



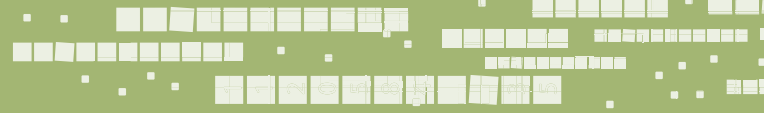
Fibre Processing & Manufacturing Sector Education and Training Authority

FUTURE PERFECT **SKILLS DEVELOPMENT**

ANNUAL REPORT

2018/19







higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



ANNUAL REPORT OF THE FP&M SETA FOR THE 2018/2019 FINANCIAL YEAR

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For submission in terms of the *Public Finance Management Act, 1999 (Act No. 1 of 1999)*.



Honourable Minister Dr Blade Nzimande (MP), Department Higher Education, Science and Technology and Honourable Deputy Minister Buti Kgwaridi Manamela (MP), it is my pleasure and privilege to present to you the Annual Report of the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA), for the financial year ended March 2019.

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

A handwritten signature in black ink, appearing to read 'Felleng Yende'.

Signed:

Ms Felleng Yende

Chief Executive Officer: FP&M SETA

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PART A: GENERAL INFORMATION





1. PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name:	Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA)
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2. LIST OF ABBREVIATIONS AND ACRONYMS

ACRONYM	FULL DESCRIPTION
AET	Adult Education and Training
AGM	Annual General Meeting
AGSA	Auditor-General of South Africa
AFS	Annual Financial Statements
ALP	Action Learning Programmes
APP	Annual Performance Plan
AQP	Assessment Quality Partner
ATR	Annual Training Report
AVG	Average
CBD	Central Business District
CBO	Community-Based Organisation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIA	Certified Internal Auditor
CIMA	Chartered Institute of Management Accountants
CoE	Centre of Excellence
COSATU	Congress of South African Trade Unions
CoS	Centre of Specialisation
CPD	Corporation for Public Deposits
CSTO	Co-ordinating SETA-TVET Office Model
CTFL	Clothing, Textiles, Footwear and Leather
DAC	Department of Arts and Culture
DAFF	Department of Agriculture, Forestry and Fisheries
DHET	Department of Higher Education and Training
DQPs	Development Quality Partners
DUT	Durban University of Technology
EISA	External Integrated Summative Assessment
ETD	Education, Training and Development
EXCO	Executive Committee
EXP	Expenditure
FIETA	Forest Industries Education and Training Authority
FP&M	Fibre Processing & Manufacturing
GRAP	Generally Recognised Accounting Practice
HEI	Higher Education Institution
HET	Higher Education and Training
HR	Human Resources

ACRONYM	FULL DESCRIPTION
ILDLP	International Leadership Development Project
IPAP III	Industrial Policy Action Plan III
ISOE	Institutes of Sectoral and Occupational Excellence
IT	Information Technology
KZN	KwaZulu-Natal
LMIP	Labour Market Intelligence Partnership
MAPPP	Media, Advertising, Publishing, Printing and Packaging
MIS	Management Information System
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTSF	Medium-Term Strategic Framework
NAMB	National Artisan Moderating Body
NEET	Not in Employment, Education or Training
NGO	Non-Governmental Organisation
NLPE	Non-Levy Paying Entity
NPO	Non-Profit Organisation
NQF	National Qualifications Framework
NSA	National Skills Awards
NSDS	National Skills Development Strategy
NSFAS	National Student Financial Aid Scheme
NC	National Certificate
NCV	National Certificate Vocational
NSC	National Senior Certificate
OFO	Organising Framework for Occupations
PASA	Publishers Association of South Africa
PFMA	Public Finance Management Act, 1999 (Act No 1 of 1999)
PIVOTAL	Professional, Vocational, Technical and Academic Learning
PSET	Post-School Education and Training
QAC	Quality Assurance Committee
QCTO	Quality Council for Trade and Occupations
RPL	Recognition of Prior Learning
SAAA	South African Apparel Association
SABC	South African Broadcasting Corporation
SABDC	South African Book Development Council
SACPO	South African College Principals' Association
SACTWU	Southern African Clothing and Textile Workers Union



ACRONYM	FULL DESCRIPTION
SADC	South African Development Community
SAGDA	South African Graduates Development Association
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SATU	South African Typographical Union
SCM	Supply Chain Management
SDL	Skills Development Levy
SETA	Sector Education and Training Authority
SLA	Service Level Agreement
SMME	Small, Medium, and Micro Enterprises
SQMR	SETA Quarterly Monitoring Report
SSA	Sector Skills Advisor
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training
UIF	Unemployment Insurance Fund
W&R SETA	Wholesale and Retail Sector Education and Training Authority
WCM	World-Class Manufacturing
WEF	World Economic Forum
WIL	Work Integrated Learning
WSP	Workplace Skills Plan



3. FOREWORD BY THE CHAIRMAN

“I have absolute respect and admiration for the FP&M industrial sectors and its workforce who, despite local economic and global challenges, have embraced the vision of the SETA to produce a highly skilled, world-class workforce to address sector competitiveness, transformation and economic growth.”

I am honoured to present the 2018/19 Annual Report of the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA) on behalf of the Accounting Authority. As Chairperson of the new FP&M SETA Board, appointed for the second term of office by the Honourable Minister of Higher Education and Training in March 2018, it is appropriate to start my report by paying tribute to, and appreciating the oversight work done by the previous Board. Given its short history, the consecutive unqualified audit opinions by the Auditor-General of South Africa (AGSA) since 2013, attests to the monitoring and oversight of processes and a strong control environment by the FP&M SETA Management and Board.

The period under review was one of consolidation, capacitation and growth. Focused attention was turned to strengthening the core business to enhance performance and service delivery. Continued good governance and accountability were also paramount in pursuit of a favourable audit outcome.

Over the last eight years, the FP&M SETA has proudly walked the skills development journey with our dedicated, committed and collaborative stakeholders with a view to opening doors of career opportunities by making a tangible difference to the lives of all South Africans through effective skills development interventions.

For the period under review, I would like to place on record my gratitude to the newly appointed Board Members for their dedicated and committed service, which culminated in the SETA being recognised as a benchmark organisation for corporate governance and the high performance of the organisation, which for the first time since its establishment in 2011, has resulted in the SETA achieving 100% against its Annual Performance Plan (APP) performance indicators and targets. This, together with the fact that the SETA has once again received a clean unqualified audit opinion from the Auditor-General of South Africa, is a remarkable achievement. Despite emerging from an unsettling period in its history, it is mindboggling what the human spirit can handle and overcome with strong-willed leaders, whose commitment to bettering the lives of fellow citizens is deeply entrenched in their passion to outperform despite obstacles.

The FP&M SETA continues unabated in its resolve to deliver by making a significant impact on its mandate as outlined in the National Skills Development Strategy, Strategic Plan and Annual Performance Plan. In our quest to consolidate our contribution to the country's skills development landscape, comply with and improve skills development delivery and graduate rates in the FP&M sector by ensuring compliance with national legislation, the FP&M SETA implemented a number of strategic and innovative projects resulting in catalytic outcomes for the sector.

Although we have performed well in areas such as implementation of PIVOTAL programmes, there are identified areas that we need to improve upon.

STRATEGY AND OPERATIONAL PERFORMANCE

The introduction of the Fourth Industrial Revolution requires us to plan and develop future emerging skills for the industry. Upskilling, re-skilling as well as multi-skilling of the current workforce is required to keep pace with the demands of a technologically reliant industry and to curtail further job losses. In addition, workers need to be equipped with skills that allow for portability in an ever-changing labour market. This emphasises the importance of lifelong learning in a changing world.

Our Sector Skills Plan (SSP), based on credible data and empirical research, has afforded the FP&M SETA the ability to plan optimally to address skills gaps in the sector.

During the period under review, the FP&M SETA has partnered with many organisations, institutions (both TVET and HET institutions), government departments and industry, and community stakeholders to build a truly integrated, high-quality post-school education and training platform, which contributed to sector growth.

We are mindful of the magnitude of the role that we need to play in making a meaningful contribution towards building a skilled and capable workforce. We are also cognisant of the need to ensure that our funding decisions are informed by the need to make a lasting and substantial impact on the sustainability and growth of our economic sub-sectors.

In the period under review, we responded to the call for greater efficiencies in the FP&M SETA Discretionary Grant funding model – that this is deployed in a manner that provides maximum return on investment for our stakeholders.

My gratitude goes to all stakeholders and Board Members who provided quality and productive feedback to the Government Gazette on the National Skills Development Plan and the proposed new SETA landscape.

The FP&M SETA Board held a highly successful strategic planning session in November 2018, focusing on the FP&M SETA research outcomes and mapping out a way forward and identifying areas that need greater focus. In order to ensure that Board Members have the full capacity and understanding of their fiduciary responsibilities, an FP&M SETA Board Induction Workshop was held in March 2019. The Workshop focused on the Fourth Industrial Revolution and its impact on FP&M sub-sectors, Segregation of Powers, King IV and an understanding of corporate culture.

During the year under review, the Board enhanced its track record of sound corporate governance by providing strategic leadership to the organisation as required by the *Public Finance Management Act, 1999* and other relevant legislation and codes of good practice.

HIGHLIGHTS OF ACHIEVEMENTS

It is our impact on the lives of learners that is at the heart of everything we do.

I am delighted to report that an increasing number of learners are registering and completing FP&M SETA occupationally-directed qualifications, more specifically in learnership and apprenticeship programmes. It must be noted that the completion of such programmes leads to direct jobs. During the reporting period, approximately 3,164 learners have registered for learnership programmes and just under 2,600 learners have successfully completed learnerships. Since establishment in 2011, just under 21,800 learners have registered for learnership programmes. For the first time, the FP&M SETA is recording high achievements with regards to completion rates against its artisan programmes.

It also pleases me to report that a large number of our employers are adhering to our call of “making every workplace, a training space” by taking on an increasing number of graduates for work experience, internships and work-integrated learning programmes. During tough economic times, I commend our employers and workplaces for providing our learner graduates with the requisite practical and workplace experience exposure and for coaching and mentoring these young minds to adapt to the discipline of workplace practice. A total of approximately 1,682 learners were given an opportunity to register or complete work experience, internship or work-integrated learning (WIL) programmes within the FP&M sector. The placement of TVET and HET graduates in job opportunities has also improved markedly with approximately 1,158 learners being assisted with Work-Integrated Learning opportunities. I am also delighted that we have continued to support our NSFAS partnership, which resulted in a number of our unemployed and financially challenged learners completing bursary programmes. Approximately 727 learners benefitted from our bursary grants during the period under review, ensuring that learners were able to graduate with tertiary occupational qualifications. Employers too, have felt the benefit of aligning with FP&M SETA – in the skills development of their people and in their motivation, which enables them to make a lasting contribution to organisational growth, productivity and prosperity.

It gives me immense pleasure to report that the FP&M SETA has achieved 36 out of a total of 40 of its performance indicators and targets, as contained in the Annual Performance Plan (APP) for the MTEF period 2018/19 -2020/21 for SETA funded learners, representing a 90% achievement of both the APP and the FP&M SETA DHET Service Level Agreement for 2018/19. In terms of the overall performance of the FP&M SETA for SETA funded and industry funded learners, the SETA achieved a performance of 100%. This is indeed history in the making and an outstanding achievement.

In addition, the SETA's performance demonstrates the FP&M sector's positive contribution to the overarching government programmes – the Human Resource Development Strategy, the National Development Plan, the Industrial Policy Action Plan, the outcomes of the Medium-Term Strategic Framework, and in particular, sector development plans, among the key developmental priorities of the SETA mandate.

It must be noted that the FP&M SETA will continue to strive to achieve the NDP 2030 vision that addresses key national transformational imperatives in order to address gender and youth transformation, rural and township development, poverty alleviation and unemployment, which continuously plagues our fledgling democracy.

FOOTPRINT AT TVET COLLEGES

The public TVET College and University system is central to the government's programme of skilling and re-skilling the youth and adults. Our strategy aims to purposefully support these institutions by establishing strategic collaborations and partnerships with a number of higher education and training institutions - TVET colleges, Universities and Universities of Technology, in order to advance the vision and objectives of the post-school education and training system.

The FP&M SETA, as part of the DHET-SETA Directorate, is providing excellent leadership and guidance in establishing a best practice model for the implementation of the Co-ordinating SETA TVET Office Model (CSTO Offices), for national roll-out to all TVET Colleges in the Republic of South Africa. I am pleased that the FP&M SETA, in partnership with Jet Education Services, is undertaking further research to consolidate the CSTO Office Model.

TVET Colleges have an important task in equipping their lecturers to meet industry needs. During the reporting period, the FP&M SETA also implemented a number of lecturer capacity building programmes in order to improve the education, training and development practices and capacity of TVETs for occupationally-directed programmes.

CENTRES OF SPECIALISATION

I am pleased to report that the FP&M SETA is fully supportive of the national programme of Centres of Specialisation (CoS), which is aimed at improving the availability of intermediate technical skills and improving the capacity of public TVET colleges to train in skills in demand by industry. I have noted that many of our large employers have responded positively to this partnership between DHET, TVET colleges and workplaces focusing on increasing apprenticeship skills in the 13 priority trades.

STAKEHOLDER INTERACTION

The Board of the FP&M SETA considers stakeholder engagement as critical in guiding and informing strategic decision-making on the implementation of its skills development mandate in the sector. My report recognises



that the goals of the FP&M SETA strategy can only be achieved with the co-operation and co-ordination of all key stakeholders, including employers of both public and private entities, labour, as well as other stakeholders such as Higher Education Institutions, NGOs, Co-operatives and Community-Based Organisations. Partnerships, co-operation and co-ordination between various entities are critical to achieving the aspirations of higher economic growth and development, higher productivity and a skilled and capable workforce. Our strategy continues to seek a closer synergy between the world of work and our formal education system.

During the period under review, the total revenue, including income from skills development levies was approximately R400.5 million. I am pleased to report that the FP&M SETA Board has approved approximately R300 million towards skills development interventions in the FP&M sector during the 2018/19 financial year. When compared with the previous financial year's budget of R377.7 million, the FP&M SETA worked with a very constrained budget during the 2018/19 year and I am most complimentary of the tremendous effort of both staff and stakeholders in improving the overall performance of the organisation.

It is the strategic objective of the FP&M SETA to disburse funds to support projects that advance sectoral priorities, occupations in demand and MTSF government priorities.

Clearly, the FP&M SETA has improved its capability to manage a higher level of both mandatory and discretionary grant disbursements and has produced a solid foundation for continued improvement in skills development funding into the future.

I am pleased that our strategic partnership with the National Student Financial Aid Scheme (NSFAS) continues to thrive. We have committed approximately R20.8 million to support our learners in a number of higher education institutions that study qualifications aligned to our scope.

REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

We are proud to report that we have obtained another clean unqualified audit opinion from the Auditor-General of South Africa for the 2018/19 financial year. This marks the third clean unqualified audit opinion from the Auditor-General in the last five years. This bodes well for the SETA and while we are proud of this achievement, we recognise that more can be done to improve the operational effectiveness of the SETA.

The new Board is committed to providing the necessary leadership and support to Management to ensure that the one audit finding of the Auditor-General of South Africa will be adequately addressed going forward. Furthermore, the Board will ensure that Management develops a robust action plan which will be monitored and audited regularly in the new financial year.

GOVERNANCE

The FP&M SETA Accounting Authority and its Advisory Committees continued to achieve high levels of participation in executing their fiduciary responsibilities, governing and managing the entity in accordance with applicable legislation and providing strategic direction and effective leadership. As the FP&M SETA Board, we have a fiduciary duty to ensure that the organisation operates along solid principles of good governance and delivers at a high level to meet strategic goals. This includes ensuring that the funds entrusted to us are managed appropriately to address sector skills needs. The FP&M SETA has always lived by sound corporate governance practices, as is evident in its structures, policies and procedures and its adherence to standards such as the King Code of Governance. This is testament to our reputation as a well-governed SETA that manages its risks appropriately.

