
  - Financial Review;
  - Reviewed the Turnaround Solutions programme; and
  - Reviewed Human Resources management.

KPMG's findings have been reported to the Audit and Risk Committee and communicated to management, who have adequately addressed them.

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

AUDIT COMMITTEE AND INTERNAL AUDIT

During the 2015/16 financial year, the Internal Audit service providers, Baitsenape Management Consulting (Pty) Ltd (BMCSA) contract ended and were replaced by KPMG. BMCSA were serving as an outsourced internal audit function at Productivity SA

KPMG, also an outsourced firm responsible for Productivity SA's internal audit function, provides an independent appraisal function that is designed to examine and evaluate the Productivity SA's internal controls. In particular, KPMG is charged with the responsibility of examining and evaluating the effectiveness of Productivity SA's operational activities, the attendant business risks and the system of internal, operational and financial controls. Any major weaknesses detected are brought to the attention of the Audit and Risk Committee, the external auditors and members of management for their consideration and remedial action. KPMG meets with external auditors on a regular basis and discusses plans and results in respect of the audits carried out during the year. The committee meets periodically with management, external auditors and internal auditors, and it also meets separately with external and internal auditors when necessary. The Audit and Risk Committee has a written charter approved by the Board of Directors. The committee does not have any operational or executive responsibilities. Its objectives are:

- Establishing a channel of communication between the Board of Directors, management, external auditors and internal auditors;
- Evaluating whether management creates and maintains an effective control environment to safeguard Productivity SA's assets, and that management demonstrates the necessary respect for the entity's internal control structure;
- Reviewing the scope and outcome of audits. This review includes an assessment of the effectiveness of the annual statutory audit and ensuring that sufficient emphasis is placed on issues which in the opinion of the committee, management or the auditors deserve special attention;
- Ensuring that the Board of Directors makes informed decisions and is aware of the implications of these decisions on accounting policies, practices and disclosure; and
- Safeguarding the Directors' liability by informing the Board of Directors about issues that impact on the business and the status of financial reporting.

The tabled below discloses 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
Mr H. Buthelezi	Honours B Compt degree CA(SA)	External	N/A	2 April 2015	Service Term ended March 2016	4
Mr N. Vermeulen	Bachelor of Commerce (Honours)	External	N/A	9 Dec 2014	Current	4
Ms L. Reddy	Matric	External	N/A	9 Dec 2014	Current	4
Ms J. Vass	M A (ECON) Labour Studies	External	N/A	9 Dec 2014	Current	2

COMPLIANCE WITH LAWS AND REGULATIONS

Productivity SA regularly conducts an exercise where it commissions an independent firm of attorneys to evaluate and advise it on the compliance with all relevant legislation that it would be required to abide by. The opinion of the attorneys was that Productivity SA complies with all the relevant legislation which governs it. The last such exercise was conducted for the 2013/14 financial year and the next one is due in the 2016/17 financial year.

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

In July 2014, Productivity SA invited an independent rating agency to perform a BBBEE on it. A Level 5 rating was achieved. Not satisfied with the initial rating, Productivity SA engaged in corrective action to improve the rating and before year ended 31 March 2015 a rating of a Level 3 was achieved. As at 31 March 2016, Productivity SA was rated a Level 3 Contributor.

The improvement in rating was largely as a result of setting up and having a proper database so as to comply with the Preferential Procurement Policy Framework Act (PPPFA).

FRAUD AND CORRUPTION

Management has developed a multi-pronged plan towards addressing fraud and corruption. Firstly, the possible risks that could prevent the entity from achieving its objectives were identified along with what could go wrong. From this exercise a fraud and risk checklist was developed to ensure that all bases are covered. Awareness was created via presentations to staff on a quarterly basis. Staff members are aware of the processes and procedures to be followed should they suspect or have evidence that fraud and corruption is taking place. A fraud hotline was sought from DoL as Productivity SA is a small entity to warrant having its own dedicated hotline.

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

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

MINIMISING CONFLICT OF INTEREST

Productivity SA management views conflict of interest in supply management in a serious light. To this end, the standard contract that Productivity SA would sign with service providers contains a water-tight clause on conflict of interest and provides for possible prosecution should it be found that an employee or a service provider violated the provisions of this clause. Further, Productivity SA strives to comply with PFMA on the sourcing of goods and services which prescribes the three levels ie quotations, a signed contract and open tender should certain limits be reached.

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

CODE OF CONDUCT

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

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

The OHS process entails the following:

1) Inspections by means of audits for any physical hazards, hygiene stress factors, environmental concerns and general liability risk issues.
2) Informing all staff of their rights and responsibilities in terms of the OHS and Compensation for Occupational Injuries and Diseases Acts.
3) Establish an OHS Committee.
4) Appoint and coach Health and Safety Representatives.
5) Establish an effective evacuation instruction.

The basis of OHS in Productivity SA revolves around five (5) main areas namely: the premises, regulation of the facilities, stacking and storage, fire protection and electrical machinery. These are the main areas whereby audits are conducted for the facilities. On top of that Productivity SA is then audited on the administrative function whereby compliance is measured on reporting and appointment of representatives.

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

Based on legal compliance audits thus far, the summary report findings have improved from 64% in November 2012 to 99% compliance in March 2016. Productivity SA is very pleased and proud at being fully compliant as the minimum threshold of 90% compliance rating was achieved and surpassed.

AUDIT AND RISK COMMITTEE REPORT

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

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 77 of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit and Risk 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.

THE EFFECTIVENESS OF INTERNAL CONTROL

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted revealed certain weaknesses, which were then raised with management, who gave an undertaking to address these.

During 2015/16, the Internal Audit service providers. Baitsenape Management Consulting (Pty) Ltd (BMCSA) retired and were replaced by KPMG.

FOR THE YEAR UNDER REVIEW, KPMG CARRIED OUT THE FOLLOWING WORK:

- Reviewed the quarterly Performance information (Pre-determined objectives).
- Reviewed the Internal controls and processes around revenue, payments, fixed assets, investments, cash and accounting records.
- Their findings have been reported to the Audit & Risk Committee and communicated to management, who have adequately addressed them.

Despite the weaknesses noted by both internal and independent auditors, the Committee was given a combined assurance that the control environment remains sound and reliable for the production of the annual financial statements.

IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORTS

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

EVALUATION OF FINANCIAL STATEMENTS

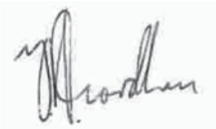
We have reviewed the audited annual financial statements and we are comfortable that it conforms to the applicable and appropriate accounting standards.

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

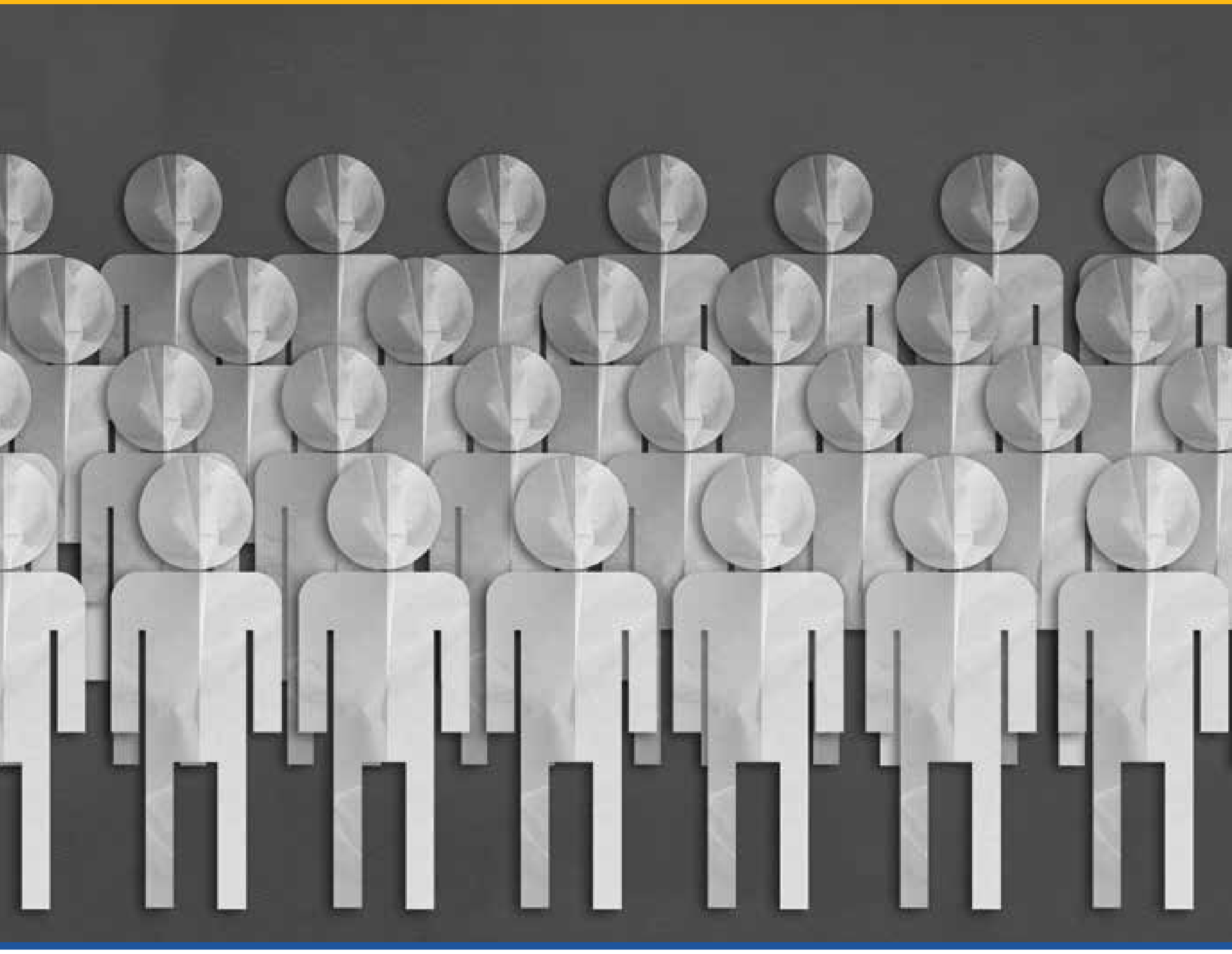
INDEPENDENT AUDITORS

We have reviewed the implementation plan for audit issues raised in the prior year and satisfied that the matters have been adequately resolved.