One of the key reasons for our success is the highly effective committee-driven governance structures of the FP&M SETA, which has provided exceptional oversight on the FP&M SETA's activities. The correct balance between continuity and sustainability is important for the FP&M SETA to maintain its organisational momentum, while also benefitting from new governance thoughts and perspectives. This could take the FP&M SETA to even greater heights and achievements as a true value-adding partner.

Equally important has been our continued focus on ensuring that the applicable accounting standards are upheld and reported against in the preparation of our Annual Financial Statements. This enables us to deliver clear and transparent reporting aimed at providing accountability, and improving trust and confidence in our performance as a public entity.

FUTURE OUTLOOK

Looking ahead to 2020, we are preparing to close the final chapter of the National Skills Development Strategy, and I am pleased to report that the much-awaited National Skills Development Plan has finally been approved and gazetted for implementation with effect from 01st April 2020.

I am positive that all our stakeholders are excited by the final determination by the Honourable Minister of Higher Education, Science & Technology, Dr B.E. Nzimande (MP), of the new SETA landscape post 31st March 2020. It pleases me to note that the FP&M SETA has been re-established within a new SETA landscape and will continue to contribute to government's human resources development agenda, with effect from 01st April 2020 to 31st March 2030.

Going forward, key challenges include strengthening our impact on entrepreneurship, employment, work placement and work-readiness of graduates through workplace partnerships, improving learner completion rates and continuous project co-ordination and further strengthening of alignment to occupations in high demand.





APPRECIATION

The entire team – Board, Management and Staff – banded together to ensure that the FP&M SETA exceeds all expectations by achieving the Gold Award for the Most Outstanding SETA in the SETA landscape by the National Skills Authority (NSA) in March 2019. My congratulations also go to the CEO, Ms Felleng Yende, on receiving the Minister's Award for Recognition of Most Outstanding Individual in Skills Development – a truly exceptional achievement for being the only SETA CEO to be recognised amongst all PSET skills development impact institutions.

My gratitude goes to the FP&M SETA CEO, her management team and all FP&M SETA employees for their hard work and commitment over the past year. Their dedication has enabled the SETA to continue to deliver at the highest level.

I would be remiss if I did not thank employers and the trade unions for their participation in SETA-funded programmes. Your participation and willingness to hire and create opportunities for learners is greatly appreciated. I am also very grateful to our providers, who constantly innovate and raise the bar, ensuring that these SETA-funded Programmes are highly regarded by employers within the economy as a whole.

I would also like to urge FP&M SETA stakeholders to attend our Annual General Meeting (AGM). This is a wonderful opportunity to engage with FP&M SETA stakeholders and the FP&M SETA Board. It also provides an opportunity to raise issues or concerns.

CONCLUSION

I would like to place on record my sincere appreciation and gratitude to all Board Members for diligently exercising their oversight role. I am positive that the good work of the FP&M SETA will continue and set the trend for the new Board to perform and deliver on a challenging NSDS and mandate until 31st March 2020.

I also extend my congratulations to the CEO, Ms Felleng Yende, on her re-appointment by the Honourable Minister of Higher Education and Training, to lead the organisation for a second term of office. This was a thoroughly deserving appointment, given the sustainable high performance of the organisation since her appointment in May 2013.

I also wish to thank the Honourable Minister of Higher Education and Training, Dr Naledi Pandor (MP), for her exceptional leadership and the Department of Higher Education and Training for their support. The role played by the Auditor-General of South Africa and Internal Audit Committee is also greatly appreciated and acknowledged.

I urge all South Africans to commit to buying locally manufactured goods and being proudly South African. I would like to conclude with this quote from the National Development Plan (NDP): "Given the scale and ambition of the task, all sections of society will have to provide leadership and vision."

Mr Sipho Ngidi

Chairman

FP&M SETA

31 July 2019



4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER



“To ensure employment in the future, say over the next decade, school leavers must give their chosen careers some serious thought. The world of work is changing and the so-called Fourth Industrial Revolution has beset us.”

INTRODUCTION

I am delighted to open my report for the period under review with the announcement that the FP&M SETA has not only achieved another clean unqualified audit report for the 2018/19 financial year from the Auditor-General of South Africa, but has also recorded an overall performance of 100% achievement for both SETA funded and industry funded learners by meeting all 40 of its performance indicators and targets as contained in the Annual Performance Plan and DHET SLA. The FP&M SETA recorded an all time performance achievement of 90% for SETA funded training interventions. A truly historic and remarkable achievement indeed!

The SETA provided more training and re-training opportunities for the unemployed through learnerships, internships and work-integrated learning opportunities. Placement of unemployed learners in job opportunities post-training continued through additional upskilling. As CEO, I started focused engagements with industry stakeholders for employment-based training that guarantees jobs post training.

The FP&M SETA is vigorously pursuing and realising the promotion and facilitation of an improved skills profile for the sector's workforce, employers and the economy of the country at large. A quick internet search confirms that in the near future, the Fourth Industrial Revolution will have brought us advanced robotics and autonomous transport, artificial intelligence and machine learning, advanced materials, biotechnology and the internet of things that will transform the way we live, and the way we work. Some jobs will disappear, others will grow and jobs that don't even exist today will become commonplace. South Africa's future workforce will need to align its skills set to keep pace with these developments. This is where our ongoing research comes into its own, as it enables us to keep abreast of the technologies and the trends that will inform our skills development initiatives of the future.

I am glad to report that a number of FP&M SETA sectors are embracing and engaging with Fourth Industrial Revolution technologies and aligning themselves with the new digital technologies in order to maintain a competitive edge in an increasingly global market. This would require that more attention should be paid to research and development and the skilling of existing employees to remain relevant in the future.

Our Government is constantly looking for ways to empower our youth and women through education, skills development and training, while mitigating the challenges of crime, poverty, unemployment, substance abuse and teenage pregnancy. The core transformational mandate of the National Skills Development Strategy seeks to continually ensure the upskilling of youth and women. SETAs have a huge responsibility in addressing the triple challenges of unemployment, poverty alleviation and rural development.

Despite the high level of youth unemployment, we still need young people to come forward and fully immerse themselves in training and education, and ultimately leave the skills development programmes as different people

who are employable and can make a contribution to the economic growth of this country.

What is so empowering about the work that the FP&M SETA does is that it is not about the SETA; it is about the relationships and partnerships that we have managed to forge which has provided the individual learner a foot in the doorway of post-school education and training or the world of work. Learners have grasped these opportunities with both hands and succeeded. We are proud as these learners are well-positioned and equipped to play a formidable role in the fourth industrial revolution – an era of artificial intelligence, robotics and automation.

We must continue to turn the legacy of this organisation into a material force that continues to transform the destinies of the poor, the unemployed, youth, women and the geographically and socially marginalised.

In the most heavily funded PIVOTAL category, much of our focus concentrated on the outcome of increasing access to learning programmes leading to intermediate and high-level learning.

It is our impact on the lives of learners that is at the heart of everything we do. Over the years since 2011, approximately 102,290 individuals have encountered FP&M SETA at different stages of their career journey and have been left stronger and better prepared for sustained success through the experience. Among these are approximately 62,422 learners who entered FP&M SETA occupationally-directed programmes and approximately 39,868 learners who have successfully completed occupational qualifications.

OVERALL PERFORMANCE

It is significant to note that through the process of developing this report, key observations have been made with regard to the overall performance of the FP&M SETA.

Throughout implementation of the NSDS III, the FP&M SETA has partnered with many constituent FP&M sector organisations, education and training institutions (both TVET and HET institutions), government departments and industry stakeholders to build a truly integrated, high-quality post-school education and training platform.

The FP&M SETA's contribution to skills development is comprehensive, spanning both the development of emerging skills for the sector, as well as the development of skills for the existing workforce.

With regard to the supply of skills to the sector, there has been substantial growth in the numbers of new graduates from tertiary institutions that are most relevant to the occupations in demand to the FP&M sector.

In order to address the strategic objectives of establishing a credible FP&M SETA mandate, our strategic planning sessions with Board Members and my engagements with constituent stakeholders have resulted in the development of a professional, well-researched and quality FP&M SETA Strategic Plan, Annual Performance Plan and Sector Skills Plan.

PARTNERSHIPS – THE KEY

During the reporting period, leveraging partnerships with employers and workplaces was paramount in order to ensure that our learners were able to complete their occupational qualifications, and obtain the required workplace exposure in order to obtain decent and quality jobs.

During the year under review, the FP&M SETA has created new partnerships, and strengthened existing ones with our stakeholders that include training institutions (TVETs and Universities), government departments, employers, employer associations, labour unions, and other SETAs, to collaborate and produce skills development activities that contribute towards sector sustainability and competitiveness, amongst others.

Although unemployment among young graduates is a genuine concern, it is key that our youth focus on establishing their own businesses and in order to support this, the FP&M SETA supported a number of entrepreneurship and co-operative training initiatives with a view to the creation of a number of small business ventures.

PROMOTING THE GROWTH AND SUSTAINABILITY OF TVET COLLEGES AND UNIVERSITIES

During the period under review, the FP&M SETA forged a number of strategic partnerships with TVET colleges and universities/universities of technology in order to address employability and work placement of our TVET/HET graduates through work-integrated learning and bursary training interventions. The FP&M SETA has also engaged with TVET colleges specifically to address accreditation of TVET colleges for occupationally-directed programmes aligned to the scope of the FP&M sector. I can also report that the FP&M SETA has implemented a number of professional development programmes in partnership with TVETs to address TVET lecturer development and capacity building.

The following TVET Colleges have partnered with the FP&M SETA during the financial year under review:

- West Coast TVET College
- Flavius Mareka TVET College
- Ehlanzeni TVET College
- Motheo TVET College
- Northlink College
- False Bay TVET College
- Northern Technical College
- King Sabata Dalindyebo TVET College
- Elangeni TVET College
- Mnambithi TVET College

During the reporting period under review, the following TVET Colleges have been accredited for the scope of FP&M SETA occupationally-directed programmes:

- Capricorn TVET College
- Maluti TVET College
- Ekurhuleni West College

- Northlink College
- Letaba TVET College
- College of Cape Town
- Tshwane North TVET College
- Flavius Mareka TVET College
- Sedibeng TVET College
- Goldfields TVET College

FP&M SETA Centres of Excellence also restores the TVET college esteem by being able to produce learners that meet the scarce and critical skills demands of the industry. The FP&M SETA has identified three TVET colleges to partner with in this specific area of specialisation, namely:

- Greater Letaba TVET College
- Majuba TVET College
- Boland TVET College

CENTRES OF SPECIALISATION (CoS)

I am pleased to report that during the financial year, the FP&M SETA fully supported the national programme aimed at increasing the availability of intermediate-level technical skills in order to increase the delivery of qualified artisans in the 13 priority trades. Skills interventions were implemented to improve the capacity of TVET colleges to train in skills in demand by industry. FP&M SETA approved apprenticeship training was implemented in fitting and turning and millwright at Tshwane South, Gert Sibande and Umfolozi TVET Colleges in partnership with FP&M SETA-affiliated companies.

BROADENING THE SKILLS PIPELINE

During this period under review, research once again provided the foundation for all other initiatives. It is imperative that we remain at the forefront of research into skills needs, as well as scarce skills in our sectors.

As part of our commitment to ensuring that the utilisation of our funding has impact on the lives of learners, enhances employability prospects and the South African economy and society at large, we conduct ongoing research to ensure that our performance against our objectives can be measured.

Another connection in our skills pipeline, the career awareness programme, continued with pace during the year, with the production and dissemination of an updated career guide, and an enhanced and functional career portal that is an invaluable tool for youngsters considering their career choices or preparing for the challenges of the job market.

I am pleased to report that during the period under review, the SETA Management fully aligned the Strategic Plan and Annual Performance Plan to the vision of Government as outlined in the National Development Plan (NDP) and the Medium-Term Strategic Framework priorities of Government.

Since the FP&M SETA's inception in 2011, we have made steady progress which has resulted in an upward trend of our performance graph year-on-year. Through our

endeavours, we have facilitated an increase in the skills capability of those entering learning programmes, and we have contributed to the socio-economic development of our country, through skills development initiatives that have in turn, reduced youth unemployment, alleviated poverty, and lessened the gender and racial divide in our society.

The FP&M SETA is actively investigating ways to come up with skills development interventions that will proactively develop our people, and it must be noted that the ultimate goal here is to introduce initiatives that will promote ongoing sustainability and thus introduce skills that would remain relevant in the long run.

As the FP&M SETA, we see ourselves as a business that operates in a fast-changing and challenging market. We are also cognisant of the reality that the way we conduct our work is changing at a rapid rate, and as a result, our skills development models need to be adapted too. In their recent report, the World Economic Forum (WEF) pointed out that disruptive changes to business models will have a profound impact on the employment landscape over the coming years. WEF indicates that the major drivers of transformation currently affecting global industries are expected to have a significant impact on jobs, ranging from significant job creation to job displacement, and from heightened labour productivity to widening skills gaps. In many industries and countries, the most in-demand occupations or specialties did not exist ten or even five years ago, and the pace of change is set to accelerate.

This should be seen as an opportunity and not a challenge. Reskilling is a word that would be used increasingly, as those whose current functions are affected by technological advancements prepare for alternative employment or entrepreneurial careers. For the FP&M SETA, we should be the principal influencers towards this new trend. As skills development leaders, we are expected to show our partners and stakeholders the bigger picture in terms of sustainable skills, and educate our stakeholders on where we should be investing our resources in preparing our people for the workplace of the future.

IMPACT

The period under review was characterised by proactive and sustained high levels of performance in terms of meeting the performance indicators and targets as outlined in the Strategic Plan and Annual Performance Plan of the FP&M SETA.

I am pleased to report that in most cases we exceeded our targets during the period under review making a significant impact on the labour market with occupationally-directed skills that leads to direct and decent jobs.

The FP&M SETA's continued excellent financial management, strong control environment and effective monitoring and evaluation processes are evidenced by the achievement of another clean unqualified audit opinion – the third one in five years of my tenure as CEO of the FP&M SETA.

We are also doing great work in topping up the coffers of the National Student Financial Aid Scheme (NSFAS) through

our discretionary grant funding, which assists learners to repay their loans so that they can concentrate all of their energy on their studies and building a career.

Our research studies have tracked the absorption of learner's post training, which has confirmed that for most training interventions, approximately 68% of learners who completed an apprenticeship, learnership or skills programme found employment post training.

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

THE NATIONAL SKILLS AUTHORITY AWARDS MARCH 2019

I am extremely proud to report that the FP&M SETA and its stakeholders were duly recognised once again with various awards at the National Skills Development Awards and Dinner, organised by the National Skills Authority, held on 14th March 2019. My heartfelt congratulations go to all stakeholders that were recognised by the National Skills Authority for their valued contribution to the national skills development mandate.

In the category, Best Skills Development Awards in the Sector: Fibre Processing and Manufacturing Sector:



Gold Award: Aranda Textile Mills



Silver Award: Thandeka Vocational Trust (TVETSA)



Bronze Award: Umgungundlovu TVET – Richmond Indaleni Community Skills Development Centre

Overall awards across all SETAs, skills development impact institutions, and sub-sectors

Category: Most Outstanding Skills Development Provider

Bronze Award: Aranda Textile Mills



Category: Most Outstanding SETA

The most outstanding SETA award recognises a SETA for its performance against set targets, governance, compliance, management/corporate services, the SETA's financial sustainability, partnerships, innovation and creativity.

Gold Award: FP&M SETA

Category: Minister's Award for Recognition of Most Outstanding Individual in Skills Development

The FP&M SETA CEO, Ms Felleng Yende, was recognised for her outstanding contribution to the NSDS and skills development mandate by a SETA or other skills development impact organisations relating to innovation and creativity and accessibility of information, skills development participation, accomplishment, community involvement, leadership, ethics and integrity.

Bronze Award: Ms Felleng Yende

On behalf of the FP&M SETA, I am proud to say that despite the complexity of our country and the challenges that we continue to encounter, we still manage to touch many lives, across races, class, gender, disability, status and age. As the third National Skills Development Strategy (NSDS III) emphasises, access to training and skills development opportunities is a major priority, everyone in the education and training domain must strive towards achieving the fundamental transformation of inequalities linked to class, race, gender, age and disability in our society.

In response to the industrial demands, we embarked on programmes that would respond to the skills needs in the labour market.

During the 2018/19 year, the FP&M SETA embarked on a number of key projects that included:

SUSTAINABLE JOB CREATION VENTURES - IMPELA TRADING cc AND LEATHER MANUFACTURING PRODUCTS

The state of unemployment, which currently stands at 29%, and consequential demand for urgent job-creation initiatives, calls for a spectrum of innovative strategies including maximum utilisation of local resources such as communal hides and skins.

FP&M SETA has supported this entrepreneurial initiative because the provision of appropriate skills by accredited skills development providers to facilitate engagement in the entrepreneurial value-adding chain of communal hides and skins, is indeed a viable option worth venturing into for job creation ventures.

In September 2018, 20 learners (19 females and 1 male) registered for a FP&M SETA skills programme in Applying Cutting Leather Practices. It was a 45 credit-bearing program covering cutting, and materials used in leather manufacturing processes. The training took place in premises donated by the Department of Arts and Culture, as part of their support for job-creation initiatives.



Edna Sewpersadh with some of her Leather products (top) and graduate learners (bottom) doing local sales and marketing in Ladysmith, Emnambithi, KwaZulu-Natal

After the 20 learners successfully completed their programme, Impela Trading cc, continued mentoring and providing post-learning support to the graduates. The outcome was customer-focused mastering of acquired skills, continuous improvement in quality of the products and in the processes of making and selling leather products.

With just one sewing machine and a few hand tools, the graduates made samples of leather products for overseas customers. The Department of Arts and Culture is currently mobilising other skilled handcraft experts to team-up with the leatherwork graduates in order to ensure mass production of their products.

One of the learners, Edna Sewpersadh, thrilled all at the Leather Skills Training Centre, when she produced a framed leather artwork of Tata Nelson Mandela. The artistic creation along with six matching cushions, sold for R56,000.00. According to Edna, being a mother of four and a bread winner, this sale was indeed a breakthrough in her life. She thanked FP&M SETA and Impela Trading cc Management for ushering her family to this new horizon of hope and confidence. Edna deposited the money to buy a site for her work from home, Dream Leather Business Centre. This success story was no doubt a motivation and wake-up call to many other learners, who have dreamt of establishing their own business ventures.

During the mentorship and post-learner support, Impela Trading cc, also established business relations with an abattoir in Vryheid. The abattoir is producing hides and skins and where outsourcing the leather processing. Our graduates in the mentorship programme were contracted to manufacture leather products. The abattoir was very impressed with the quality of products produced by the graduates and are certain that the outcomes of this programme will produce better quality hides and skins, add value to the products, grow the business, as well as create more employment opportunities.

VIRTUAL REALITY APPLICATION FOR TRAINING CHAINSAW OPERATORS IN THE FORESTRY SECTOR

Forestry South Africa, in collaboration with the FP&M SETA and industry partners, developed a 'virtual reality' application that gives trainee chainsaw operators a chance to test the skills they have learned in the classroom in a virtual forest. The entire virtual programme was developed on the basis of the current South African Chainsaw Safety and Operators' Handbook.

Training in many potentially dangerous fields, like the training of pilots and heavy machinery operators, has adopted virtual reality and augmented reality technologies in order to enhance its effectiveness. The Forestry industry in South Africa has been using training simulators for the past decade but this is a first for chainsaw operators. The chainsaw operator and chainsaw mechanic are some of the few critical and scarce skills in the forestry sector that could be filled by an averagely educated person from the rural landscape of South Africa and hence transform the socio-economic status of the country.

As a result of the numbers that can be accommodated for chainsaw practical training and the care that needs to be taken during the training, the training of chainsaw operators has become very costly. It is in this regard that the South African Forestry Sector was seeking for other effective, but cheaper, learner-adaptable, and injury free means of training. The virtual and augmented reality technologies present an opportunity for the South African Forestry Sector to close the identified gap.

The aim of developing the application is to provide training service providers with a tool that will help prepare trainees for taking that big step from the classroom to the field for the practical component of their training. The application provides trainees with an opportunity to practice with a chainsaw in their hands in a totally safe 'virtual' environment and allows trainers to test their competency – at relatively low cost.

Whilst the total number of chainsaw operators in large commercial plantations in South Africa has drastically reduced in recent years due to mechanisation, the trend in the small-scale and community forestry sub-sectors is going in the opposite direction, hence chainsaw operators are still considered a scarce and critical skill in the sector.

The FP&M SETA provided grant funding to the value of R3 million for this project. The application is the first in the world to incorporate sensors on a real chainsaw and immerse the experience into virtual reality for the purposes of training.



Learners practicing with a chainsaw using virtual technology at the FP&M SETA Youth Career Summit



FP&M SETA IMPROVES EDUCATION, TRAINING AND DEVELOPMENT PRACTICES IN THE SECTOR



Learners undertaking theoretical training at an ETDP workshop organised by the FP&M SETA

During the period under review, the FP&M SETA implemented a skills programme training intervention in order to increase the number of assessors, moderators, coaches and mentors in the sector. Stakeholders were trained on the following learning programmes/unit standards:

U/S ID	U/S Name	NQF Level	Credits
115753	Conduct Outcomes-Based Assessments	5	15
115759	Conduct Moderation of Outcomes-Based Assessments	6	10
114215	Mentor a colleague to enhance the individual's knowledge, skills, values and attitudes in a selected career path	4	3
117877	Perform one-to-one training on the job	3	4

The project aimed to train Education, Training and Development (ETD) Practitioners (from accredited skills development providers and TVETs) on the identified programmes to enhance the quality in QCTO learning delivery, assessment and moderation provider functions and to build capacity of workplaces and TVET mentors and coaches to effectively deliver the work experience component to the QCTO occupational learning programmes. The project set out to train 530 delegates of which 242 delegates were trained on assessor standards, 213 delegates were trained on moderator standards and 75 delegates were trained on the Mentoring & Coaching programme. The training was rolled out in all 9 provinces. All training interventions were conducted successfully.

ADDRESSING POVERTY IN TOWNSHIPS AND INFORMAL SETTLEMENTS THROUGH SKILLS DEVELOPMENT

IMPILWENHLE TRADING PROJECT

The FP&M SETA partnered with Impilwenhle Trading and provided funding to the tune of R500,000 for the training of 50 unemployed young people in order to provide poverty-stricken communities with garment production skills.

The young people selected were from the very destitute community of Welbedacht (on the borders of Umlazi Township) in Kwazulu-Natal. The learners were taken through a 3-month intense training programme, exposing them to theoretical and practical sewing skills, focusing on basic sewing skills from layout patterns, to cut, stitch and make a garment.

Learners were assessed, moderated and verified and were issued with FP&M SETA Statement of Results which carries 45 credits. On the graduation day, the learners showcased their clothes and they were each given brand new sewing machines as a start-up kit. The graduation ceremony was attended by the Deputy Mayor of the Ethekwini Municipality, Ms Fawzia Peer.

All learners were provided with domestic sewing machines so that they can create self-employment opportunities and small ventures in clothing manufacturing so that they can sew garments to sustain themselves.



TSHEPO 1 MILLION PROJECT

Tshepo 1 Million is an initiative by the Office of the Premier: Gauteng, which is meant to provide young people in Gauteng, who are unemployed and looking for ways to access occupational skills and learning, with skills that will prepare them for the world of work.

In response to the call by the Premier of Gauteng, the FP&M SETA responded by investing R2.25 million by providing 75 learners with a learnership in Furniture Making. These learnerships were facilitated by an FP&M SETA accredited skills development provider, Morentho.

The programme was successfully implemented and the learners were certified in furniture making. These types of interventions have opened up doors to these learners to help them pursue entrepreneurship opportunities or to increase their potential to find meaningful employment in furniture, upholstery and cabinet making.

This type of partnership between the SETA and Provincial Government demonstrates the SETA's commitment to



engaging with all spheres of society and responding positively to projects that can make an impact in the lives of our people.

PROJECTS PLANNED FOR IMPLEMENTATION IN 2019/20:

The outcome of the following projects is aligned to FP&M SETA's commitment to Government's vision for the creation of decent jobs. The realisation of this project is due to the CEO's focused engagements with industry for employment-based training, thus committing employers to guarantee job placement post training:

(i) National Clothing Bargaining Council Sector Project in Partnership with Clothing Manufacturing Employers and Labour - Vision 2025 delivering over 6000 jobs.

In light of the outcomes of the Jobs Summit of 2019, the creation of decent, quality and sustainable jobs is a Government priority and a human rights issue. The Board approved funding of approximately R11 million for the National Bargaining Council Clothing and Textiles Job Creation Project – 2025. The National Clothing Bargaining Council is negotiating with employers to commit to the creation of more jobs in the clothing sector, with which they are comfortable. The FP&M SETA will launch the first phase of approximately 500 learners by December 2019 at the latest, which will be split between learnerships and skills programmes.

(ii) The Celrose Clothing 600 Job Creation Project

Celrose Clothing is a large clothing employer that manufactures branded clothing for large retailers such as Edgars, Truworths and Woolworths. This project is also aligned to the "Buy Local" and "Proudly South African" campaign.

To date, Celrose Clothing has already gainfully employed 600 new workers over the last two years. Most of the new workers were selected and recruited through FP&M SETA training interventions. Celrose Clothing intends recruiting a further 600 unemployed youth from previously disadvantaged and designated groups during the 2019/20 financial year and the FP&M SETA Board has approved funding to the value of R 5 million for implementation of this project.

FORWARD LOOKING STRATEGIC PLANNING – RESPONSE TO GAZETTE 41856 AND THE NATIONAL SKILLS DEVELOPMENT PLAN

I would like to place on record my sincere gratitude to all stakeholders for their valued and insightful feedback and comments on the draft document of the National Skills Development Plan and a response to Gazette 41856 on the proposed New SETA Landscape for Sector Education and Training Authorities post 31st March 2020.

In terms of the gazette, it is proposed that the FP&M SETA merge with the MERSETA in order to streamline and integrate the value chain of inter-related and inter-dependent sub-sectors of manufacturing. Written comments and feedback were received from FP&M SETA stakeholders and views expressed during national workshops were forwarded to the Department of Education and Training. FP&M SETA made presentations at the National Skills Authority Provincial Hearings and the National Skills Authority on the NSDP and the new SETA landscape.

Government Gazette No.75: Promulgation of the National Skills Development Plan (NSDP)

On the 07th March 2019, the Honourable Minister of Higher Education and Training, Dr Naledi Pandor (MP), after consultation with the National Skills Authority, promulgated the National Skills Development Plan to improve skills development. The NSDP is key to enabling government and social partners to contribute towards economic growth, employment creation and social development.

Looking ahead to 2020, we are looking forward to closing the chapter on the NSDS, with the introduction of a new strategy – The National Skills Development Plan (NSDP). The NSDP and the new SETA landscape will be ushered in on 01st April 2020. The focus will be on greater co-operation between education and training institutions and the workplace, expanded access, improved quality and increased diversity of provision, and a PSET system that is responsive to the needs of individual citizens and to employers in both public and private sectors, and that meets broader societal and developmental objectives.

It must be noted that the former Honourable Minister of Higher Education and Training, Dr Blade Nzimande had promulgated and extended the National Skills Development Strategy III (NSDS III) from to 01st April 2018 to 31st March 2020.

The FP&M SETA acted decisively to counteract the uncertainty of staff through the introduction of programmes such as a wellness and support programme and, more importantly, to fully support training of staff to better their opportunities for growth and career development.

We look forward to continuing with our important work in developing future perfect skills development initiatives for the sector under our currently established FP&M SETA.



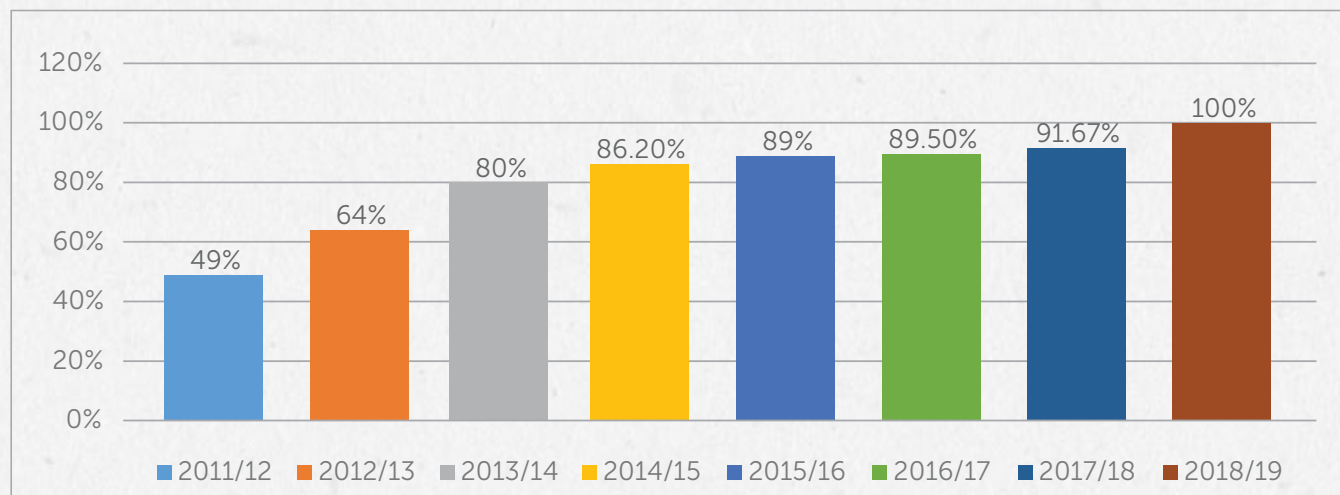
FP&M SETA PERFORMANCE 2018/19

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

All stakeholders synergised their efforts in order to achieve the strategic objectives and targets contained in the FP&M SETA Strategic Plan 2015/16-2020/21 and Annual Performance Plan 2018/19-2020/21.

The SETA endeavoured to deliver on its mandate, and adhere to and exceed delivery targets as set out in its Annual Performance Plan and DHET Service Level Agreement (SLA). It is pleasing to report that the overall FP&M SETA performance is on an increasingly upward trajectory since its establishment in 2011.

Overall FP&M SETA Performance 2011/12-2018/19 - SETA Funded and Industry Funded Achievements



MANDATORY AND DISCRETIONARY GRANT ALLOCATION AND EXPENDITURE

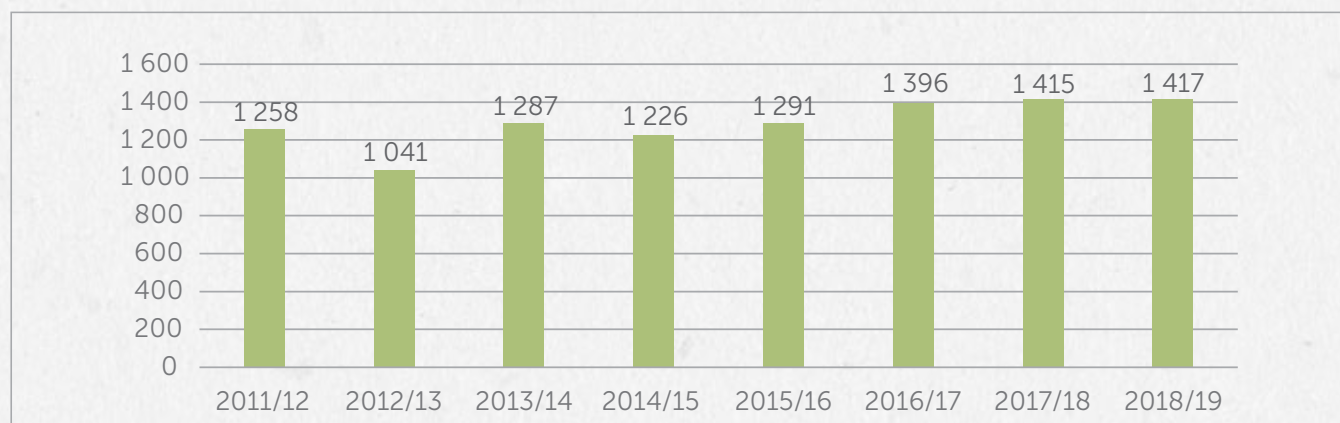
Since establishment in 2011, there has been an increase in the overall number of mandatory grant submissions (WSPs/ ATRs) received. This is indicative of our efforts to broaden participation in skills development in the sector and promoting sector development and sustainability.