The Audit and Risk Committee concurs and accepts the conclusions of the independent auditor 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. The Independent Auditor's opinion is unqualified for the year under review.



Mr Yaswant Gordhan
Chairperson of the Audit and Risk Committee
29 July 2016



PART D
HUMAN RESOURCES MANAGEMENT

INTRODUCTION

OVERVIEW OF HUMAN RESOURCES OBJECTIVES

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

The Human Resources Department has adopted a business partnership model wherein it proactively engages with various business programmes in the organisation. The objective of this model is to identify areas for Human Resources interventions, by leveraging innovative and world-class business solutions to these programmes. This process is driven through Human Resources Officers who are actively partnering with the respective programmes under the guidance and leadership of the Human Resources Executive. This partnership is conducted in a manner that is integral to the Human Resources core values which are honesty and integrity, reliability, confidentiality, respect, equity and customer service excellence.

The organisation has embarked on a vigorous Talent Management process to ensure that it has a pipeline of competent future leaders that will drive the organisation's strategy. The Talent Development process commenced in August 2014 and was completed in February 2016. A total of 18 candidates participated in the Talent Management Programme. The final stage will consist of career path discussions between the Human Resources Executive and the respective Executive/Regional Manager to map out succession plans for the candidates.

To measure and drive the climate within the organisation, a climate survey took place followed by climate awareness sessions together with regular peer discussion sessions. These sessions assisted Executives and Managers in entrenching the following climate dimensions within their respective business units:

- Employee relations
- Communication and structures
- Management styles
- Performance management
- Growth and development
- Perceived competence
- Career paths
- Remuneration
- Physical resources
- Role clarity and job fit

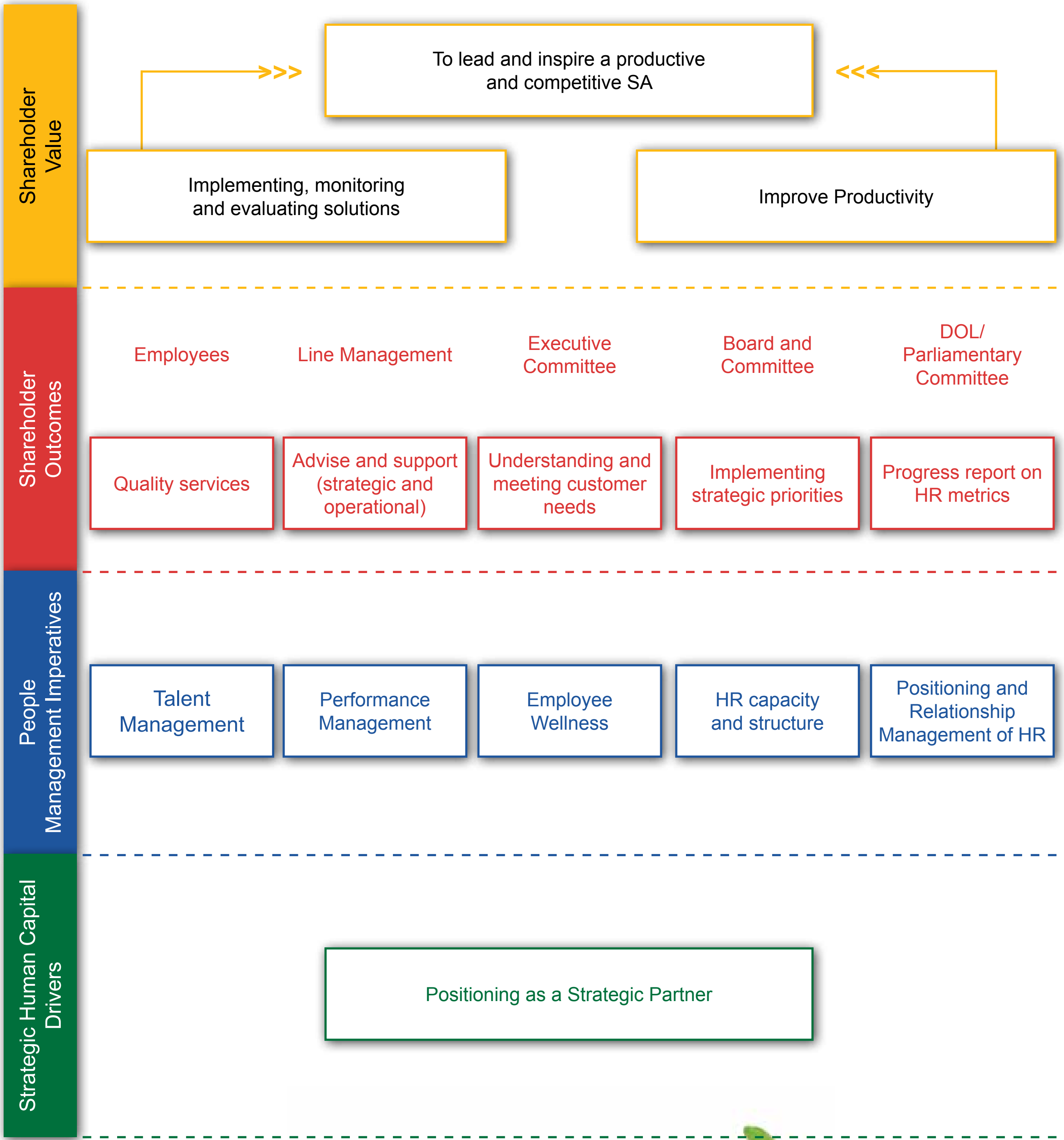
The departments have developed Team Charters with specific action plans that will address and drive organisational change. Feedback on these actions plans are discussed monthly at Executive Committee meetings.

The organisation is going through the process of redefining its business model and skills set. A skills audit process took place and business consulting training has commenced for revenue generating programmes.

In an endeavour to attract and retain top calibre employees, the Human Resources Department has developed an integrated Employee Value Proposition. As part of this process, the Human Resources Department has redesigned its online recruitment website and expanded its alternative recruitment sources. In addition, to retain skilled employees, the organisation benchmarks its salaries against the Lower Quartile Salary Scales of the Department of Public Service and Administration. The organisation provided a 7% salary increase which amounted to R3 509 058 including gap closure whereby 10 employees received an additional increase to align them to the Lower Quartile of their respective salary scales. This was provided to employees after their 7% salary increase was given.

The organisation entered into a relationship with the National Research Foundation (NRF) to provide Interns with practical experience over a 12-month period. Work experience was provided to three Interns during this period.

The Human Resources strategic map is aligned to the overall organisational strategy and is depicted as follows:



HUMAN RESOURCES PRIORITIES

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

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

HUMAN RESOURCES PLANNING FRAMEWORK AND STRATEGIES

To drive the Human Resources planning process, the organisation has developed an Employee Value Proposition which provides a set of associations and offerings by Productivity SA in return for the skills, capabilities and experience that employees bring to the organisation.

The Employee Value Proposition is an employee-centred approach that is aligned to existing, integrated human resource planning strategies. The Employee Value Proposition is a key driver of talent attraction, engagement and retention.

The following methods underpin the Employee Value Proposition process:

- Human Resources Forecasting
- Online Recruitment Portal and other alternative recruitment methods
- Talent Management and Succession Planning
- Performance Management
- Salary Benchmarking and Gap Closure
- Training and Development focussing on Business Consulting
- Employee Benefits
- Employee Wellness Programme

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

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

During this period under review, the organisation contracted its employees during March to April 2015 and has reduced its review periods from three to two periods reflected as follows:

- Review period 1: April to September 2015
- Review period 2: October 2015 to March 2016

EMPLOYEE WELLNESS PROGRAMME

The organisation makes use of I-CAS as a service provider to provide psychological counselling and support to its employees through telephonic as well as face-to-face interventions.

The uptake of the core counselling and advisory services at 22.8% was higher than the consumer services average of 12.8% in the same period. One out of every two employees used the Employee Wellness Programme for both personal and work-related issues.

HUMAN RESOURCES POLICY DEVELOPMENT

The Human Resources Department is currently in the process of reviewing the following four (4) policies:

- Appointment Policy
- Termination Policy
- Working Hours Policy
- Employee Value Proposition Policy

HUMAN RESOURCES HIGHLIGHTS

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

Highlights		Details
1.	Talent management programme	Talent Development of 18 candidates took place during this period. This consisted of various workshops as well as individual coaching thus ensuring that the strategic objectives of the organisation are met by having a pipeline of future potential leaders.
2.	Climate enhancement process	The Climate Enhancement Process has highlighted the organisational climate strengths and weaknesses within the various departments and provided the relevant tools to enhance the climate within the organisation.
3.	Recruitment turnaround time	Turnaround time refers to the period taken to fill a vacancy from the date the vacancy is approved until the date the vacancy is filled. The average turnaround time to fill vacancies was 2.5 months against a target of four months. Twelve positions were filled during this period.
4.	Cost reduction	The Human Resources Department had a budget surplus during this period while still exceeding its strategic objectives.
5.	Performance management	The Human Resources Department constantly monitors and evaluates the Performance Management system that cascades strategic priorities and goals to programmes and individual Key Performance Indicators. Reviews are done twice yearly thus entrenching a performance-driven culture. 98% of employees completed Performance Contracts for 2015/16. The average Review 1 score for this period was 3.10 with 96% of employees completing this process.

Highlights		Details
6.	Training and development	The training plan addresses three strategic areas: Talent Management, Business Recommended Training and Individual Development Plans. 81% of the training plan was implemented against the target of 80%, and 89% of employees were trained and developed. The average training satisfaction index was 98% against the target of 80%.
7.	Human Resources website	The Human Resources Department redesigned its website to include information that would attract prospective candidates such as Talent Management, Climate Enhancement, Training and Development including Tertiary Programmes to assist employees with studies, Performance Management and the Employee Wellness Programme.