Both mandatory and discretionary grants of the SETAs must support training of both employed workers and the unemployed.

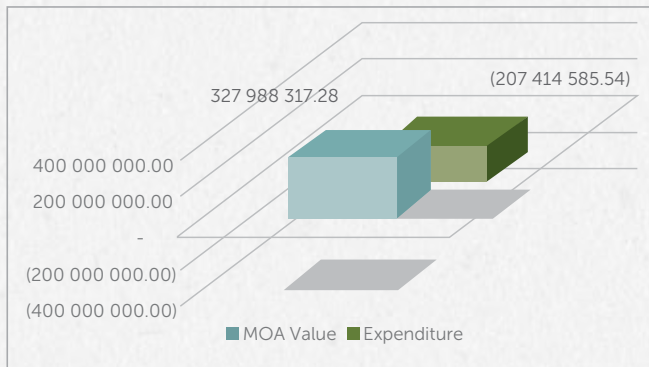
The FP&M SETA supported 1,417 companies, which were paid mandatory grants and whose data was analysed to provide a sector overview and labour market information for the Sector Skills Plan.

A successful partnership with NSFAS to support bursary programme to address middle to high-level skills needs in the FP&M sector has been established. We have made a commitment of approximately R20.8 million towards the NSFAS in 2018/19. In addition, we have established direct bursary partnerships with three higher education and training institutions, amounting to approximately R11 million.

WSP/ATR Submissions 2011/12 - 2018/19



2018/19 MOA Value vs Expenditure



Total discretionary grants allocated for 2018/19 for a variety of learning programmes, special projects, sectoral priorities and critical partnerships amounted to approximately R327 million.

The implementation of PIVOTAL programmes, especially high-level and middle-level skills (learnerships and apprenticeships) contributes extensively to the improvement of productivity in workplaces and job placement of unemployed graduates.

The FP&M SETA prioritises artisan training because of the nature of the specific middle-level occupational skills required by the sector. Approximately R54 million in the current year was allocated for artisan development in the sector by advocating effective partnerships between employers, TVET colleges and the FP&M SETA to assist in the funding of 375 apprentices entering artisan programmes.

The FP&M SETA committed approximately R72.2 million for learnership implementation in the sector for approximately 3,164 employed and unemployed learners entering learnerships that are occupationally-based programmes.

The FP&M SETA Board has allocated funds to ensure that middle and high-level occupations in demand are being

addressed by work-ready graduates from TVETs and higher education institutions. In order to contribute to the development of world class skills to address sustainability of sectors, the FP&M SETA collaborates with a number of TVETs and HEIs by funding work-integrated learning programmes for both undergraduate and graduate learners from TVETs and HEIs. Just under R32 million was approved by the Board to support work-integrated learning for learners from TVETs and HEIs in order to address graduate employment in the sector.

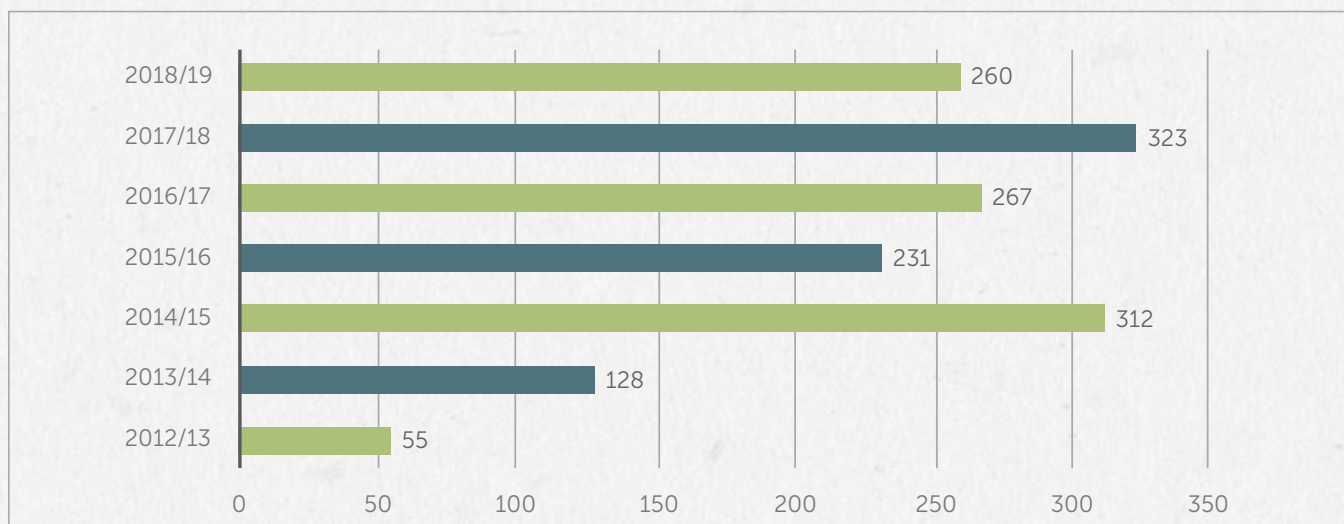
For the period under review, it must be noted that the SETA exceeded its targets for unemployed learners entering into PIVOTAL interventions (bursary, learnership, internship and skills programmes), recording an achievement percentage of 114%.

The FP&M SETA exceeded targets by implementing focused projects to address basic skills gaps which relates foundational skills with illiteracy and poor numeracy skills in the FP&M sector. Targets for entering and completing adult education and training programmes were easily achieved during the reporting period.

In order to improve sustainability, enhance sector growth and address skills imbalances amongst workers in the sector, the FP&M SETA supported workers entering into learning programmes. It is indeed pleasing to note that targets for workers entering and completing PIVOTAL and skills programmes were exceeded for the financial period 2018/19. Training of employed workers addresses critical skills, enabling improved productivity, economic growth and the ability of the workforce to adapt to change in the labour market.

Predominantly Black-Owned emerging co-operatives, small businesses, CBO's, Trade Unions and NLPE's were supported with technical and developmental support and training, which also included financial, marketing and business management programmes.

Discretionary Grant Expenditure 2011/12 - 2018/19 R'million





Discretionary grant expenditure declined during 2018/19 when compared to 2017/18, due to delays in contracting with approved project beneficiaries for discretionary grant projects.

SETA PERFORMANCE ON LEARNING PROGRAMME IMPLEMENTATION

In line with the above expenditure trend, the FP&M SETA recorded approximately 8,911 learner registrations and approximately 6,646 learner completions during the 2018/19 financial year. This is mostly due to increased monitoring of projects, as well as more efficient certification processes.

The FP&M SETA supported approximately 15,557 employed and unemployed learners through different learning interventions such as learnerships, apprenticeships, bursaries, internships and skills programmes to address occupations in demand within the FP&M sector. These occupationally-directed programmes promote skills development in the workplace, enhancing their skills, enabling better productivity and addressing scarce and critical skills within the FP&M sector through PIVOTAL interventions.

Rural Development

In order to address rural development, the FP&M SETA Board approved a number of dedicated projects with a view to address poverty alleviation and youth unemployment in rural areas.

Our success must be viewed against the key transformation imperatives of the NSDS III:

- Blacks: More than 95% black learners;
- Gender: More than 50% female learners;
- Age – Youth: More than 85% of unemployed learners are younger than 35; and
- Disability: Approximately 3.2% of the learners were disabled and received training during the period under review.

RESEARCH

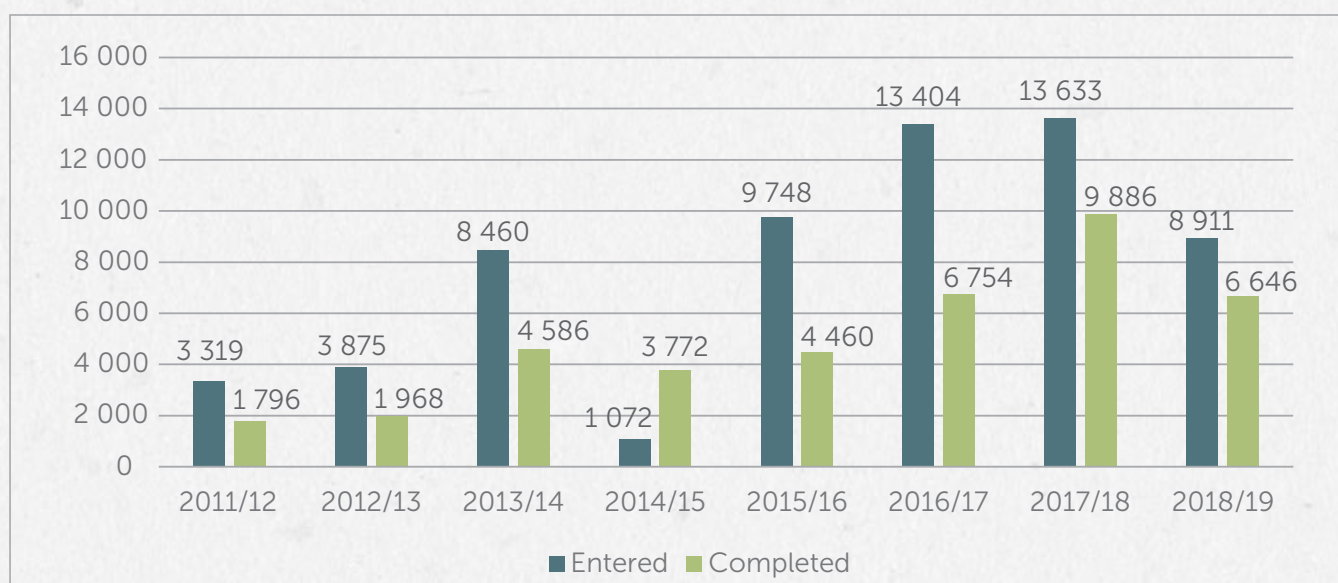
Year-on-year there has been a marked improvement in the overall quality and alignment of FP&M SETA's Strategic Plan, Annual Performance Plan and Sector Skills Plan.

These strategic documents are fully aligned to the core mandate and strategic objectives of the National Skills Development Strategy (NSDS), the 2030 vision of the National Development Plan (NDP), the key priorities of the Medium Term Strategic Framework of Government (MTSF), the Medium Term Expenditure Framework of Government (MTEF), the Human Resource Development Strategy of South Africa (HRDSSA) and the Industrial Policy Action Plan (IPAP).

The 2018/19 Sector Skills Plan was the organisation's key document, which was produced in collaboration with the FP&M SETA stakeholders and capitalised on FP&M SETA primary and secondary research, and industry research projects on key strategic issues that impacts on the FP&M sector. The Sector Skills Plan continues to receive excellent reviews from the Department of Higher Education and Training. The FP&M SETA produces a well-researched SSP, together with a sector analysis, to enable effective skills planning for the sector. The FP&M SETA Sector Skills Plan (2018-2022) is aligned to DHET's SSP Framework. It provides a sound analysis of industrial sectors and articulated sector strategies that addresses current and future scarce and critical skills and occupations in demand within the sector.

Skills shortages are rated as one of the most important factors hindering the success, competitiveness and sustainability of companies within the FP&M sector. In the medium-term, the FP&M SETA endeavours to be an important contributor in supporting the growth of small, medium and micro enterprises through skills development, improving access to quality and occupationally-directed programmes, ensuring that a pool of talent gives the FP&M sector a quantum leap in world-class manufacturing strategies.

Learning Programmes Implementation Since Inception



In our quest to improve research capacity and expertise within the FP&M sector, I can report that our multi-faceted research partnership with WITS REAL continues to thrive. The focus of this partnership centres on the following:

- To foster research and expand graduates with expertise that become sector experts and adds value in the sector;
- To research projects that provide insights into FP&M sub-sectors;
- To conduct research into the sector for the purpose of updating and revising the Sector Skills Plan in line with DHET requirements; and
- To evaluate the impact of FP&M SETA-funded programmes.

It is pleasing to note that a record number of small, medium and large firms have made mandatory grant submissions that have contributed to the improvement of quality and quantity of labour market information.

The FP&M SETA contributed extensively to the DHET's Labour Market Intelligence Partnership (LMIP) through our comprehensive understanding of current supply and demand for skills in the FP&M sector.

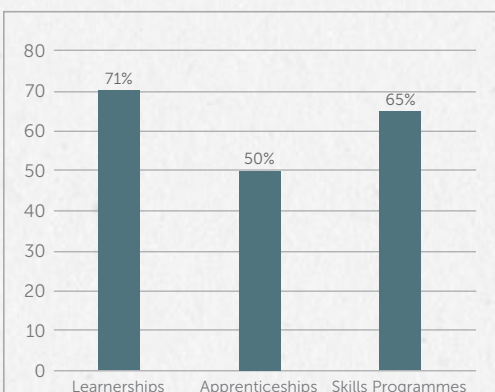
During the reporting period the following key research tasks were conducted:

- Global and Domestic Industrial Policy and Strategy Environment and Trends within the Fibre and Processing Manufacturing Sector:** An analysis of economic trends and associated industrial policy relevant to the Sector:

It uses data from international literature and country case studies to identify where major opportunities lie for the sector, and where South African industries are and may experience growing competition. It explores lessons from other countries with regards to government policy interventions in the sector to support growth, employment and skills development.

- The FP&M Informal Sector:** This study seeks to understand, explore, and document key features, challenges, and skills needs in the informal economy with a view to identify opportunities for skills development that will support informal businesses within the FP&M affiliated sub-sectors. The study therefore seeks to provide an understanding of the nature of informal businesses in the FP&M sector and assess the nature and character of labour and skills in the sector.
- CSTO Office Project:** Phase II Research was conducted, on the piloting of The CSTO Office project between FP&M SETA and Jet Education Services regarding the opening of SETA-TVET Offices located in TVET Colleges with a view to improving the CSTO-TVET Model.
- Impact Study:** As part of our commitment to ensuring that the usage of our funding has impact on the lives of learners, enhances employability prospects and the South African economy and society at large, we conducted research to ensure that our performance against our objectives can be measured. Some of the key findings of the Impact Study conducted during the year under review reflect the following:

Employability



Overall, the study found that 68% of learners in learnerships, apprenticeships and skills programmes found employment. Of this, 10% are engaged in self-employment.

TRANSFORMATIONAL IMPERATIVES

Indicate whether training has contributed to the following:	Yes	No	Not Sure
An increase in the proportion of skilled posts being filled by black people (African, Indian, coloured)	78%	7%	15%
An increase in the proportion of managerial and supervisory posts being filled by black people	55%	26%	19%
An increase in the proportion of skilled posts filled by women	71%	15%	15%
An increase in the proportion of managerial and supervisory posts being filled by women	48%	28%	25%
An increase in the number of people with disabilities employed in the organisation	25%	44%	31%
Increased wages/salaries levels of existing employees	48%	31%	21%
Increased literacy and numeracy within your workforce	72%	12%	16%

Employee sentiment is that skills development has contributed to positive outcomes.

It is critical that our research agenda must focus on what the skills of the future will look like, and how to prepare for this new reality. Due to the specialised and highly technical nature of the FP&M industry, the need for knowledge-based workers with high-level skills and competencies is a priority need. Research must inform planning for skills for the next 30 years if we are to address the competitiveness and sustainability of our industries in the long term.

Sector Research commissioned by the Sector and funded by the FP&M SETA included the following:

- i. Printing South Africa - Printing, Packaging and Signage Market Research.
- ii. National Clothing Bargaining Council in partnership with Nagoya University in Japan - industry skills assessment for the Clothing Manufacturing Industry Productivity and Training Institute.

CAREER AND VOCATIONAL GUIDANCE

I am particularly heartened by the impact we are making in the area of career awareness – career awareness is where it all starts. It is the first step in our skills pipeline and is a particularly important one, as it determines where youngsters will end up and how they will contribute not only to their own development, but to the growth and well-being of the country.

The career portal launched in 2017/18 continues to be an invaluable resource to the sector and its popularity is reflected in the growing numbers of users of the site, who visit for general career and job-seeking advice. A team of FP&M SETA employees and a career portal administrator has been trained on the career portal.

The career portal is live and can be accessed through the FP&M SETA website and our stakeholders have been advised about the career portal during the Discretionary Grant workshops held during the period under review. Learners that have completed FP&M SETA sub-sector related training have been uploaded on the career portal. The DHET IWIL site URL has been integrated onto our career portal. Additional functionalities are being added to the career portal for more advanced mobility and simple registration. The portal will soon facilitate job placements between employer and job seekers that are skilled, qualified or are interested in getting skills and qualifications in the FP&M SETA sub-sectors.

Another connection in our skills pipeline, the career awareness programme, continued to thrive during the year, with the production and dissemination of an updated career guide. The FP&M SETA also supported a number of career exhibitions in order to expose school learners and educators to FP&M occupations. The DHET organised career events and career guidance exhibitions, which were hosted by municipalities and sector stakeholders were supported. These included:

CAPE MEDIA – FP&M SETA YOUTH CAREER SUMMIT, OCTOBER 2018

The main objective of the SETA is to strengthen the quality of

the new entrants into the FP&M industry. This was achieved by empowering grade 10 to 12 learners with the relevant information about the various industrial sub-sectors of the FP&M SETA, which was held at Gallagher Estate Convention Centre in October 2018.

This allowed the learners to timeously make an informed decision about career opportunities available in the sector. It is important to note that young people are often sent to schools and tertiary institutions to gain a certain level of education in order to form part of the working class. Unfortunately, this happens without them having received proper knowledge of the different career fields and opportunities available to them.

The Summit provided various funding and career opportunities, as well as information on learnerships and internships. This was achieved through a series of expert speakers from various fields. The learners were given the opportunity to engage with the speakers through lively Q&A sessions, thus getting the answers to the questions that affect them the most. There was also time during the days to visit the approximately 58 exhibition stands, further increasing their knowledge of the myriad career opportunities available to them.

Economic growth is everyone's responsibility. It is important that young people understand that there are a variety of opportunities that don't exclusively require a university qualification.

IMPORTANT MESSAGES TO OUR LEARNERS DURING THE FP&M SETA CAREER SUMMIT

1. Dr Naledi Pandor (MP) – Honourable Minister of Higher Education and Training



The Minister of Higher Education and Training, Dr Naledi Pandor (MP), opened the first day of the FP&M SETA Career Summit and Expo 2018 by welcoming approximately 500 learners and all those present. The Minister told the learners how fortunate they were to attend a summit of this kind, which offers career guidance to school leavers.

Honourable Minister Pandor stated the following: "Since the inception of our democracy in 1994, we have been fortunate that our government has focused on education as one of its main priorities and it is probably because of that, that our country is one of the countries on the African continent that has achieved what is called universal access to education. That means all our children who should be in school have a

school that they go to. It is wonderful that our country has made such an achievement."

The second important aspect of progress that the Minister shared is the fact that we were lucky to have a President, as the first Honourable President of a new democratic South Africa, Dr Nelson R. Mandela, who in his first speech in Parliament SA in 1994 made announcements which would have an impact on young people in our country for a very long time.

Honourable Minister Pandor encouraged learners to focus on maths and science, and to aim to achieve at least 50% and above, and government will provide the support. She continued to say that training programmes that have some relationship to the skills required in the workplace and industry should be offered to all those leaving schools and entering into universities and colleges.

The Minister was excited that the learners were given such an amazing opportunity to be exposed to a set of career paths and skills which are in great demand within South Africa. Concluding her address the Minister said, "Take this opportunity being given to you at this Career Summit to learn as much as possible and to really start setting your mind to various opportunities. The world is your oyster."

2. Mr Buti Manamela (MP), Honourable Deputy Minister, Department of Higher Education and Training



Mr Buti Manamela (MP), Honourable Deputy Minister, Department of Higher Education and Training stated: "These are the kinds of moments where we can determine our future. Our parents and your parents had fewer opportunities available to them, so you, the learner, needs to grab this day with both hands and make the most of it. The most our parents could be were nurses, educators and domestic workers, and while those are all jobs, which people can be proud of, you have the ability to achieve that and more, you can affect the future of this country by being pro-active. You have better opportunities – some of you want to be scientists or geologists, or you want to enter into some other amazing career, and these are all available to you – today you will be exposed to these opportunities.

Some of you don't want some of the mainstream jobs like doctors, scientists and geologists, so as the government, what we have been doing is spending money on TVET Colleges because the country needs people with technical skills, like artisans. These people can often be creators of employment, which is what our country needs.

We all know that the government has been rolling out free higher education programmes, so there is no excuse for any of you. TVET Colleges and universities are waiting for you."

3. Mr Steven Thobela: CEO Printing SA

Mr Steven Thobela is the CEO of Printing SA, and he shared the importance of the print industry to the crowd of learners and explained who Printing SA is and what their mission and goals are.

He went on to say that Printing SA represents the interests of the printing and packaging industry, ensuring that it is sustainable and that all its stakeholders prosper. Printing SA is involved in various programmes that help and assist learners, including those that never had the opportunity to attend higher learning institutions. Mr Thobela encouraged the learners to look up Printing SA and the private technical college which they run in the country, as the industry requires various skills.

4. Snethemba Harmans: Employee at TFG and Graduate from TVET SA (Pty) Ltd

Snethemba Harmans started his own clothing line in 2016. He completed his National Certificate in Clothing Manufacturing Processes NQF Level 2 at Thandeka Vocational Educational Trust (Pty) Ltd; an accredited training provider which specialises in skills development within the clothing and textile manufacturing sector.

He was honoured to be able to share his story with the learners. Harmans explained to the learners, that although his life was not easy, he still managed to reach his dreams he had set for himself. His final words to the learners at the Skills & Career Expo was the following: "Find your passion, if you're doing what you love, learning will never be difficult and working hard will never be a burden."

Harmans' message was very short and sweet, yet powerful for the learners present at the FP&M SETA Skills & Career Development Summit 2018: "Anything is possible!"

NELSON MANDELA INTERNATIONAL CAREER DAY

The annual Mandela Day Career Development Festival held by the Department of Higher Education & Training provided approximately 3,600 high school learners and NEET Youth from the surrounding rural and semi-rural areas the opportunity to interact with and get career guidance and information on study opportunities, funding, learnerships and scholarships direct from industry professionals. With the Mandela Day Career Development Festival, the DHET together with the SETAs took action to inspire change in the lives of South Africa's youth and their journey to achieving success by ensuring that they have the right information to make informed decisions for their future.

SA BOOK FAIR

The South African Book Development Council (SABDC), in association with the Fibre Processing and Manufacturing

SETA, implemented a re-imagined national book fair. Seated within National Book Week, the Fair facilitated the telling of a multitude of South African stories. The mandate is to grow and develop South Africa's book industry; and to reposition the South African Book Fair (SABF), which had previously served a traditional, established market, as a Fair that is more widely accessible and is representative of South Africa as a whole.

CAREER GUIDANCE

The FP&M SETA engaged with approximately 122 high schools across the country to provide important career information and guidance to our youth so that they are able to make informed career choices.

QUALITY ASSURANCE

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

The FP&M sector stakeholders are also aligning themselves to the current FP&M SETA, QCTO, SAQA and DHET national policies by participating in the workshops to develop occupational qualifications and accredit skills development providers against the occupational qualifications and trades.

QCTO QUALIFICATIONS DEVELOPMENT

It is pleasing to note that during the period under review, the FP&M SETA has developed and submitted to QCTO for evaluation, a total of 153 occupationally-directed qualifications and part- qualifications, aligned to the curriculum requirements and the new qualifications framework of the QCTO. To date a total of 47 occupational qualifications and trades has since been registered with SAQA for implementation, 107 are with SAQA for registration and 4 are with the QCTO evaluation committee for approval purposes.

The FP&M SETA went further and established a Quality Assurance Task Team (QATT) whose responsibility was to ensure that there is a smooth transition in terms of implementing QCTO occupational qualifications. The QATT has developed the AQP Policy and tools/forms, which have been approved by both the Quality Assurance Committee (QAC) and Board of the FP&M SETA.

The FP&M SETA further supported the qualifications development processes, and has had a number of engagements with the SAQA and the QCTO to enable recognition of part-qualifications as a qualification in its own right. Subsequent to this engagement, the endorsement was ultimately upheld. The industry is now re-aligning their part-qualifications to a qualification.

The FP&M SETA has also taken on an initiative to not only supporting its stakeholders with the ETDP training courses

alone, but also embarked on External Integrated Summative Assessment (EISA), and Learning Material Development which will be given to skills development providers that will be applying for accreditation with the QCTO against the FP&M SETA occupational qualifications.

Our strategic partnerships and collaboration with TVET colleges have yielded excellent results, and three TVET colleges have been recognised as Institutes of Sectoral and Occupational Excellence, namely Boland College in the Western Cape, Greater Letaba TVET College in Limpopo and Majuba College in Kwazulu-Natal.

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

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

GOOD CORPORATE GOVERNANCE

The organisation has established a culture of good corporate governance through the implementation of approved policies and procedures. We are aware of certain risk areas and have worked on focused risk assessment exercises with the various divisions. Capacity building workshops were conducted with management to address early signalling of risks, risk identification, root causes and the implementation of controls. The division implemented practical interventions to alleviate potential risks that could adversely affect efficiencies in service delivery.

Compliance with good corporate governance is regarded as a cornerstone of our successes and achievements. For me, having a robust and effective monitoring and evaluation division is critical to successful implementation of the strategy and achieving performance.

RISK MANAGEMENT

Our integrated organisational risk management framework is excellent in mitigating risks that have the potential of affecting the achievement and delivery of FP&M SETA's strategic objectives and core mandate.

PROJECTS DELIVERY

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

Continuous improvement of processes also included the periodic review of contracts and projects to ensure validity and completeness of information. Where contracts

were deemed as non-performing, funds were swept and allocated towards areas of critical need.

MONITORING & EVALUATION

One of our priorities in the last financial year was to implement a fully functional and robust monitoring and evaluation strategy, amongst others, to enhance project management of the DG funded projects and compliance of the skills development providers with their accreditation criteria. The Division also started with the implementation of its Phase 2 Implementation Plan, which is the monitoring of the SETA's core divisions, namely Quality Assurance, Projects and Skills Planning and Reporting, with a view of checking compliance with their respective policies and procedures.

In the execution of its tasks, the Division engaged the services of the independent Sector Skills Advisors with a view to obtaining an objective perspective on the discretionary grant projects implementation and the compliance of the skills development providers with their accreditation criteria. Positive feedback has been received from stakeholders, who indicated that with the monitoring conducted, they have been able to keep to high standards of performance which is aligned to the SETA's mantra of future perfect skills development. Nationally, approximately 570 discretionary grant projects were monitored and 496 skills development providers were audited during the period under review.

Independent Sector Skills Advisors conducted follow-up site visits on discretionary grant projects and skills development providers, where discrepancies were identified. The follow-up site visits were to ensure the identified discrepancies are closed-out, within a specific timeframe.

The SETA has noted with appreciation that stakeholders are warming to the site visits conducted, as this assisted both parties with a smooth and efficient implementation of the discretionary grant projects, as well as tight compliance.

GENERAL FINANCIAL REVIEW OF THE PUBLIC ENTITY

The FP&M SETA, as guided by the *Public Finance Management Act (PFMA), (Act 1 of 1999)*, has the ultimate objective of promoting sound financial management in order to maximise the delivery of SETA services through the efficient and effective use of limited resources and financial prudence in addressing specific areas of cost containment in implementation of the SETA mandate.

Revenue Collection

	2018/2019			2017/2018		
Sources of Revenue	Estimate	Actual Amount Collected	(Over) / Under Collection	Estimate	Actual Amount Collected	(Over) / Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
SDL levies	R339,552	R354,502	R (14,950)	R347,025	R340,147	R6,878
Penalties and interest	R9,030	R6,036	R2,994	R5,250	R7,300	R (2,050)
Investments	R41,113	R39,845	R 1,268	R25,482	R39,415	R (13,933)
Donor funding (Create SA and DAC)	-	-	-	-	-	-
Other revenue	-	R127	R (127)	-	R4,550	R (4,550)
TOTAL	R389,695	R400,510	(R10,815)	R377,757	R391,412	(R13,655)

During the current financial year, the FP&M SETA received R354.5 million in Skills Development Levy (SDL) income.

SDL income was monitored against the budget on a monthly basis. The SETA remained within the 10.5% administration budget threshold for the 2018/19 financial year.

SDL income was increased by R1,289,000 as a result of the reversal of the provision in the current financial year for firms that fall below the R500,000 threshold level, and receipt of these funds has now accumulated for 5 years.

Penalties and interest (R6 million) were received by the FP&M SETA as a result of late payment of SDL by employers to SARS. Other revenue (R127,000) was generated from fees paid by learners to re-write examinations relating to apprenticeship programmes and insurance refunds.



CAPITAL INVESTMENT

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

- During the reporting period, all excess funds were transferred monthly to the CPD account of the SETA that is held with the South African Reserve Bank. The excess funds were based on monthly cash flow reports. All interest has been capitalised on a monthly basis.
- During the year, assets valued at a cost of R67,000 (and accumulated depreciation of R50,000) were written-off because they have been made redundant.

The FP&M SETA's financial performance has improved steadily, with significant strides being made to ensure adequate financial and administrative controls to deliver prudent financial management, with strict adherence to generally acceptable accounting practices and National Treasury regulations.

Revenue received in 2018/19 was reported at R400.5 million (2017/18: R391.4 million).

SDL income amounted to R354.5 million (2017/18: R340.1 million) and was allocated in line with the *SETA Grant Regulations*, which came into effect on 01st April 2013:

- Administration expenditure - R42.6 million (2017/18: R43.6 million).
- Mandatory grants expenditure – R67.5 million (2017/18: R63.6 million).
- Discretionary grants expenditure – R260.7 million (2017/18: R322.9 million).
- Penalties and interest income received for late payments made to SARS amounted to R6 million (2017/18: R7.3 million).
- Donor funding, for which the conditions were met, amounted to nil (2017/18: nil).

- Other revenue amounted to R127,000 (2017/18: R4.5 million).
- Investment income earned totalled R39.8 million (2017/2018: R39.4 million).

INVESTMENT STRATEGY

The FP&M SETA invested excess funds with the Corporation of Public Deposits (CPD) as per *Section 31.3.3* of Treasury Regulations. The average interest rate for the year totalled 7,23%.

ADMINISTRATION EXPENSE

The disbursement of both administrative and grant expenditure was conducted in a responsible manner and in line with the budget approved by the Board for the period under review.

The total administrative expenditure totalled R42.6 million (2017/18: R43.6 million).

Administration expenditure was contained within the 10,5% threshold for administrative expenditure as a result of stringent financial management and the implementation of cost saving measures.