HUMAN RESOURCES CHALLENGES

Challenges		Details
1.	Lack of human resources capacity and proper departmental structure	There is a gap between the Human Resources Executive (Level 2) and the next job level of Human Resources Officers (Level 5). This results in an imbalance between the operational and strategic roles. This challenge will be addressed through the appointment of a Human Resources Manager that will act as a buffer between the Executive and Human Resources Officer roles.
2.	Funding for reward and recognition programme	The Human Resources Department has developed a draft Reward and Recognition Policy, including a short term incentive scheme. The organisation has not been able to implement this process due to insufficient funding.
3.	Pensioners medical aid funding	Approximately R3 million of Human Resources' R8 million grant allocation is spent on medical aid costs of employees that have retired from the organisation. This impacts adversely on the Human Resources budget.

FUTURE HUMAN RESOURCES PLANS AND GOALS

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

- Business partnering with programmes/departments and providing an efficient and effective service
- Monitoring and evaluating the effectiveness of the Climate Team Development Plans to entrench organisational and departmental values and climate
- Discussing and implementing career path maps which form an integral part of the Talent Management and Succession planning process
- Effectively monitoring the Performance Management Process
- Attracting and retaining a skilled and competent workforce
- Implementing skills development interventions
- Providing practical exposure to Interns/Graduates
- Implementing business consulting skills training to support the business model
- Reviewing job profiles and aligning to the business model requirements

HUMAN RESOURCES OVERSIGHT STATISTICS

HUMAN RESOURCES COST BY PROGRAMME/ACTIVITY/OBJECTIVE

Permanent employees

Programme/ Activity/ Objective	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure (R'000)	Number of Employees	Average Personnel Cost per Employee (R'000)
Productivity SA, Transnet (All except WPC and TAS)	67 238	38 014	45%	71	535
Workplace Challenge	10 105	10 234	49%	19	539
Turnaround Solutions	21 916	5 401	59%	10	540
Total	**99 259**	**53 649**	**47%**	**100**	**536**

Temporary employees

Programme/ Activity/ Objective	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure (R'000)	Number of Employees	Average Personnel Cost per Employee (R'000)
Productivity SA, Transnet (All except WPC and TAS)	67 238	124	2%	1	124
Workplace Challenge	10 105	238	1%	2	119
Turnaround Solutions	21 916	771	8%	2	385
Total	**99 259**	**1 132**	**1%**	**5**	**226**

HUMAN RESOURCES COST BY SALARY BAND

The amounts reflected under personnel expenditure in the tables above and below exclude leave provisions and pensioner's medical aid.

Permanent employees

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost (R'000)	Number of Employees	Average Personnel Cost per Employee (R'000)
Top management	8 375	16%	7	1 196
Senior management	15 243	28%	19	802
Professional qualified	22 072	41%	42	523
Skilled	6 703	13%	24	279

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel cost (R'000)	Number of Employees	Average Personnel Cost per Employee (R'000)
Semi-skilled	1 256	2%	8	157
Unskilled	0	0%	0	0
Total	**53 649**	**100**	**100**	**535**

Temporary employees

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel cost (R'000)	Number of Employees	Average Personnel Cost per Employee (R'000)
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	752	66%	2	376
Skilled	215	19%	1	215
Semi-skilled	166	15%	2	83
Unskilled	0	0	0	0
Total	**1 132**	**100**	**5**	**226**

PERFORMANCE REWARDS

Programme/Activity/ Objective	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost (R'000)
Top management	0	0	0
Senior management	0	0	0
Professional qualified	0	0	0
Skilled	0	0	0
Semi-skilled	0	0	0
Unskilled	0	0	0
Total	**0**	**0**	**0**

TRAINING AND DEVELOPMENT

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

TRAINING INITIATIVES

The Skills Development Plan of the organisation is prepared based on the Business Recommended interventions, Talent Management interventions and Individual Development Plans for Productivity SA employees. These are reviewed annually by the Executive/line manager and the employee. These plans are aligned to the overall strategic objectives of the organisation and the relevant training needs of the respective departments. Productivity SA has complied with the Skills Development Act by submitting its Workplace Skills Plan and Annual Training Report to the Public Sector Education and Training Authority (P-SETA) in April 2016.

During this period 93 employees have attended 49 training interventions. This represents 89% of the overall workforce profile. 81% of 2015/16 Training Plan has been achieved against the annual target of 80%.

Considering that more than 50% of the staff complement are not office based, the Human Resources Department has embarked on an innovative approach through launching e-learning as a method of training. To launch this training methodology, the Human Resources Department decided to dedicate 24% of the 2015/16 Training Plan to e-learning.

The benefits of e-learning include:

- Delegates can work at their own pace at a convenient time
- Delegates can repeat sub-sections until they fully understand the training material
- It is more cost-effective than face-to-face training and does not require travelling to a training venue
- It reduces the amount of time spent away from the workstation

The training expenditure for 2015/16 period was R977 088. This amount was broken down into Business Recommended training at R323 872 which constituted 33% of the total expenditure, Talent Management at R416 430 which constituted 43% of the total expenditure and Individual Development Plan-related training at R236 786 which constituted 24% of the total expenditure.

The strategic intent for this period was to focus on developing a pipeline of future potential leaders that will drive the organisation's strategic objectives, therefore a large portion of the training budget was allocated to Talent Interventions.

Over this period, 68% of employees submitted Individual Development Plans. The remaining employees did not submit Individual Development Plans as they were focussing on tertiary-related studies as well as Talent Management Interventions.

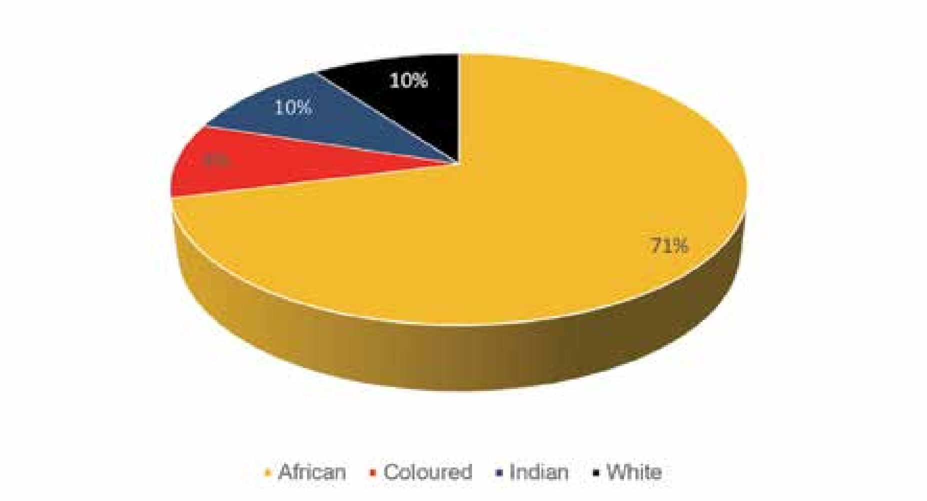
The training budget for the new financial year is R549 500 and the key focus will be on Business Recommended and Individual Development Plan interventions. The rationale for this strategic decision is to ensure that the organisation has the correct competencies and skills set to drive the organisational objectives based on the requirements of the new business model.

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

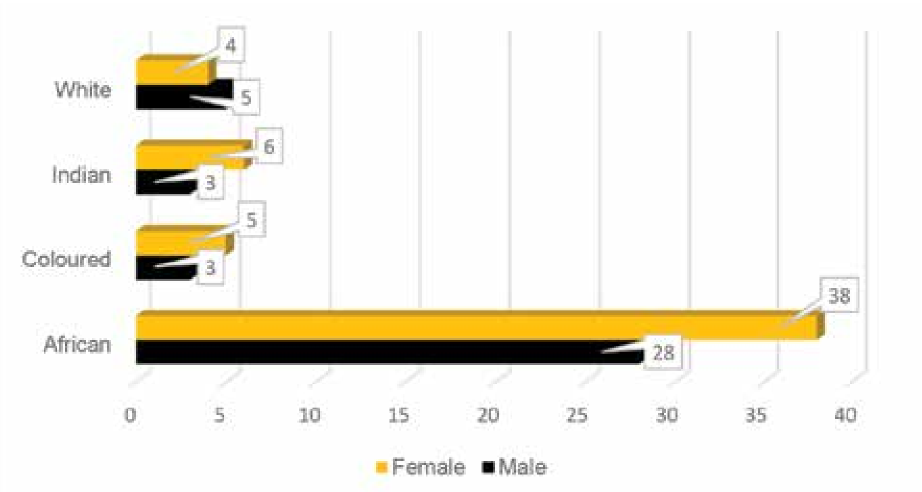
Level	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	% Race
	F	M	F	M	F	M	F	M				F	HDI
1	0	0	0	0	0	0	0	0	0	0	**0**	0	0
2	2	2	1	0	0	0	1	0	4	2	**6**	67	83
3	2	1	0	0	2	0	0	2	4	3	**7**	57	71
4	2	5	0	0	0	1	0	2	2	8	**10**	20	80
5	13	15	2	2	2	1	2	1	19	19	**38**	50	92
6	7	2	0	1	1	0	1	0	9	3	**12**	75	92
7	5	0	1	0	1	0	0	0	7	0	**7**	100	100
8	1	2	0	0	0	0	0	0	1	2	**3**	33	100
9	6	1	1	0	0	1	0	0	7	2	**9**	78	100
Grand Total	**38**	**28**	**5**	**3**	**6**	**3**	**4**	**5**	**53**	**39**	**92**	**58**	**90**

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

RACIAL BREAKDOWN



GENDER BREAKDOWN



TRAINING COSTS

Programme/ Activity/ Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	Number of Employees Trained	Average Training Cost per Employee
Productivity SA, Transnet (All except WPC and TAS)	38 014	561	1%	62	9 040
Workplace Challenge	10 234	331	3%	19	17 420
Turnaround Solutions	5 401	86	1%	11	7 783
Total	**53 649**	**978**	**2%**	**92**	**10 621**

FINANCIAL ASSISTANCE

As part the organisation's Employee Value Proposition, Productivity SA encourages its employees to develop their knowledge and skills to improve their competencies. This will ensure that employees are equipped to achieve organisational deliverables. Employees are given the opportunity to study for relevant qualifications that are aligned to the organisational strategy. After the employees have acquired the qualification, they are required to demonstrate a return on investment by entering into a service obligation agreement with the organisation.

Financial assistance during this period was given to five employees towards costs for academic studies. This amounted to R48 375.

Applications submitted were for the following qualifications:

- Master of Engineering Management
- Bachelor of Commerce: Industrial Psychology
- Bachelor of Commerce: Business Management
- National Diploma: Public Relations
- Higher Certificate: Economic and Management Sciences

ORGANISATIONAL DEVELOPMENT

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

CULTURE AND VALUES PILLAR

Purpose:

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

Deliverables:

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

Progress:

- The Climate survey took place and results were presented to the Executive Committee in April 2015 with feedback sessions detailing actions plans taking place from July to August 2015 to the rest of the organisation.

- Twelve Climate Team Development interventions were scheduled and 10 have taken place. The remaining two interventions will take place in the new financial year.
- The aim of these team interventions is to entrench organisational and departmental values and behaviours through developing and implementing Team Development Charters.
- Regular progress reporting based on Team Development Charters takes place at the monthly Executive Committee meetings.

ORGANISATIONAL STRUCTURE REDESIGN PILLAR

Purpose:

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

Deliverables:

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

Progress:

- Over this period, 100% of job profiles have been reviewed.
- Where necessary, job evaluations are being conducted to determine whether the changes in job scope would lead to job-level adjustments.
- The organisation is currently going through the process of redefining its business strategy, business model and business objectives. Once this process has been finalised, and where necessary, will the organisational structure be reviewed and redesigned to align itself to the new business model.
- Consultations regarding the new proposed organisational structure will take place with South African Parastatal and Tertiary Institutions Union (SAPTU) once the business model has been finalised and where changes are imminent to employees.

PERFORMANCE MANAGEMENT PILLAR

Purpose:

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

Deliverables:

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

Progress:

- The organisation reviews employees' performance over the following review periods:
    - o Review period 1: April to September
    - o Review period 2: October to March.
- The scorecard template was amended to include a Leadership Accountability perspective to drive the principles of accountability and responsibility throughout the organisation.
- 98% of employees have submitted Performance Contracts for this period.
- 96% of employees have submitted Review 1 for the period and Review 2 is currently being finalised.
- Performance contracting for the 2016/17 period was finalised by 31 May 2016.
- The Human Resources Department is continually monitoring the effectiveness of the Performance Management System and communicating the importance of completing performance reviews with the respective departments.

LEARNING AND GROWTH PILLAR

Purpose:

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

Deliverables:

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

Progress:

- The Human Resources Department has compiled a skills matrix for the revenue-generating departments and has assessed employees' current skills set against this matrix.
- Seven Core and four Generic business consulting skills were identified by Executives to equip the revenue-generating employees with the necessary skills and capabilities to drive the new business model. Of the seven Core business consulting skills, four Core skills sets have been identified as priorities to be implemented. Two of the four training interventions have been rolled out during this period, namely Business Interviewing and Technical Report Writing. The remaining interventions will be rolled out in the new financial year.
- Phase 1 of the Talent Management Plan has taken place. It consisted of identifying and assessing candidates with the potential to be developed into senior positions within the organisation.
- Talent Development Plans were compiled for 18 candidates. In total there were 12 Talent Development interventions and the final six interventions have taken place during this period.
- The Talent Management Programme culminated in a graduation ceremony that took place in February 2016. At this ceremony, the tangible transfer of experience into the work environment was assessed.
- Career path discussions have taken place between the Human Resources Executive and the respective executive managers to finalise career path maps for the candidates.

REWARD AND RECOGNITION PILLAR

Purpose:

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

Deliverables:

- Salary benchmarking
- Remuneration policy
- Incentive scheme

Progress:

- Salary benchmarking and gap closure took place in September 2015 based on the 2014/15 Equate salary scales of the Department of Public Service and Administration.
- The Human Resources Department has completed the salary benchmarking exercise based on the 2015/16 Equate salary scales of the Department of Public Service and Administration; however, the implementation is subject to salary negotiations with South African Parastatal and Tertiary Institutions Union.
- The draft Reward and Recognition Policy and Short term Incentive Scheme have been placed on hold pending financial sustainability.

LEADERSHIP PILLAR

Purpose:

- To have competent and skilled leaders that will drive organisational strategy.

Deliverables:

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

Progress:

- Leadership competency model and Leadership branding and communication have been completed.
- The Executive Development Programme is currently being designed and will be implemented in the new financial year.

EMPLOYMENT AND VACANCIES

Permanent employees

Programme/Activity/ Objective	2015/16 Number of Employees April 2015	2016/17 Approved Posts	2016/17 Number of Employees March 2016	2016/17 Vacancies	% of Vacancies
Productivity SA (All except WPC and TAS)	71	5	65	5	56%
Workplace Challenge	19	3	19	3	33%
Turnaround Solutions	10	1	9	1	11%
Total	**100**	**9**	**93**	**9**	**100%**

Temporary employees

Programme/Activity/ Objective	2015/16 Number of Employees April 2015	2016/17 Approved Posts	2016/17 Number of Employees March 2016	2016/17 Vacancies	% of Vacancies
Productivity SA (All except WPC and TAS)	1	0	0	0	0%
Workplace Challenge	2	1	2	1	100%
Turnaround Solutions	2	0	1	0	0%
Total	**5**	**1**	**3**	**1**	**100%**

Permanent employees

Programme/Activity/ Objective	2015/16 Number of Employees March 2015	2016/17 Approved Posts	2016/17 Number of Employees April 2016	2016/17 Vacancies	% of Vacancies
Top management	7	0	7	0	0%
Senior management	19	1	19	1	11%
Professional qualified	42	6	42	6	67%
Skilled	24	2	18	2	22%
Semi-skilled	8	0	7	0	0%
Unskilled	0	0	0	0	0%
Total	**100**	**9**	**93**	**9**	**100%**

Temporary employees

Programme/Activity/ Objective	2015/16 Number of Employees March 2015	2016/17 Approved Posts	2016/17 Number of Employees April 2016	2016/17 Vacancies	% of Vacancies
Top management	0	0	0	0	0%
Senior management	0	0	0	0	0%
Professional qualified	2	0	0	0	0%
Skilled	1	0	1	0	0%
Semi-skilled	2	1	2	1	100%
Unskilled	0	0	0	0	0%
Total	**5**	**1**	**3**	**1**	**100%**

The position of Regional Project Manager was vacant for five months. The reason for the delay was based on funding from the dti being less than the total cost for employees' salaries within the programme.

These positions were eventually filled by internal candidates after the Executive Manager: Value Chain Competitiveness put together a plan to address the additional funding to compensate for these vacancies and its subsequent salary burden.

EMPLOYMENT CHANGES

Permanent employees

Salary band	Employment at Beginning of Period April 2015	Appointments	Terminations	Employment at End of the Period March 2016
Top management	7	0	0	7
Senior management	18	1	0	19
Professional qualified	41	2	1	42
Skilled	22	1	5	18
Semi-skilled	8	0	1	7
Unskilled	0	0	0	0
Total	**96**	**4**	**7**	**93**

Temporary employees

Salary band	Employment at Beginning of Period April 2015	Appointments	Terminations	Employment at End of the Period March 2016
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	2	0	2	0
Skilled	1	0	0	1
Semi-skilled	2	0	0	2
Unskilled	0	0	0	0
Total	**5**	**0**	**2**	**3**

REASONS FOR STAFF LEAVING

During this period under review five (5) permanent employees left the organisation due to resignation, two (2) due to retirement. The labour turnover for permanent employees in the organisation represents 8% of the permanent workforce.

During this period one (1) temporary employee left the organisation due to resignation and one (1) due to end of contract. The labour turnover for temporary employees in the organisation represents 40% of the temporary workforce.

The table below reflects both permanent and temporary terminations:

Reason	Number	% of total number of staff leaving
Death	0	0%
Resignation	6	67%
Dismissal	0	0%
Retirement	2	22%
Ill health	0	0%
Expiry of contract	1	11%
Other	0	0%
Total	**9**	**100%**

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary action	Number
Verbal warning	0
Written warning	0
Final written warning	6
Dismissal	0