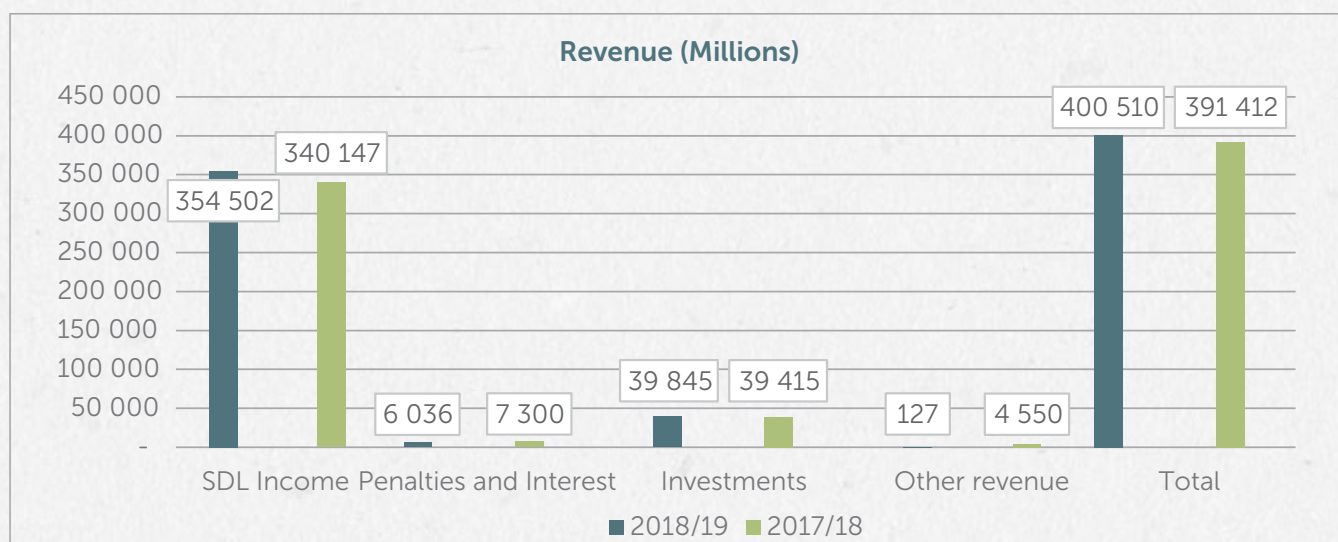
MANDATORY AND DISCRETIONARY GRANT EXPENSES

The mandatory grant expenses totalled R67.5 million (2017/18: R63.6 million).

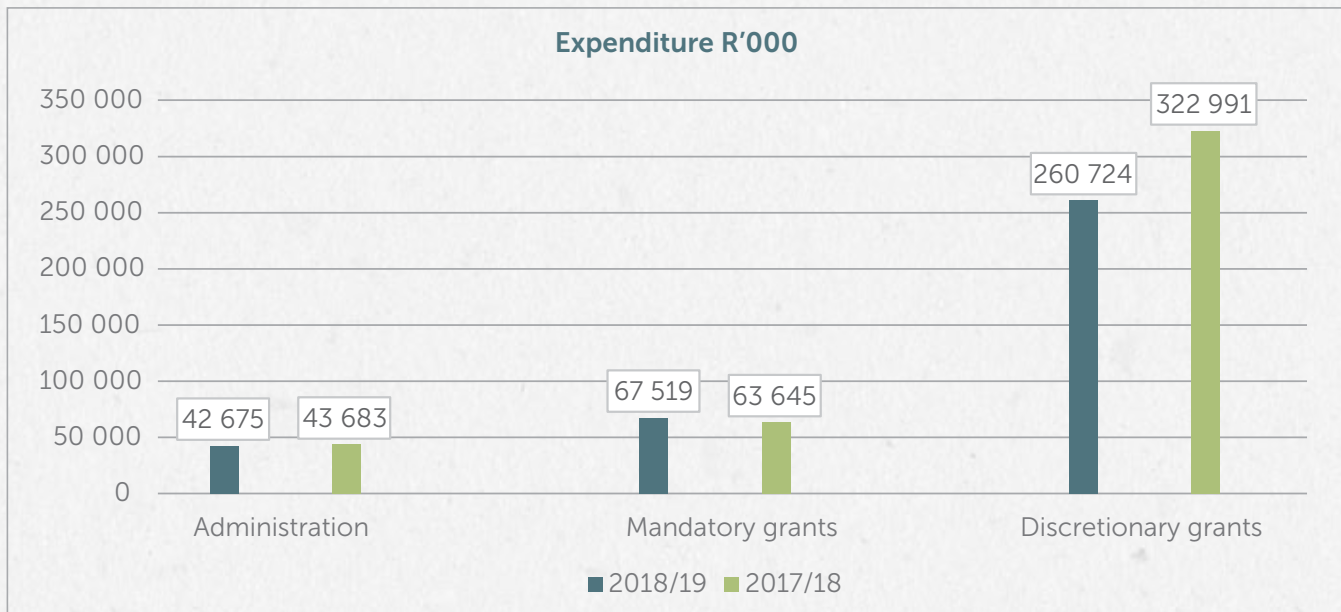
Mandatory grants expenses were greater in the current financial year due to greater levy income received as compared to last year.

Discretionary grant and special projects expenses totalled R260.7 million (2017/18: R322.9 million).

Revenue Trends



Spending Trends of the FP&M SETA



INFORMATION TECHNOLOGY ENVIRONMENT

Tech Advancements

The FP&M SETA has invested in solutions that will bring added value to our stakeholders and allow the organisation to be efficient in delivering its service mandate. Some of our solutions have resulted in cost saving and improved functionality. For example, our VOIP telephone system allows calls to be directed to any FP&M SETA office, thereby ensuring that our stakeholders can always contact our offices and get a response.

Improved Internet Bandwidth for fast and easy access to the systems was implemented. We also increased our server processing capabilities so they can handle more queries faster and seamlessly.

We are working on improving our Enterprise Resources Planning (ERP) and Management Information System (MIS) functionality and integration. The system is designed to provide an end to end solution for the organisation and its stakeholders, however we need to improve the processing of information and make it more user-friendly.

Backups

Our IT environment is very stable with daily, weekly and monthly data backups being performed. We have disaster recovery sites for our offices in Johannesburg, Durban and Cape Town. This will guarantee business continuity in case of a disaster. In 2017, our offices burned down but we were able to recover and continue operating within 48 hours of the major incident – this is proof that our disaster recovery measures are sufficient and reliable. We also conduct bi-annual Business Continuity and disaster recovery tests to mitigate potential risks.

Security

We have live monitoring security systems that aid in combating and preventing cyber-attacks. Our IT infrastructure is setup with demilitarised zones, firewalls, and Intrusion detection systems and high-end antivirus programs. All these solutions ensure that our stakeholder's data and information is kept secure and confidential. As part of our controls we conduct regular access reviews.

IT Audit

The FP&M SETA system has been audited by the Auditor-General of South Africa in the last financial year and there has been no major findings against our systems, policies and practices.

CAPACITY CONSTRAINTS AND CHALLENGES

The FP&M SETA did not experience any significant financial constraints or challenges during the period under review.

Challenges in discretionary grant contracting with external stakeholders resulted in delays in delivering against project implementation timeframes.

NEW OR PROPOSED ACTIVITIES

Discretionary grant applications for the implementation of new projects have been received from stakeholders in the FP&M sector and have been approved by the FP&M SETA Board. Discretionary allocations will address the pre-determined targets as set out in the 2019/20 Annual Performance Plan, which is aligned to the extended NSDS.

REQUEST FOR THE ROLLOVER OF FUNDS

A request to rollover funding was submitted to National Treasury on 31st July 2019. The FP&M SETA applied to retain Discretionary grant reserves to the amount of R497.8 million. The response from National Treasury is pending.

SUPPLY CHAIN MANAGEMENT

The FP&M SETA complied with all prescripts of SCM legislation, aligned to National Treasury regulations. I am pleased to report that we have zero tolerance on non-compliance, fraud and corruption with regard to procurement of all goods and services for the organisation and SCM division has controls in place to mitigate non-compliance. The Supply Chain Management and Travel Policy were amended in line with National Treasury latest legislation and instructions.

During the year under review, the following bids were positively concluded:

- Implementation and maintenance of an integrated Management Information System;
- Lease of office premises in Durban (KwaZulu-Natal);
- Internal Audit Services; and
- Education, Training & Development (ETD) capacity building programmes.

The SETA requested National Treasury for extension of contracts and National Treasury approved extension of the following contracts:

- SoluGrowth (Pty) Ltd - Implementation and maintenance of an integrated Management Information System.

AUDIT REPORT MATTERS IN THE PREVIOUS FINANCIAL YEAR (2018/19)

The FP&M SETA received its third clean, unqualified audit-opinion in the 2018/19 financial year, which is a testament to our pursuit of total compliance, good corporate governance and service delivery excellence.

KEY NOTEWORTHY AUDIT SUCCESS AREAS FOR THIS FINANCIAL YEAR (2018/19):

Audit Outcomes on Performance Information as reflected in the Final Management Report of the Auditor-General:

- The entity has improved from the prior year with regards to the reporting of performance information as no material misstatements or material adjustments have taken place.
- The entity has improved from the prior year as no material non-compliance was identified in the current year.
- Performance evidence supplied by the entity to the Auditor-General was deemed sufficient and appropriate. Performance information for Learning Programmes and Projects was considered to be useful and reliable.

Remarks on the Audited Financial Statements as reflected in the Final Management Report of the Auditor-General:

- The overall financial viability of the entity is considered good. The entity has a strong cash management position, the net current asset and net asset position is above the norm and creditors are being paid within reasonable timeframes.
- The entity was commended for submitting financial statements that were free from material misstatements.

Status of Implementation of Commitments and recommendations made by the entity to address the prior year's and current year's audit findings:

The Auditor-General's report has confirmed 100% implementation of all prior and current year's audit findings.

Plans for the Future to Address Financial Challenges

Due to our stringent adherence to financial management best practices, I am able to report that our finance division has ensured financial prudence in the organisation and no major challenges have been reported.

EVENTS AFTER THE REPORTING DATE

New SETA Landscape

In terms of *Government Gazette No. 42589, Vol.649*, published on 22nd July 2019, the Honourable Minister of Higher Education, Science and Technology, Dr B. E. Nzimande, after the public consultation process, under *Section 9(1) of the Skills Development Act (Act No. 97 of 1998)*, as amended, re-established the Fibre Processing & Manufacturing Sector Education and Training Authority, within a new SETA Landscape from 01st April 2020 to 31st March 2030.

Economic Viability

The Annual Financial Statements (AFS) for the FP&M SETA have been prepared as a going concern.

ACKNOWLEDGEMENTS

On 01st April 2018, a new Accounting Authority and Chairperson was appointed to oversee the strategic and operational outputs of the organisation. I am pleased to report that the Chairperson of the Board, with other members were re-appointed for a second term until 31st March 2020.

To the previous Board, which saw the SETA through some challenging years, thank you for ensuring that we have fulfilled our objectives and maintained our status as a performing skills development organisation. We welcome the members of the new Board and we have clearly benefitted from their insights and expertise



PART A: GENERAL INFORMATION

during the period under review. I have noted that it was during their oversight that the FP&M SETA has recorded a 100% performance for both SETA funded and industry funded learners. It was also during their tenure that the SETA achieved an all-time high of 90% performance for SETA funded learners by achieving 36 out of a total of 40 performance indicators and targets. The FP&M SETA obtained another clean audit opinion from the Auditor-General of South Africa.

Through the years, we have depended heavily on our stakeholders' support and participation, and my heartfelt thanks go to our employers, skills development providers, labour unions, Department of Higher Education and Training and education and training institutions for supporting our mandate and business model.

The unwavering support of the FP&M SETA Board under the leadership of Mr Sipho Ngidi is evident in the successes, which the SETA has celebrated in the past year and I wish to extend a sincere word of gratitude on behalf of the FP&M SETA Management and staff for their strategic guidance and leadership. I would also like to take this opportunity to congratulate him on his appointment as Chairperson of the Board for a second term of office. Well done!

We look forward to the contribution of the new Board Members, appointed by the Honourable Minister of Higher Education and Training and it is our fervent hope that they will build on the foundations that the outgoing Accounting Authority has set.

A special word of thanks to the Internal Audit Committee and the AGSA for their roles in terms of compliance related matters. The work done by the Audit Committee and all of FP&M SETA's constitutional committees that were set up by the Accounting Authority is gratefully acknowledged for having executed their mandates and playing their oversight role with due care. Your guidance was invaluable and is greatly appreciated.

To our key stakeholders, both levy paying and non-levy paying organisations, thank you for your ongoing participation and contribution to skills development in the sector and the country as a whole.

We commend the employers who have played a critical role in the unemployment plight by opening their doors to work placement opportunities for unemployed graduates and urge other employers to follow their lead.

To the Management and staff of the FP&M SETA who are committed to achieving the vision, mission and objectives of the SETA, thank you for your hard work and dedication which at times sees you stretching beyond the call of duty. Your commitment does not go unnoticed. Success is so much more than merely meeting targets; it is about realising the value which is being added to the lives of others in the process. You have proven that skills development is not just your job, but your passion and vocation.

Attending graduation ceremonies of some of the learners, who have successfully completed their programmes and interventions is such a humbling and fulfilling experience. Knowing that the FP&M SETA has played a role in contributing towards upskilling and developing these learners is rewarding to say the least. Thank you to the learners who have pursued careers within our 13 sub-sectors.

On behalf of the FP&M SETA Management and Staff I would like to thank our Executive Authority, the Department of Higher Education and Training, and in particular the Director-General and the SETA Co-ordination team for their support and leadership for continuously assisting in ensuring that the FP&M SETA fulfils its skills development mandate.

We cannot predict what lies ahead, but I know with certainty that FP&M SETA has what it takes to remain at the forefront of human resource and skills development in South Africa, for the good of the FP&M sector.

Ms Felleng Yende

Chief Executive Officer
FP&M SETA

Date: 31st July 2019



5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

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

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General.
- The Annual Report is complete, accurate, and is free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the Human Resources (HR) information, and the Annual Financial Statements (AFS).
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the HR information, and the financial affairs of the public entity for the financial year-ended 31st March 2019.