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

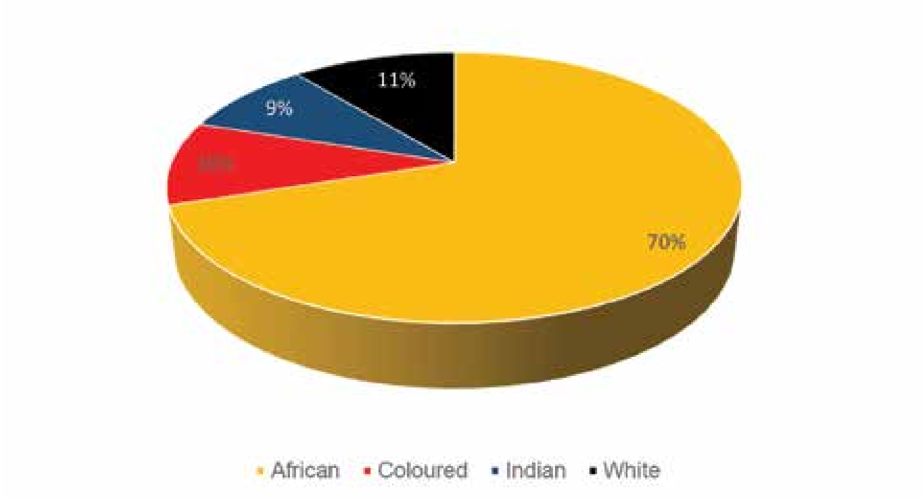
WORKFORCE PROFILE

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

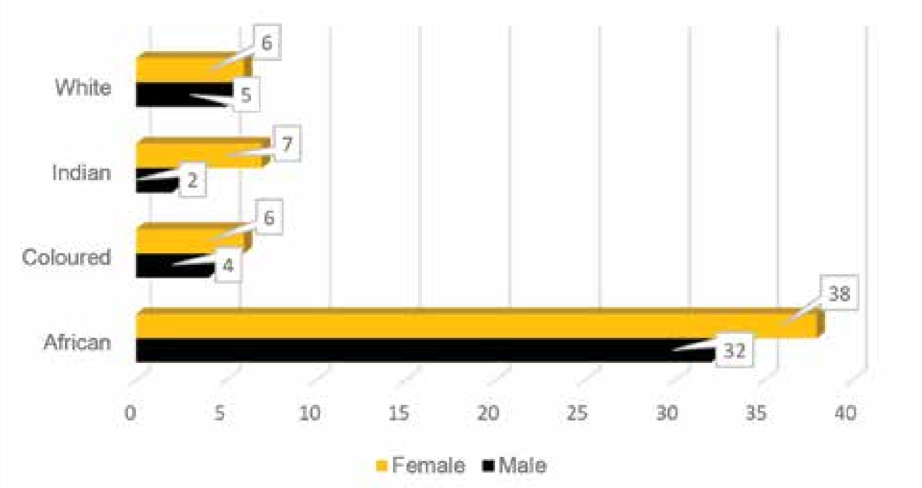
Level	African		Coloured		Indian		White		Total females	Total males	Grand total	% Gender	% Race
	F	M	F	M	F	M	F	M				F	HDI
1	0	1	0	0	0	0	0	0	0	1	**1**	0	100
2	2	2	1	0	0	0	1	0	4	2	**6**	67	83
3	2	1	0	0	2	0	0	2	4	3	**7**	57	71
4	3	6	0	0	0	1	0	2	3	9	**12**	25	83
5	15	18	2	2	2	1	2	1	21	22	**43**	49	93
6	8	2	1	1	2	0	2	0	13	3	**16**	81	88
7	4	0	1	0	1	0	1	0	7	0	**7**	100	86
8	1	2	0	1	0	0	0	0	1	3	**4**	25	100
9	3	0	1	0	0	0	0	0	4	0	**4**	100	100
Grand total	**38**	**32**	**6**	**4**	**7**	**2**	**6**	**5**	**57**	**43**	**100**	**57**	**89**

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

RACIAL BREAKDOWN



GENDER BREAKDOWN



Below is a tabular illustration of Productivity SA's temporary workforce profile, including fixed-term employees and Graduates:

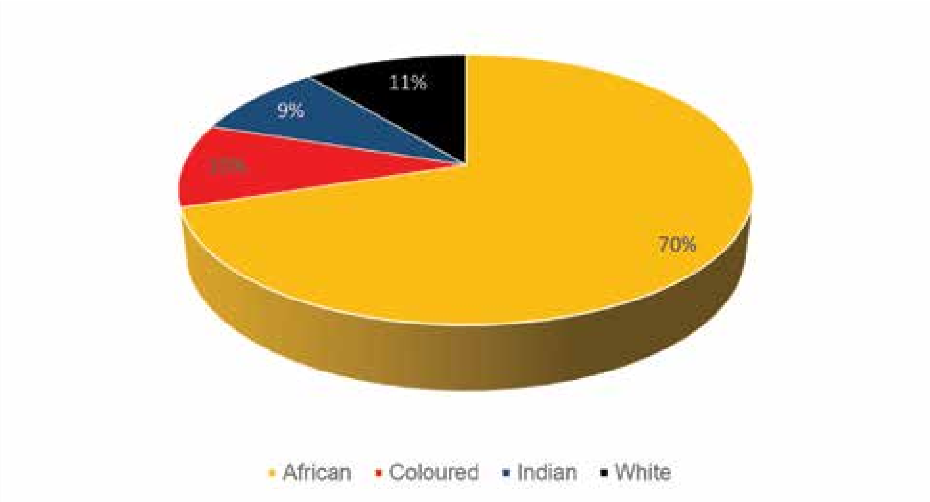
Level	African		Coloured		Indian		White		Total Females	Total Males	Grand total	% Gender	% Race
	F	M	F	M	F	M	F	M				F	HDI
1	0	0	0	0	0	0	0	0	0	0	**0**	0	0
2	0	0	0	0	0	0	0	0	0	0	**0**	0	0
3	0	0	0	0	0	0	0	0	0	0	**0**	0	0
4	0	0	0	0	0	0	0	0	0	0	**0**	0	0
5	1	1	0	0	0	0	0	0	1	1	**2**	50	100
6	0	0	0	0	0	0	0	0	0	0	**0**	0	0
7	1	0	0	0	0	0	0	0	1	0	**1**	100	100
8	0	0	0	0	0	0	0	0	0	0	**0**	0	0
9	1	1	0	0	0	0	0	0	1	1	**2**	50	100
Grand total	**3**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**3**	**2**	**5**	**60**	**100**

The above table is broken down as follows:

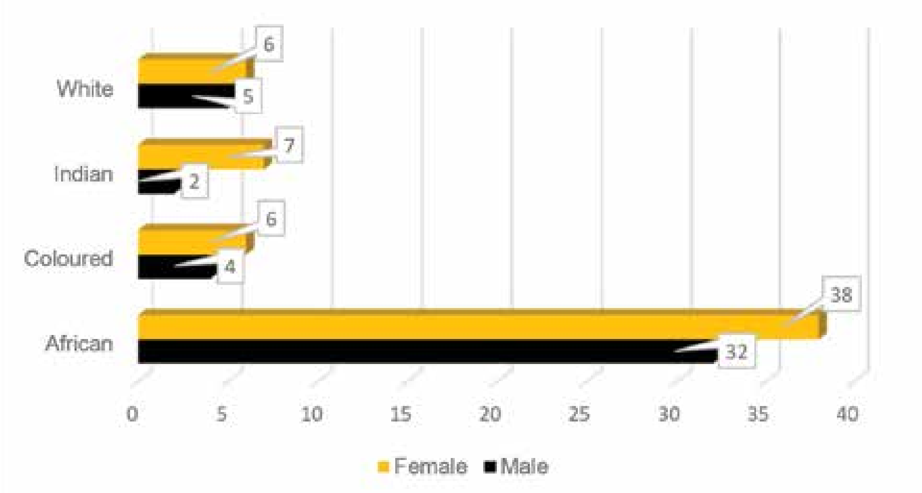
Fixed-term employees: 3
Productivity SA graduates: 2
Total: 5

Below is a graphic illustration of Productivity SA's temporary workforce profile, including fixed-term employees and Graduates:

RACIAL BREAKDOWN



GENDER BREAKDOWN



Explanations: The below targets include the current workforce profile for 2015/16 and the targets are for the 2016/17 period.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	3	0	0	0	0	0	0
Senior management	7	7	0	0	1	1	4	4
Professional qualified	18	20	2	2	1	1	1	1
Skilled	2	2	1	1	0	0	0	0
Semi-skilled	2	2	1	1	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	**32**	**34**	**4**	**4**	**2**	**2**	**5**	**5**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	2	1	1	0	0	1	1
Senior management	5	5	0	0	2	3	0	0
Professional qualified	15	16	2	2	2	2	2	3
Skilled	12	13	2	2	3	3	3	3
Semi-skilled	4	4	1	1	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	**38**	**40**	**6**	**6**	**7**	**8**	**6**	**7**

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

PART E
FINANCIAL INFORMATION

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The Accounting Authority is responsible for the preparation of the public entity's 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 designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

In my opinion, the financial statements fairly reflect the operations of the public entity for the financial year ended 31 March 2016.

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

The Productivity SA annual financial statements for the year ended 31 March 2016 have been audited by the external auditors and their report is presented on pages 106 to 110.

The annual financial statements of the public entity set out on pages 111 to 144 have been approved.

Mr Bheki Dlamini
Chief Financial Officer
Productivity SA
29 July 2016

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON PRODUCTIVITY SA

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. We have audited the financial statements of Productivity SA set out on pages 111 to 144, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, and statement of cash flows and the statement of comparison of budget with actual amounts 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 SA Standards of GRAP and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Productivity SA as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the Public Finance Management Act of South Africa.

Report on other legal and regulatory requirements

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

Predetermined objectives

8. We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2016:

   - Programme 1: Turnaround Solutions on pages 29 to 30
   - Programme 2: Productivity Organisation Solutions on pages 33 to 34
   - Programme 3: Value Chain Competitiveness on pages 37 to 40

9. We 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. We 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 (FMPPI).

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

11. The material findings in respect of the selected programmes are as follows:

Programme 1: Turnaround Solutions

12. Treasury Regulation 30.1.3(g) requires the annual performance plan to form the basis for the annual report, therefore requiring consistency of indicators between planning and reporting documents. A total of 33% of the reported indicators were not consistent with those in the approved annual performance plan. This was due to managers not ensuring that there is consistency between the planned indicators as per annual performance plan and annual performance report.

Programme 3: Value Chain Competitiveness

13. Treasury Regulation 30.1.3(g) requires the annual performance plan to form the basis for the annual report, therefore requiring consistency of indicators between planning and reporting documents. A total of 36% of the reported targets were not consistent with those in the approved annual performance plan. This was due to managers not ensuring that there is consistency between the planned indicators as per annual performance plan and annual performance report.

Additional matter

14. We draw attention to the following matter. Our conclusion is not modified in respect of this matter:

Achievement of planned targets

15. Refer to the annual performance report on pages 29 to 42 or information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraphs 12 to 13 of this report.

Adjustment of material misstatements

16. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 1: Turnaround Solutions. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness of the reported performance information.

Compliance with legislation

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

Financial statements, performance and annual reports

18. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the Public Finance Management Act. Material misstatements of non-current assets, current assets, current liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

19. Effective steps were not taken to prevent irregular expenditure, amounting to R2 782 000 as disclosed in note 27 of the AFS, as required by section 51(b)(ii) of the Public Finance Management Act.

20. Effective steps were not taken to prevent fruitless and wasteful expenditure, amounting to R1 052 000 as disclosed in note 27 of the AFS, as required by section 51(b) (ii) of the Public Finance Management Act.

Revenue

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

Procurement and contract management

22. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.

23. Quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1(d) and the Preferential Procurement Regulations.

24. Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of Treasury Regulations 16A6.3(a) and the Preferential Procurement Regulations.

25. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and Treasury Regulations 16A6.3(b).

26. Contracts were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

27. Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury regulation 16A8.3.

28. Contracts were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with Treasury regulation 16A9.2

Consequence management

29. Disciplinary steps were not taken against officials who made and or permitted fruitless and wasteful expenditure amounting to R117 000, as required by section 51(1)(e)(iii) of the Public Finance Management Act and Treasury Regulation 9.1.3.

30. Disciplinary steps were not taken against officials who made and or permitted irregular expenditure amounting to R6 269 000, as required by section 51(1)(e)(iii) of the Public Finance Management Act and Treasury Regulation 9.1.3.

Internal control

31. We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for our opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

32. The leadership did not implement adequate controls to ensure compliance with laws, regulations and internally designed policies and procedures. As a result, a significant non-compliance issue was noted and material misstatements were identified.

Financial and performance management

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

34. Management did not adequately review the financial statements and annual performance report for completeness and accuracy prior to its submission for audit purposes. As a result, a significant non-compliance issue was noted and material misstatements were identified.

<u>Other reports</u>

35. We draw attention to the following engagements that could potentially impact on the entity's financial, performance and compliance related matters. Our opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

36. An independent consulting firm performed an investigation at the request of the entity, which covered the period 17 August 2015 to 6 June 2016. The investigation was initiated based on an allegation of possible misappropriation of the entity's assets. The investigation concluded on 6 June 2016 and resulted in the employee being dismissed.

Nexia SAB&T

Nexia SAB&T
Per. S. Kleovoulou
Director
Registered auditor
29 July 2016

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 MARCH 2016

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 R'000	2015 R'000
Assets			
Non-Current Assets		**3,186**	**1,634**
Property and Equipment	2	2,344	650
Intangible Assets	3	16	158
Deposit	4.1	826	826
Current Assets		**36,762**	**31,710**
Trade and Other Receivables	4.2	19,780	13,152
Inventories	5	293	262
Cash and Cash Equivalents	6	16,689	18,296
TOTAL ASSETS		**39,948**	**33,344**
Liabilities			
Non-Current Liabilities		**1,340**	**-**
Finance lease liability	7.1	1,340	-
Current Liabilities		**47,663**	**39,909**
Finance lease liability	7.2	346	-
Trade and Other Payables	8	4,700	1,725
Operating Lease Liability	9.1	255	200
Income Received in Advance	9.2	15,667	7,447
Deferred Income	10	22,816	26,839
Provisions	11	3,879	3,698
TOTAL LIABILITIES		**49,003**	**39,909**
Net Assets and Liabilities			
Accumulated Deficit Attributable to the Owners of the Controlling Entity		(9,055)	(6,565)
TOTAL NET ASSETS		**39,948**	**33,344**

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR - ENDED 31 MARCH 2016

	Note	2016 R'000	2015 R'000
Revenue			
Non-exchange Revenue		**66,234**	**71,947**
Transfers and Subsidies	12	66,234	71,947
Exchange Revenue		**30,520**	**26,769**
Rendering of Services		19,610	15,285
Sale of Goods		72	363
Finance Income	13.1	170	1,006
Other Operating Revenue	14	10,668	10,115
Total revenue		**96,754**	**98,716**
Expenditure			
Employment Costs	15	(57,974)	(54,741)
General Expenses	16	(27,908)	(29,776)
Repairs and Maintenance		(629)	(506)
Cost of Project Implementation	17	(11,458)	(18,247)
Finance Costs	13.2	(146)	(29)
Bad debts		(298)	-
Depreciation and Amortisation		(846)	(696)
Total expenditure		**(99,259)**	**(103,995)**
Deficit for the Period		**(2,505)**	**(5,279)**
Other gains/(losses)		**15**	**(45)**
Gain/(Loss) on disposal of assets		11	(45)
Gain on foreign exchange		4	-
Total Deficit for the Period		**(2,490)**	**(5,324)**
Total Deficit for the Period			
Attributable to the Owners of the Controlling Entity		**(2,490)**	**(5,324)**

STATEMENT OF CHANGES IN NET LIABILITIES AS AT 31 MARCH 2016

	Retained Earnings R'000	Total Net Assets R'000
Balance at 31 March 2014	**(1,241)**	**(1,241)**
Deficit for the year	(5,324)	(5,324)
Balance at 31 March 2015	**(6,565)**	**(6,565)**
Deficit for the year	(2,490)	(2,490)
Balance at 31 March 2016	**(9,055)**	**(9,055)**

STATEMENT OF CASHFLOWS FOR YEAR ENDED 31 MARCH 2016

	Note	2016 R'000	2015 R'000
Cash Flow from Operating Activities			
Receipts			
Non – Exchange Revenue		**66,234**	**71,947**
Transfers and Subsidies		66,234	71,947
Exchange Revenue		**23,893**	**22,338**
Amount received from customers		13,055	11,217
Finance Income		170	1,006
Other Operating Income		10,668	10,115
		90,127	**94,285**
Payments			
Employee Costs		(57,974)	(54,741)
General Expenses		(32,291)	(50,000)
Repairs and Maintenance		(629)	(506)
Finance Costs		(146)	(29)
		(91,040)	**(105,276)**
Net Cash Outflow from Operating Activities	18	**(913)**	**(10,991)**
Cash Flows from Investing Activities			
Purchases of Furniture and Equipment		(449)	(456)
Purchases of Computer Software		(11)	(82)
Proceeds on Disposal of Plant and Equipment		24	9
Net Cash Outflows from Investing Activities		**(436)**	**(529)**
Cash Flows from Financing Activities			
Finance lease payments - capital		(263)	-
Net Cash Outflows from Financing Activities		**(263)**	**-**
Net Decrease in Cash and Cash Equivalents		(1,612)	(11,520)
Cash and Cash Equivalents at Beginning of the Year		18,296	29,816
Effect of exchange rate movement on cash balances		5	-
Cash and Cash Equivalents at End of the Year	6	**16,689**	**18,296**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference between final Budget and Actual	Note
Receipts						
Rendering of Services	16,224	(52)	16,172	19,610	(3,438)	25.2
Sales of Goods	1,178	(794)	384	72	312	
Investment Revenue	422		422	170	252	
Other Income	590	10,112	10,702	10,668	34	
Other gains	-	-	-	15	(15)	
Grant Revenue	98,577	(13,732)	84,845	66,234	18,611	25.2
Total Receipts	**116,991**	**(4,466)**	**112,525**	**96,769**	**15,756**	
Payments						
Employee Costs	(55,311)	(3,255)	(58,566)	(57,974)	(592)	25.2
Operating Expenses	(721)	(15)	(736)	(846)	110	
Finance Charges	-	-	-	(146)	146	
Other Expenditure	(60,959)	7,736	(53,223)	(40,293)	(12,930)	25.2
Total Payments	**116,991**	**(4,466)**	**(112,525)**	**(99,259)**	**(13,266)**	
Net Receipts	**-**	**-**	**-**	**(2,490)**	**2,490**	
Reconciliation: Basis difference						
Bad debts				298		
Depreciation				846		
Finance cost				146		
Other gains				(15)		
Total				**(1,215)**		

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The audited Annual Financial Statements have been prepared in accordance with the standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with section 91(1) of the Public Finance Management Act (Act 1 of 1999).

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

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

These accounting policies are consistent with the previous period.

1.1. Significant judgements and sources of estimation uncertainty

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

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

Significant judgements include:

Assessment of useful lives

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

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

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

Provisions

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

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

1.2. Going Concern Assumption

Productivity SA is largely dependent on the Department of Labour (DoL) for continued funding of operations. DoL has neither the intention nor the need to liquidate or materially curtail the scale of Productivity SA.

The Accounting Authority in line with DoL's intention, considers that Productivity SA has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing Productivity SA's Annual Financial Statements.

The Accounting Authority has satisfied itself that Productivity SA is in a sound financial position and that it has access to sufficient cash resources to meet its foreseeable cash requirements.

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

1.3. Functional and Presentation Currency

These annual financial statements are presented in South African Rand which is the entity's functional currency. All financial information has been rounded to the nearest thousand.

1.4. Inventory

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

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

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

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

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

The entity uses the weighted average method to account for inventories

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

1.5. Property, Plant and Equipment (PPE)

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:
The annual depreciation rates are based on the following estimated asset useful lives as follows:

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

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

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

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

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

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

1.6. Intangible Assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

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

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

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

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

Item	Average useful life
Computer Software	2 years

Intangible assets are derecognised:

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

1.7. Revenue

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

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

In a non-exchange transaction, an entity either:

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

Revenue is recognised as follows:

1.7.1. Non-Exchange Revenue

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

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

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

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

Government grants are recognised when there is reasonable assurance that:

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

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

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

1.7.2. Exchange Revenue

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

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

a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
b) The amount of revenue can be measured reliably; and
c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

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

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

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

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

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

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

1.7.3. Interest

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

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

1.8. Retirement Benefits

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

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

1.9. Provisions and Contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future losses.

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

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

1.10. Leases

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

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

Finance leases - lessee

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

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

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

Operating leases - lessee

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

1.11. Financial Instruments

Recognition

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

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

Revenue arising from the use by others of entity assets yielding interest is recognised when:
It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably.

Measurement

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

Financial Assets

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

Trade and Other Receivables

Trade and other receivables are measured at initial recognition at their fair value.

- Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.
- The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.
- Trade and Other Receivables are classified as Loans and Receivables.