Yours faithfully,

Chief Executive Officer

Ms Felleng Yende

Date: 31st July 2019

Chairman of the Board

Mr Sipho Ngidi

Date: 31st July 2019

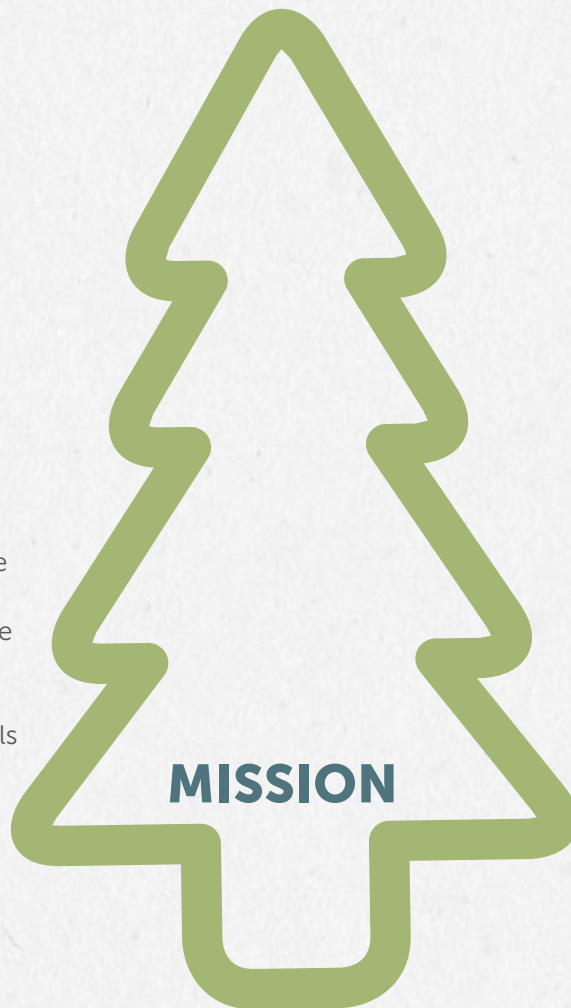


6. STRATEGIC OVERVIEW



VISION

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



MISSION

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



VALUES

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

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



7. LEGISLATIVE AND OTHER MANDATES

LEGISLATION

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

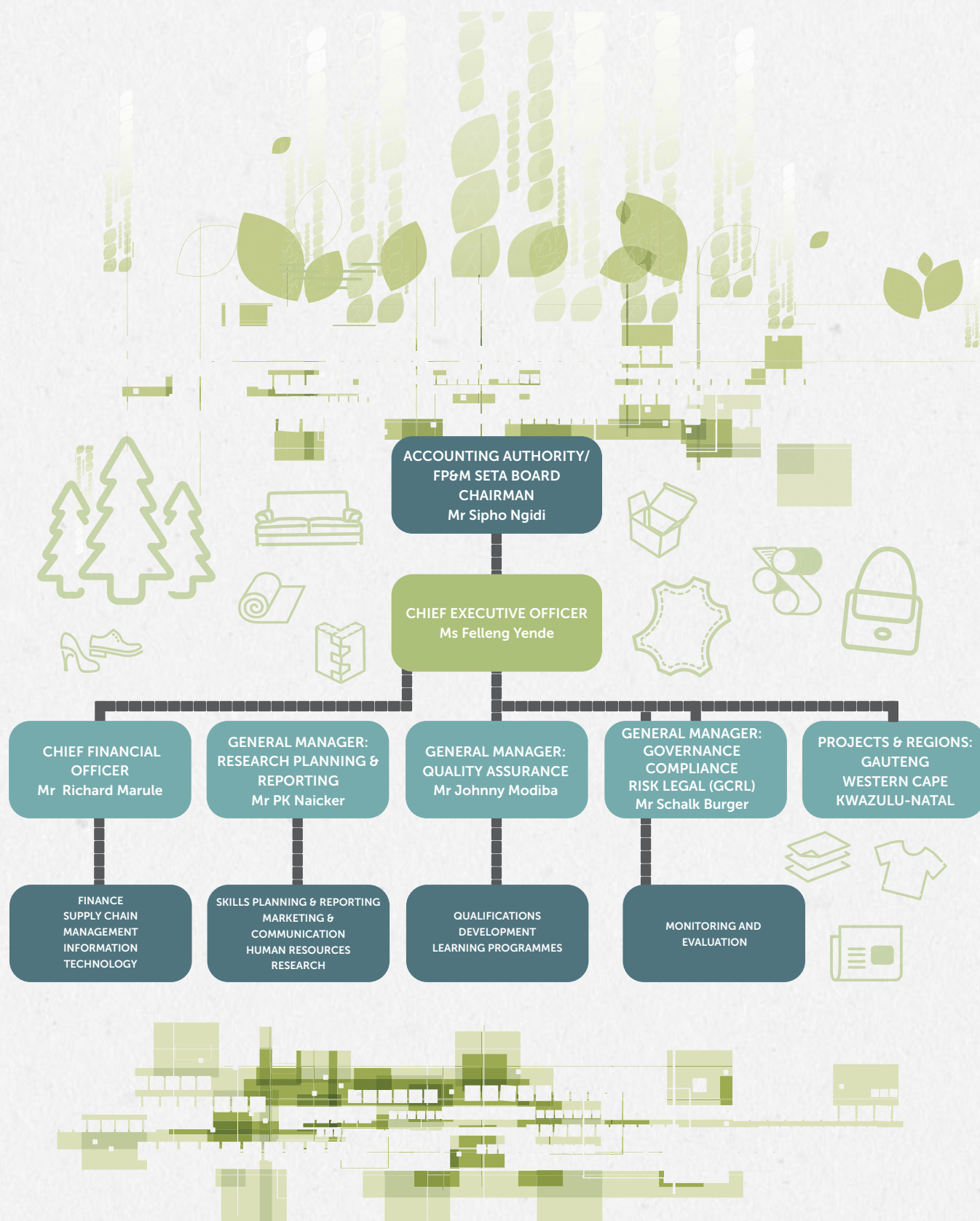
The FP&M SETA is governed by:

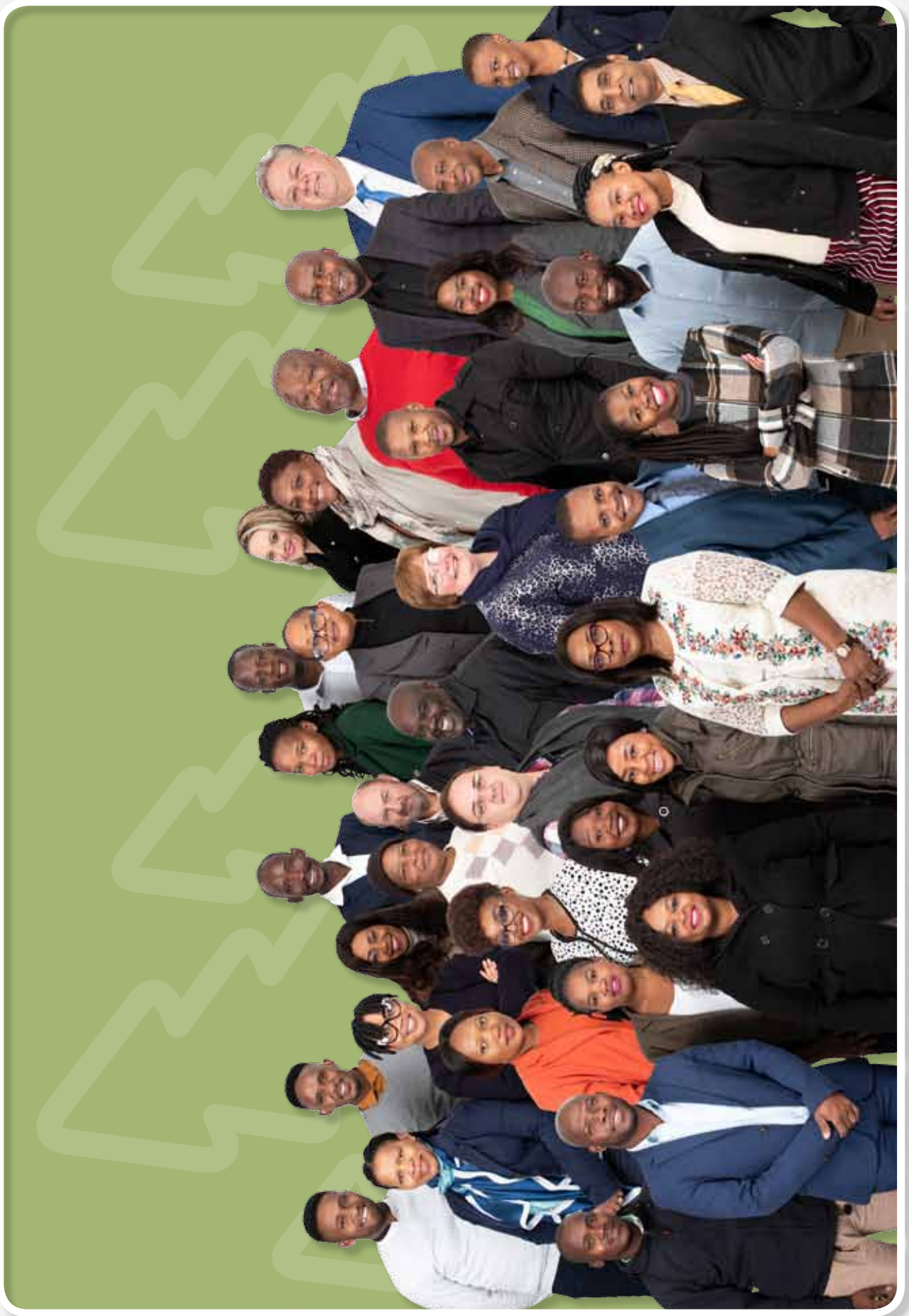
- *The Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996);*
- *Section 9 of the Skills Development Act, 1998 (Act No. 97 of 1998) as amended in 2008;*
- *Skills Development Amendment Act, 2008 (Act No. 37 of 2008);*
- *Skills Development Amendment Act, 2011 (Act No. 26 of 2011);*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

OTHER MANDATES

- National Skills Development Strategy III (NSDS III);
- Medium-Term Strategic Framework of Government (MTSF 2014-2019);
- Medium-Term Expenditure Framework of Government;
- New Growth Path;
- Industrial Policy Action Plan;
- Human Resource Development Strategy;
- National Development Plan (NDP)-Vision 2030;
- National Skills Accord;
- Integrated Growth and Development Plan;
- Youth Development Strategy;
- Rural Growth and Development Strategy; and
- Provincial Growth and Development Strategy.

8. ORGANISATIONAL STRUCTURE (AS AT 31ST MARCH 2019)







The FP&M SETA KZN Regional Office is situated at Durban Bay House, 333 Anton Lembede Street, 10th Floor, Durban. Tel: 031-702 4482.



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

PART B: PERFORMANCE INFORMATION





1. AUDITOR'S REPORT: PRE-DETERMINED OBJECTIVES

The AGSA performed the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit opinion. The audit opinion on the performance against predetermined objectives for Programme 3 – Learning Programmes and Projects, is included in the report to management with no material misstatements nor material adjustments. It is recorded in the Final Management Report that:

- (i) The entity has improved from the prior year as no material non-compliance was identified in the current year;
- (ii) The performance evidence supplied by the entity was sufficient and appropriate; and
- (iii) The reported performance information for Learning Programmes and Projects is useful and reliable, in accordance with the applicable criteria as developed from the performance management and reporting framework.

2. SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

The FP&M SETA has increased its performance markedly since its establishment in March 2011. The FP&M SETA's performance increased in 2018/19 to 100% for both funded and unfunded learners, from the 91.67% reported in 2017/18 financial year, having achieved all 40 of its performance indicators against the FP&M SETA Annual Performance Plan 2018/19-2020/21 and the DHET Service Level Agreement for 2018/19. The SETA achieved a 90% achievement on SETA-funded interventions alone, achieving 36 out of a total of 40 performance indicators and targets.

During the period under review, the FP&M SETA registered close to 8,911 employed and unemployed learners on learning programmes including learnerships, bursary programmes, internships, skills programmes, apprenticeship programmes and adult education and training programmes. During the same period, approximately 6,646 learners completed learning programmes relating to scarce and critical skills in the FP&M sector.

The achievement of strategic objectives and pre-determined performance targets would not have been possible without the availability of an organisational performance-monitoring and evaluation framework. This ensured optimal delivery to our stakeholders that enabled timeous grant disbursements and accurate and reliable performance reporting.

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

The earlier allocation of discretionary grants to beneficiaries during 2018/19 in line with the processes set out in the business model, as conceptualised by the CEO, Ms Felleng Yende, also contributed to more effective learning programme implementation and more effective reporting.

Increased monitoring and evaluation of projects enabled the SETA staff to identify pockets of excellence and high performing project beneficiaries. It also enabled the SETA to identify projects that needed additional assistance from the SETA team to ensure that they remained on track in order to perform in line with agreed deliverables.

The FP&M SETA, under the spirited guidance of its CEO, Ms Yende, initiated and implemented a number of high-profile projects during 2018/19, some of which are detailed below.

MITCHELLS PLAIN SKILLS CENTRE

The FP&M SETA, in collaboration with the Mitchells Plain Skills Centre, implemented a learnership programme (NQF level 2) for unemployed township youths. This partnership is now in its 3rd year and has achieved another successful year of learner completions.

Mitchells Plain is a township settlement, approximately 30 km outside Cape Town City Centre. Mitchells Plain is rife with unemployment, gang-related violence and drug dependency and the Skills Centre allows for the learners to become skilled in an art which is a need in the area and allows the learners to support themselves and their families. The FP&M SETA believes that the continued partnership with this centre and the community of Mitchells Plain can only lead to positive results and assists in addressing some of the socio-economic issues being experienced by this community.

Based on the project close-out report, 30 percent of the learners that entered the programme are now self-employed and are running their own enterprises in the community.

Based on the initial intake of learners, whom completed the NQF level 2 qualification, 20 of these learners have gone on to register for NQF level 3, which is also



funded by FP&M SETA and speaks volumes about our commitment to the principle of “Lifelong Learning”.

THANDEKA VOCATIONAL EDUCATION TRUST

Through the visionary leadership of Mr Graham Choice, and as a direct response to Government’s Skills Development Strategy, the learnership centre was set up as a lead training provider in partnership with a cluster group of clothing and textile firms.

The FP&M SETA partnered with TVET SA and has committed R3.2 million in the current financial year towards various learning programmes (skills programmes and learnerships).

60 unemployed learners were identified to be trained for various smaller companies in KwaZulu-Natal and Western Cape, that do not have the capacity to perform their own training. These learners are completing learnerships in National Certificate: CTFL Manufacturing Processes NQF level 2, through TVET SA, to increase their quality and output and to make them self-sustainable.

Additionally, 215 skills programmes, which comprise of work study, garment machinist, team leader and supervisory programmes, were also initiated through this partnership with TVET SA.

These types of interventions and upskilling of learners increase the learner’s potential to attract decent, meaningful and quality jobs, and potentially opens doors to these learners to explore entrepreneurship opportunities. Furthermore, the SETA is supporting SMME’s by assisting and providing funding for the training of their employees. This guarantees a highly skilled workforce and quality production. It is these types of strategic partnerships, like the one between the SETA and TVET SA that will lead to meaningful impact to the lives of this country’s learners.

BOKSBURG CORRECTIONAL SERVICES – MAKING AN IMPACT

The FP&M SETA believes in engaging with all spheres of society and making an impact in the lives of as many people as it can reach. To this end, FP&M SETA has engaged with the Boksburg Correctional Services to provide skills programmes for 40 inmates in clothing production to the value of R288,000 during the period under review.

The aim of interventions like these is to provide meaningful training that will make these inmates employable after completing their prison terms and to also assist in re-integrating them to society at large. It is hoped that once released, a prisoner is less likely to go back to crime if they have meaningful job prospects and it is these types of interventions that will go a long way to addressing some of our societal ills.

MAKING A RURAL IMPACT – TRANSFORMING LIVES

In order to address the triple challenges of unemployment, rural community development and poverty alleviation, the FP&M SETA granted funding to CarolineFashionstoimplement a fashion design and garment construction intervention to give an opportunity to 20 learners from a rural area in Bojanala Platinum in the North West Province. Learners registered for an NQF level 2 registered learnership qualification, National Certificate in CTFL Manufacturing Processes.



Rural communities are marginalised and are often not given skills development opportunities. During their training, learners had to design and manufacture their own clothes, which they later showcased at a fashion show, organised by the skills development provider. Every student modelled their own products. Learners have manufactured kiddies’ garments that were showcased as well. Upon completion of the project, learners were encouraged to open up their own co-operatives.



RICHMOND - INDALANI COMMUNITY DEVELOPMENT CENTRE – CENTRE OF EXCELLENCE FOR LEATHER SKILLS (PTY) LTD



Batho Pele: Putting People First - To Promote Skills Development and Capacity Building

The Centre of Excellence for Leather Skills (Pty) Ltd operates within the Footwear, Leather, Clothing and Textile industry sectors. The Centre has been accredited as a skills development provider to provide



learnerships at NQF Level 2 and is fully equipped with footwear manufacturing machinery and staffed by experienced skills development facilitators and trainers.

To date approximately 100 learners have been certified on NQF level 2 National Certificate in CTFL Manufacturing processes, more specifically for full occupationally-directed learnerships for footwear manufacturing operations and a further 30 learners will qualify at the end of August 2019. These learners are drawn from the unemployed youth in the rural municipality of Richmond, which is located just outside Pietermaritzburg, KwaZulu-Natal.

When the then Honourable Minister of Higher Education and Training, Professor Hlengiwe Mkhize (MP), officially opened the Richmond Community Skills Centre, she was highly impressed with the standard of occupational training. She stated that it was her wish for a footwear retail factory to be built in Richmond, so that we can further improve the lives of the people of Richmond. Without the support of the FP&M SETA, all of this would not have been possible. The learners have expressed their gratitude to Ms Felling Yende, the CEO of the FP&M SETA, who is passionate about improving the lives of the people from rural areas.

The Centre of Excellence is also in the process of engaging with small and large footwear retailers in the hope that they would come on board and realise the dreams of the learners of obtaining permanent employment in Richmond.

RURAL2RURAL CAREER DEVELOPMENT PROGRAMME ROADSHOW 2018



Rural2Rural Skills, Jobs, Careers and Entrepreneurship Initiatives were born out of research and engagement with some rural communities and it was formulated to help overcome some of the rural challenges.