Cash and Cash Equivalents

Cash and cash equivalents are measured initially and subsequently at fair value.

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

Financial Liabilities

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

Trade and Other Payables

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

Impairment of Financial Assets

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

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

Offsetting

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

De-recognition

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

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

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

1.12. Taxation

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

1.13. Budget

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

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

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

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

The Annual Financial Statements and the budget are not on the same basis of accounting and therefore a reconciliation between the statement of financial performance and the budget have been included in the Annual Financial Statements. Refer to note 25.2.

1.14. Related Parties

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

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

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

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

1.15. Unauthorised Expenditure

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

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

1.16. Fruitless and Wasteful Expenditure

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

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

1.17. Irregular Expenditure

- National Treasury Practice Note No. 4 of 2008/09 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.

1.18. Employee Benefit

Short term employee benefits encompasse all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the statement of financial performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

2. Property, Plant and Equipment (PPE)

	Cost R'000	Accumulated Depreciation and Impairment R'000	Carrying Amount R'000
2016			
Library	178	(177)	1
Vehicles	158	(157)	1
Computer Equipment	5,238	(4,774)	464
Furniture and Fittings	3,926	(3,674)	252
Finance lease asset	1,949	(323)	1,626
	11,449	**(9,105)**	**2,344**
2015			
Library	178	(177)	1
Vehicles	158	(157)	1
Computer Equipment	5,047	(4,600)	447
Furniture and Fittings	3,868	(3,667)	201
	9,251	**(8,601)**	**650**

Reconciliation of Property, Plant and Equipment

	Opening Balance	Additions	Disposals	Depreciation	Closing Carrying Amount
2016					
Library	1	-	-	-	1
Vehicles	1	-	-	-	1
Computer equipment	447	327	(12)	(298)	464
Furniture and fittings	201	122	-	(71)	252
Finance lease asset	-	1,949	-	(323)	1,626
	650	**2,398**	**(12)**	**(692)**	**2,344**
2015					
Library	1	-	-	-	1
Vehicles	1	-	-	-	1
Computer Equipment	372	412	(47)	(290)	447
Furniture and Fittings	243	44	(7)	(79)	201
	617	**456**	**(54)**	**(369)**	**650**

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

Assets to the gross carrying amount of R 1,453 (2015: R1,529) have been fully depreciated, but are still in use.

3. Intangible Assets

	Cost	Accumulated Amortisation & Impairment	Carrying Amount
	R'000	R'000	R'000
2016			
Computer Software	2,679	(2,663)	16
2015			
Computer Software	2,668	(2,510)	158

Reconciliation of Intangible Asset

	Opening Balance Amount	Additions	Disposals	Amortisation	Closing Carrying Amount
2016					
Computer Software	158	11	-	(153)	16
2015					
Computer Software	404	82	-	(328)	158

Productivity SA has no Intangible assets pledged as security for liabilities and no restrictions have been imposed on any of its assets. No revaluation of Intangible Assets

	2016	2015
	R'000	R'000
4. Trade and Other Receivables		
Non-Current		
Rental Deposits	826	826
Current		
Sundry Debtors	8,548	6,466
Accruals	13,794	13,195
Other receivables	88	266
Advances - Deferred salary	31	20
Total	**19,780**	**13,152**

Provision for bad debt has been determined by reference to Productivity SA's policy of debt management, past default experience and the current economic environment. As of 31 March 2016, the amount of the provision was R298 000.

5. Inventories		
Opening Net Carrying Amount	262	339
Purchases	151	287
Inventory Expensed	(120)	(364)
Consumables	**293**	**262**

	2016 R'000	2015 R'000
The Amount of Inventory Recognised as Expense in the Current and Prior Period	**120**	**364**

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

6. Cash and Cash Equivalents

Bank Balances	1,781	345
Cash on Hand	1	1
Call Deposits	14,907	17,950
Total	**16,689**	**18,296**

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

7. Finance Lease Obligation

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

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

8. Trade and Other Payables

Sundry Creditors	2,582	-
Accruals	2,118	1,740
Other Payables	-	2
Total	**4,700**	**1,742**

9. Other Payables

Operating Lease Liability	255	200
Income Received in Advance	15,667	7,447
Total	**15,922**	**7,647**

	2016 R’000	2015 R’000
10. Deferred Income		
Opening Balance	26,839	25,802
Amount Received	8,586	20,475
Amount Utilised	(12,609)	(19,438)
Total	**22,816**	**26,839**

Deferred income reflects that amount of income received during the current year, but which will be utilised in the 2016/17 financial year for Turnaround Solutions. The utilised balance represents monies committed to Turnaround Solutions projects. The full amount is commmited.

11. Provisions

	Opening Balance	Additions	Utilised during the year	Closing Balance
2016				
Leave Pay	2,575	2,552	(2,493)	2,634
Auditor`s Remuneration	472	584	(472)	584
Deferred Salary Payments	651	2,105	(2,095)	661
Total	**3,698**	**5,241**	**(5,060)**	**3,879**
2015				
Leave Pay	2,345	3,684	(3,454)	2,575
Auditor`s Remuneration	445	577	(550)	472
Deferred Salary Payments	639	2,148	(2,136)	651
Settlement provision	1,200	-	(1,200)	-
Total	**4,629**	**6,409**	**(7,340)**	**3,698**

The leave accrual is calculated by using the daily rate as calculated in VIP Payroll System multiplied by the leave days due at year end.

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

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

	2016 R’000	2015 R’000
12. Transfers and Subsidies		
Transfers and Subsidies comprise of the following:		
Government Grants	45,531	43,119
Projects Funding: Workplace Challenge	8,094	9,170
Turnaround Solutions (Refer Note 10 Deferred Income Above)	12,609	19,438
Donation from LEDET	-	220
Total	**66,234**	**71,947**

	2016 R'000	2015 R'000
13. Net Finance Income		
Finance Income	170	1,006
Finance Costs	(146)	(29)
Net Finance Income	**24**	**977**

	2016 R'000	2015 R'000
14. Other Operating Revenue		
Cost Recovery	9,307	-
Management fee	599	9,365
Transnet income	726	747
Staff development income	13	-
Commitment fee	23	3
Total	**10,668**	**10,115**

	2016 R'000	2015 R'000
15. Employee Costs		
Salaries	46,635	44,462
Deferred salaries	2,105	2,147
UIF	348	351
Leave payment	260	331
Retirement Benefits	7,096	6,435
Executive Director's Emoluments	1,530	1,366
Total	**57,974**	**54,741**

	2016	2015
	R'000	**R'000**
16. General Expenses		
Audit Fees - External	1,277	644
Audit Fees - Internal	516	1021
Bank Charges	62	45
Board Fees	167	125
Bursaries	48	193
Communication	1,530	1,820
Consumables	162	438
Insurance	320	291
Legal Expenses	422	1,098
Membership Fees	65	60
Motor expenses	29	31
Other expenses	1,081	1,353
Printing and Stationery	1,533	2,351
Services rendered	5,863	5,381
Promotions	1,537	1,893
Rental of Buildings	5,299	5,143
Skills Development Levies	488	462
Stocks and Material	11	77
Subscriptions and Publication	156	160
Staff Development Training	817	549
Transport claims	1,393	1,777
Travel and Subsistence - Foreign	215	78
Travel and Subsistence - Local	3,779	3,880
Utilities	1,061	785
Workshops	77	121
Total	**27,908**	**29,776**

	2016	2015
	R'000	R'000
17. Cost of Project Implementation		
Capacity Building TA	5	37
Close out Report TA	196	234
Core Business Processes	183	180
Cost Drivers	60	70
Development Turnaround Strategies TA	1,094	2,287
Finalisation of in progress 'turnaround' TA	728	1,115
Financial Analysis	80	51
Financial Assessments TA	365	530
Future Forums TA	425	930
Impact Assessments TA	90	288
Implementation of Turnaround Strategies TA	7,233	10,960
Marketing and promotion activities	444	445
Nurturing TA	411	907
Performance Monitoring	70	97
Productivity Champion Training TA	62	76
Project Management fee	12	-
Quality Monitoring TA	-	40
Total	**11,458**	**18,247**
18. Reconciliation of Net Cash Flows from Operating Activities to Deficit		
Deficit for the Year	(2,490)	(5,324)
Non Cash Movements:		
Depreciation and Amortisation	846	696
(Gain)/Loss on Disposal of Assets	(11)	45
Gain on foreign exchange	(5)	-
Increase/(Decrease) in Provisions	181	(931)
	(1,479)	**(5,514)**
Movement in Working Capital	**566**	**(5,477)**
Increase in Trade and Other Receivables	(6,628)	(4,431)
(Increase)/Decrease in Inventory	(31)	77
Increase/(Decrease) in Trade and Other Payables	7,225	(1,123)
Net Cash Outflow from Operating Activities	**(913)**	**(10,991)**

Taxation

19.1 Income taxation

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

19.2 VAT

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

20. Related Parties

Productivity SA received a transfer payment of R71.292 million for funding for its administrative activities from the National Revenue Fund through Department of Labour, Unemployment Insurance Fund and Department of Trade and Industry.

There were no amounts owing to or by Productivity SA. The revenue from these transactions is included in the Statement of Financial Performance.

	2016 R’000	2015 R’000
Department of Labour	45,531	43,119
Unemployment Insurance Fund	17,667	29,250
Department of Trade and Industry	8,094	9,170
Total	**71,292**	**81,539**

21. Members’ Emoluments

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

During the year, the following emoluments were paid to these members of management:

2016		**R’000**	
Non-Executive Board members	**Meeting Fees**	**Other Benefits**	**Total**
Chairperson	34	1	35
Other Members	103	30	133
Total Non-Executive directors	**137**	**31**	**168**
	Emoluments	**Other Benefits**	**Total**
Executive Management			
Chief Executive Officer	1,395	134	1 529
Chief Financial Officer	1,030	89	1,119
Other Executive Management	5,373	436	5,633
Total Executive Management	**7,803**	**659**	**8,281**
Total	**7,941**	**661**	**8,550**

2015		R'000	
Non-Executive Management	**Meeting Fees**	**Other Benefits**	**Total**
Chairpersons	32	4	36
Other Members	62	10	72
Total Non-Executive Management	**94**	**14**	**108**
Executive Management	**Emoluments**	**Other Benefits**	**Total**
Chief Executive Officer	1,241	125	1,366
Chief Financial Officer	961	83	1,044
Other Executive Management	6,568	722	7,290
Total Executive Management	**8,770**	**930**	**9,700**
Total	**8,864**	**944**	**9,808**

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

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

22. Operating Lease Commitments

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

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

	2016 R'000	2015 R'000
Payable within 1 Year	3,938	4,703
Payable in Second to Fifth Year	2,550	3,413
Total	**6,488**	**8,116**
Operating Lease Expenditure Recognised in the Statement of Financial Performance on a Straight-line Basis.	5,299	5,143

Operating lease payments represent rentals payable by Productivity SA for office properties.
Leases are negotiated for an average term of five years and rentals are smoothed over the term of the lease.

The escalation clauses are negotiated at time of renewal and or signing of the contracts.
There are no restrictions to Operating Leases.

23. New Accounting Standards and Interpretations Pronouncements

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

At the date of authorisation of the financial statements of the entity for the year ended 31 March 2016, the following standards and interpretations were in issue but not yet effective. These accounting standards and interpretations include the following that may have an impact on the financial statements in the future.

GRAP 20	Related Party Disclosure
GRAP 32	Standard of GRAP on Service Concession Arrangements: Grantor
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents

An entity shall apply standards of GRAP for annual financial statements covering periods beginning on or after a date determined by the Minister of Finance in a regulation to be published in accordance with section 91(1(b) of the PFMA. This date was yet to be published at the date of approval of these financial statements.

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

Management also assessed GRAP 18 on Segment Report and concluded that it is not necessary as the regions, which would form the basis of segment reporting are immaterial.

24. Critical Management Assumptions and Judgements

The entity makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the review of useful lives, residual values and impairment as highlighted in Notes Numbers:

1. Accounting Policy
1.6. Property, Plant and Equipment
1.7. Intangible Assets

Actual results may differ from these estimates.

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

25. Explanation of Material Difference between the Final Budget and Actual

25.1 Reconciliation of Budget surplus with Net Cash Generated from Operating and Financing Activities

	Operating	**Investing**	**Financing**	**Total**
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	(15,579)	(338)	-	(15,917)
Timing Differences	14,666	(98)	(263)	14,305
Actual Amount in the Cash Flow	**(913)**	**(436)**	**(263)**	**(1,612)**

25.2 Budget differences

Material differences between budget and actual amounts

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

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

Productivity SA is not allowed to budget for a deficit; however, for the Financial Year ended 31 March 2016, expenditure incurred exceeded revenue collected resulting in a net deficit of R2.490 million.

Although Productivity SA has posted a deficit of R2.490 million, this shows an improvement from prior year's R5.320 million. The deficit above has been as a result of dwindling and static government funding against a higher inflation on fixed expenditures. Further, funding from the UIF to Productivity SA was not transferred on time and the budgeted amount was also lower than the actual transferred. This situation has led to deferred income as a result of not having sufficient to time to implement interventions and earn the revenue within the financial year.

Rendering services

Productivity SA, buoyed by its new business model, has been on a huge drive to generate its own revenue for its sustainability. For this reason, the budget has been exceeded by R3.438 million. More revenue can only spell good news for moving away from a deficit situation into a safe zone with reserves.

Grant Revenue

A total of R62 million was budgeted as a grant from UIF for the Turnaround Solutions programme (TAS). Only R17.667 million was eventually transferred, thus contributing immensely to the revenue shortfall of R18.611 million.

Employee Cost

With a high fixed cost structure, Productivity SA is weary of increasing the headcount until such time as the deficit has been reduced to nil. There are vacancies that have not been filled, which have contributed to the positive variance on the employee cost.

Other Expenditure

The major contributor to the R13.266 million difference between the Final budget and the actual amounts on a comparable basis has been the project implementation fees. These are costs of implementing the interventions of Turnaround Solutions, which is the flagship programme for the saving of jobs. Funding transferred from UIF for this programme was much lower than had been budgeted for.

26. Risk Management

In the course of the entity's operations, it is exposed to interest rate, credit, liquidity and market risk. Details of the significant accounting policies and methods adopted (including criteria for recognition, basis of measurements and the basis of recognition of income and expenses) for each class of financial assets and financial liabilities are disclosed under note 1.10. The entity has developed comprehensive risk strategy in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under heading below.

Productivity SA has taken all the necessary precautions and assessed known risks by investing its funds in a reputable credit rated financial institution offering an attractive market related interest rate. The interest earned on funds invested with our current financial institution has produced an attractive return for the financial year 2016. Refer to Financial Income, Note 13.

26.1 Interest Rate Risk and Categories of Financial Instruments

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

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

	Floating Rate 4.50% R'000	Fixed Rate 6.2% R'000	Non-Interest Bearing R'000	Total R'000
2016				
Assets				
Cash and Cash Equivalents	1,782	14,907	-	16,689
Other Receivables	826	-	19,780	20,606
Total Financial Assets	**2,608**	**14,907**	**19,780**	**37,295**
Liabilities				
Trade and Other Payables	-	-	(4,700)	(4,700)
Net Financial Assets	**2,608**	**14,907**	**15,080**	**32,595**

	Floating Rate 4.50% R'000	Fixed Rate 5.75% R'000	Non-Interest Bearing R'000	Total R'000
2015				
Assets				
Cash and Cash Equivalents	346	17,950	-	18,296
Other Receivables	826	-	13,152	13,978
Total Financial Assets	**1,172**	**17,950**	**13,152**	**32,274**
Liabilities				
Trade and Other Payables	-	-	(1,725)	(1,725)
Net Financial Assets	**1,172**	**17,950**	**11,427**	**30,549**

26.2 Credit Risk

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

	2016	2015
	R'000	R'000
Current	7,431	8,569
Past Due 0 -30 days	1,585	215
Past Due 31 -60 days	439	18
Past Due 61 -90 days	345	1,140
Over 90 days – Trade Debtors	9,980	3,210
Total	**19,780**	**13,152**

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

Liquidity Risk

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

	Contractual cash flows	Contractual cash flows with 1 year	Contractual cash flows between 1 and 5 years
	R'000	R'000	R'000
2016			
Finance lease obligation	1,686	346	1,340
Trade and other payables	4,700	4,700	-
Income received in advance	15,667	15,667	-
Deferred income	22,816	22,816	-
Total	**44,869**	**43,529**	**1,340**
2015			
Trade and other payables	1,725	1,725	-
Income received in advance	7,447	7,447	-
Deferred income	26,839	26,839	-
Total	**36,011**	**36,011**	**-**

26.3 Market Risk

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

26.4 Fair Values

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

Cash and Cash Equivalents

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

Concentration of Cash and Cash Equivalents

Concentration of Cash Deposits	Rating	2016 R'000	Rating	2015 R'000
Nedbank	F1+	16,689	F1+	18,296

Other Receivables from Exchange Transactions

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

27. Fruitless, Wasteful and Irregular Expenditure

Expenditure through irregular and fruitless and wasteful expenditure

Fruitless and Wasteful Expenditure

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines "fruitless and wasteful expenditure" as which was made in vain and would have been avoided had reasonable care been exercised;

Irregular Expenditure

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation.

The following amounts have been determined as being irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No. 1 of 1999, as amended. No losses have been incurred as a result of the irregular expenditure identified

Fruitless and Wasteful Expenditure

	2016 R'000	2015 R'000
Opening Balance	117	900
Fruitless and Wasteful Expenditure Current Year	1,052	117
Fruitless and Wasteful Expenditure Condoned	-	(900)
Total	**1,169**	**117**

	Action taken	R'000
2016		
Interest Charged on overdue Vendor Accounts and overdrawn accounts	Matters are in the process of being ratified	4
Early settlement for suppliers	Matters are in the process of being ratified	941
SARS penalties and interest relating late payment	Matters are in the process of being ratified	107
2015		
Interest Charged on overdue Vendor Accounts and overdrawn accounts	Matters are in the process of being ratified	29
SARS penalties and interest relating to prior years	Matters are in the process of being ratified	24
SARS penalties and interest relating to current year	Matters are in the process of being ratified	64

Irregular Expenditure

	2016 R'000	2015 R'000
Opening Balance	6,269	2,806
Irregular Expenditure Current Year	2,782	4,283
Irregular Expenditure Condoned	-	(820)
Total	**9,051**	**6,269**

	Action taken	R'000
2016		
No supporting documentation of SCM process Followed (SBD 4, Tax clearance, Quotations, Preference points calculated, supplier not on the database)	Matters are in the process of being ratified	1,160
Inconsistency in the evaluation of functionality and preference points calculation	Matters are in the process of being ratified	276
Not following full SCM process	Matters are in the process of being ratified	517
SCM process not followed in the deviation	Matters are in the process of being ratified	829
2015		
80/20 preferential procurement and also valid tax clearance certificates were not submitted by suppliers	Matters are in the process of being ratified	3,826
Was incurred due to minimum required quotations not being obtained and there was no approval for deviation	Matters are in the process of being ratified	457

28. Contingencies and Commitments

28.1 Operating Lease

Operating Lease Commitments disclosed in Note 22 above.

28.2 Contingent liability

Productivity SA erroneously overpaid a service provider to the tune of R64,000, who continued to present invoices after the contract was paid in full. The service provider, FEM Research Consultants (FEM) claims that they performed additional services to Productivity SA hence their additional invoices presented. To date, they have not presented evidence to this effect but instituted legal action against Productivity SA for R200,000 with a settlement offer of R150,000.

28.3 Contingent asset – Legal claims

Productivity SA is defending the above claim to the tune of R64,000. Attorneys are of the opinion that Productivity SA will successfully defend the claim and recoup the R64,000. The pre-trial date is set for 29 July 2016.

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