The purpose of this initiative was to empower rural individuals to navigate their career paths, be exposed to entrepreneurial opportunities and business support, access skills and job opportunities as well as manage themselves through the ever-changing day- to -day world of work. At the centre of this developmental programme is entrepreneurial

skills to assist the youth to convert their technical skills and qualifications into products and services, and to also assist them to start, manage and grow their businesses. The main objective was to create awareness around FP&M SETA's core business and provide information on the different careers, bursaries, learnerships and SMME skills opportunities that FP&M SETA offers specifically for youth in the rural areas.

R2R EVENT ACTIVITIES

Participation of Schools

Many school learners attended the career expo with little or no idea of different existing career opportunities, and left with vast information of different career opportunities. The Department of Basic Education District Managers mentioned they were impressed with the R2R strategy. They also mentioned how, despite being one of the best performing districts, most of their learners have never thought of furthering their studies or developing their skills. All the participating schools received career guidance booklets, which included different career directories from different universities, SETAs and colleges, briefly discussing each career, providing contact details for each institution, as well as information on how to apply for the National Student Financial Aid Scheme (NSFAS).

Exhibitions

Learners were given a chance to visit career exhibition stands after the plenary event. Exhibitors in the form of SETAs were invited to participate. Different career paths were explained to the learners in all provinces.

R2R Outcomes

About 7,000 learners attended the Rural2Rural Careers Expo and 350 Life Orientation educators were capacitated. Four talk sessions on the "Importance of Science and Technology for the Fourth Industrial Revolution" were held. Various SETAs in attendance provided an introduction to different scarce and critical skills occupations in demand. Learners were also offered tips for improving their Maths, Science and English marks by different educators from various schools.

3. ORGANISATIONAL ENVIRONMENT

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



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

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

4. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

Extension of the Current NSDS III - Gazette No 39263

The current NSDS III, which guides disbursement of skills development levies, has been extended until 31st March 2020.

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

The tenure for the current SETA Boards has been extended until 31st March 2020 in line with the re-establishment of the SETAs for the same period.

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

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

National Minimum Wage Act, 2018 –Gazette No. 42060, Vol.641

This Act provides for a national minimum wage and re-aligns the minimum allowance to be paid for Learnerships from NQF level 1 to NQF level 8.

Skills Development Act, 1998 (Act No.97 of 1998): Promulgation of the National Skills Development Plan (NSDP)- Gazette No.42290, Vol. 375

The National Skills Development Plan (NSDP) to improve skills development was promulgated on 07th March 2019.

5. STRATEGIC OUTCOME-ORIENTED GOALS

Listed below are the strategic outcome-oriented goals of the FP&M SETA which are aligned to the NSDS III.

PROGRAMME 1: ADMINISTRATION

Strategic Goal 1: An effective and high performing organisation.

Purpose: An effective, efficient and optimally functioning FP&M SETA. Implementation of effective policies, strategies and plans that comply with the applicable legislation and its ensuing regulations, good corporate governance, responsible citizenship and social justice. Effective and efficient financial, material and human resource planning and deployment of resources.

PROGRAMME 2: SKILLS PLANNING

Strategic Goal 2: To ensure that appropriate skills-related research is conducted to strengthen evidenced-based decision-making in the FP&M SETA at all levels.

Purpose: Relates to establishing a credible institutional mechanism for skills planning and establishing partnerships and networks with key delivery forum partners among the provider community, labour market and interested, organised learner communities to enhance skills planning holistically in the education and training landscape. The rationale is that any human resource/skills planning should be complemented with better data and improved labour market analysis. The FP&M SETA must develop capacity for this function because demand projections for labour depend on the economic growth rate and this is the single most important variable for skills planning in the sector. This would ensure that information sources, with regard to the demand and supply of skills and identifying new and emerging occupations in the sector are co-ordinated and integrated.

The intention of this programme is to conduct labour market research and implement skills planning activities ensuring the development of the sector skills plan annually and ensuring accurate labour market analysis within the sector to address the occupations in high demand.



The FP&M SETA has successfully implemented a mandatory grant strategy and the information received from workplace skills plans and annual training reports submitted by small, medium and large firms has significantly contributed to the identification of scarce and critical skills, as well as skills development trends in the sector. The SETA disbursed mandatory grants that supported employer participation in skills development at firm level. The FP&M SETA also conducted an impact research study to analyse return on investment on learning programmes.

PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS

Strategic Goal 3: A skilled and capable workforce for the FP&M sector.

Purpose: To implement occupationally-directed programmes to address technical middle level skills needs especially in artisan, technician and related occupations. A large number of youth and adults are not in employment, education or training with poor educational foundation programmes making it impossible for them to access further education and training opportunities that will enable them to acquire a minimum qualification at NQF level.

The aim of this programme is to implement occupationally-directed programmes, such as apprenticeships, learnerships, bursaries, skills programmes and work experience and internship programmes for unemployed learners to address occupations in high demand within the FP&M sector in the next five years.

Through partnerships with public TVET colleges and universities of technology and working with employers, the FP&M SETA is facilitating the placement of learners to benefit from occupationally-directed training. Relevant and appropriate occupationally-directed qualifications and curricula aligned to industry needs are registered with QCTO and NAMB. Discretionary grants have been allocated in support of the implementation of learning programmes to address the identified scarce and critical skills of the sub-sectors.

Strategic Goal 4: To increase access of youth and adults to post-school education and training programmes and to encourage further learning to improve their employability.

Purpose: Many South Africans are poorly prepared to undertake further learning when they leave school and cannot access post-school education and training opportunities. This programme is focused on assisting youth and adults to access adult education and training programmes and bridging programmes

that will enable them to access further learning to improve their employability.

The aim of this programme is to provide youth and adults with basic and intermediate skills in order to access further technical and occupational training through partnership agreements with youth development organisations and employers.

Discretionary grants have been made available to support projects in partnership with youth organisations aimed at assisting unemployed youth to obtain basic occupational skills, in order to provide them with the necessary skills to access the occupationally directed qualifications of the FP&M sector.

Strategic Goal 5: To ensure the continuous upgrading of skills in the workforce, to help ensure a measurable increase in the intermediate skills pool, especially in artisan, technician and related occupations, attributable to increased capacity at education and training institutions and increased workplace experiential learning opportunities. It also involves increased support for employers to conduct training in the workplace.

Purpose: To encourage better use of workplace-based skills development opportunities annually in order to develop a knowledgeable workforce for the sustainability of FP&M sector workplaces.

The aim of this programme is to encourage better use of workplace-based skills development opportunities annually in order to develop a knowledgeable workforce for the sustainability of FP&M sector workplaces.

In order to promote skills development in the workplace, the FP&M SETA has addressed the training of employed workers aligned to scarce and critical skills needs, as identified in the FP&M SETA SSP. This ensures improved productivity and economic growth, and promotes career pathing for the workforce. Learning programmes implemented in this regard, include skills programmes and learnerships for employed and unemployed learners and the placement of graduates for work-integrated-learning in workplaces, from TVET colleges and HET institutions.

Strategic Goal 6: Co-operatives, small enterprises, worker-initiated and community organisations are supported to implement skills development training initiatives.

Purpose: To encourage and support co-operatives, small enterprises, worker-initiated NGOs and community training initiatives in order to expand technical, financial and entrepreneurial capacity to address poverty alleviation and unemployment



in rural areas. Co-operatives, Small Enterprises, CBOs, NLPEs, Worker, NGOs and community-based education programmes supported with skills training and development to expand and contribute to sector economic and employment growth. SSP identified a number of key areas of critical skills demand for co-operatives, small enterprises, worker-initiated, NGOs and community training initiatives, all of which affect the efficacy and sustainability of these enterprises.

The aim of this programme is to encourage and support co-operatives, small enterprises, worker-initiated interventions, NGOs and community training initiatives in order to expand technical, financial and entrepreneurial capacity to address inequality, poverty and unemployment, more especially in rural areas.

Community-based organisations are supported through the discretionary grant strategy of the FP&M SETA in order to expand and contribute to sector economic and employment growth. This is done through interventions that address the key areas of critical skills demands that impact on the efficacy and sustainability of these ventures. In turn, these organisations have contributed significantly towards the SETA's achievement of APP targets.

Strategic Goal 7: Career paths are mapped to qualifications in the sector and sub-sectors, and communicated effectively, contributing to improved relevance of training and greater mobility and progression.

Purpose: For FP&M sector learners to succeed, they need to be guided prior to enrolment on both best match of their interest and their abilities to occupational requirements, as well as best prospects for employment and decent remuneration. These programmes require input from the labour market, as well as vehicles for matching potential learners to opportunities. Career paths are mapped to qualifications in all sectors and sub-sectors, and communicated effectively, contributing to improved relevance of training and greater mobility and progression, the FP&M SETA needs to submit information in a standard format and help expose learners to work before they make final decisions. FP&M SETA to provide information on steps taken to expose prospective learners to work in the FP&M sector.

The purpose of this programme is to expose learners to FP&M sector occupations and skills requirements so that learners are provided with guidance through FP&M sector career information and career exhibitions.

Career and vocational guidance are crucial to school-leavers and unemployed youth wishing to gain access to the FP&M sector. The FP&M SETA has networked with potential job seekers during various interactive career exhibitions and has shared information on available learning and career opportunities in the FP&M sector.

PROGRAMME 4: QUALITY ASSURANCE AND PARTNERSHIPS

Strategic Goal 8: To ensure quality, relevant and fit-for-purpose education and training and to promote partnerships with post-school education and training institutions and workplaces to improve the supply of skills and education and training infrastructure within the FP&M sector.

Purpose: To establish a sustainable post-school education and training system complimented by strategic partnerships to promote skills development within the sector. To uplift the capacity of public partner learning institutions to deliver programmes that are of the required quality.

Programmes offered must meet industry needs. Relevant, fit-for-purpose and appropriate occupational qualifications and curricula aligned to industry needs to be developed and registered with QCTO. Develop skills programmes to address skills gaps of NCV learners.

The purpose of this programme is to promote partnerships with public TVET colleges and universities to improve the supply of skills and education and training infrastructure within the FP&M sector annually.

Memoranda of Understanding (MOUs) have been concluded with public TVET colleges and universities to deliver occupational programmes that meet industry needs, including those supporting apprenticeships and N-courses. The FP&M SETA has partnered with TVET colleges to promote WIL and the placement of unemployed TVET graduates in government entities, municipalities, and FP&M workplaces.

The above strategic outcome-oriented goals informed the predetermined objectives, as set out in the Annual Performance Plan of the FP&M SETA for 2018/19. The performance against these goals is reported in detail in the performance report, on pre-determined objectives included on page 50 to page 59.



6. STRATEGIC OBJECTIVES, KEY PERFORMANCE INDICATORS AND TARGETS

Programme 1: Administration

Strategic Goal 1: An effective and high performing organisation to support the implementation of the skills development strategy of the sector.

Purpose: To be an effective, efficient and optimally functioning FP&M SETA. Implementation of effective policies, strategies and plans that comply with the applicable legislation and its ensuing regulations, good corporate governance, responsible citizenship and social justice. Effective and efficient financial, material and human resource planning and deployment of resources.

Strategic Objective 1: To improve the effectiveness and efficiency of the governance, human resources, corporate service and financial administration to enhance skills delivery.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
1.1 Percentage of key positions filled.	100%	88%	100%	12%	All key positions were filled as per the organogram – 100% of annual target achieved.

Programme 2: Skills Planning

Strategic Goal 2: To ensure that appropriate skills-related research is conducted to promote labour absorption and address skills priorities identified in the SSP.

Purpose: Relates to establishing a credible institutional mechanism for skills planning and establishing partnerships and networks with key delivery forum partners among the provider community, labour market and interested, organised learner communities to enhance skills planning holistically in the education and training landscape. The rationale is that any human resource/skills planning should be complemented with better data and improved labour market analysis. The FP&M SETA must develop capacity for this function because demand projections for labour depend on the economic growth rate and this is the single most important variable for skills planning in the sector. This would ensure that information sources, with regard to the demand and supply of skills and identifying new and emerging occupations in the sector are co-ordinated and integrated.

Strategic Objective 2: To conduct labour market research and implement skills planning activities, ensuring the development of the quality sector skills plan annually and ensuring accurate labour market analysis within the sector to address the scarce and critical skills gaps.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
2.1 Number of agreements entered into for research partnerships.	2	2	3	1	Positive variance: 150% of target achieved. Agreements were entered into with research organizations in order to address both SETA and industry research initiatives to support SSP development.
2.2 Number of WSPs and ATRs approved for large firms.	394	350	383	33	Positive variance: 109% of target achieved. Target exceeded due to excellent advocacy, marketing and support for mandatory grant submissions.



Strategic Objective 2: To conduct labour market research and implement skills planning activities, ensuring the development of the quality sector skills plan annually and ensuring accurate labour market analysis within the sector to address the scarce and critical skills gaps.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
2.3 Number of WSPs and ATRs approved for by medium firms.	413	410	411	1	Positive variance: 100% of target achieved.
2.4 Number of WSPs and ATRs approved for small levy-paying firms.	594	590	623	33	Positive variance: 106% of target achieved. Target exceeded due to the deployment of Sector Skills Advisors to assist small companies with mandatory grant submissions.
2.5 An updated OFO-aligned pivotal list submitted to DHET by 31 st August 2018.	An updated OFO-aligned pivotal list submitted to DHET by 31 st August 2017.	An updated OFO-aligned pivotal list submitted to DHET by 31 st August 2018.	An updated OFO-aligned pivotal list submitted.	Target achieved – no deviation.	100% of target achieved.
2.6 An impact assessment study on a minimum of two training interventions conducted by 31 st March 2019.	Impact assessment study on a minimum of two training interventions was completed by 31 st March 2018.	Impact assessment report on a minimum of two training interventions completed by 31 st March 2019.	Impact assessment report on a minimum of two training interventions was completed by 31 st March 2019.	Target achieved – no deviation.	100% of target achieved.

Programme 3: Learning Programmes and Projects

Strategic Goal 3: To develop a skilled and capable workforce for a sustainable, technologically-advanced and productive FP&M manufacturing sector.

Purpose: To implement occupationally-directed programmes to address technical middle level skills needs especially in artisan, technician and related occupations. A large number of youth and adults are not in employment, education or training with poor educational foundation programmes making it impossible for them to access further education and training opportunities that will enable them to acquire a minimum qualification at NQF level 4.

Strategic Objective 3: To increase access to occupationally-directed programmes to address scarce and critical skills.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
3.1 Number of learners entered into artisan programmes.	331 Funded learners: 331	368	375 Funded learners: 375	7	Positive variance: 102% of target achieved. The target was exceeded by 7 learners. This is partly due to artisan MOAs that would be entered in one financial period, but only implemented in another financial period.
3.2 Number of learners completed artisan programmes.	236 Funded learners: 236	200	258 Funded learners: 258	58	Positive variance: 129% of target achieved. The target was exceeded due to improved monitoring and certification processes resulting in a greater number of completions.



PART B: PERFORMANCE INFORMATION

Strategic Objective 3: To increase access to occupationally-directed programmes to address scarce and critical skills.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
					An example of these processes include the enhancement of monitoring and evaluation resulting in continuous improvement, supported by monitoring and evaluation by the Quality Assurance Division as well. Furthermore, the SETA's performance reporting processes were improved to allow for completions to be achieved and reported on either Certification or Statement of Results, whichever was available first. This has resulted in additional numbers, that could not previously be reported on due to backlog of certification by NAMB.
3.3 Number of unemployed learners entered into learnership programmes.	2,430 Funded learners: 2,430	1,900	1,819 Funded learners: 1,819	-81	Negative variance: 96% of target achieved. Delayed contracting with stakeholders resulted in a negative variance of this target. As a result of monitoring and evaluation activities implemented by the SETA, reports are compiled and distributed to relevant departments to inform them of such delays.
3.4 Number of unemployed learners completed learnership programmes.	1,577 Funded learners: 1,577	1,140	1,613 Funded learners: 1,613	473	Positive variance: 142% of target achieved. Due to SETA project processes and the period of the year that projects commence, not all interventions will be entered and completed within the financial year. Due to the long duration of these interventions, therefore some of the learner completions reported in the current financial year, would have commenced their learnerships in the previous financial year. Additionally, as a result improved monitoring and evaluation of projects, the SETA has ensured that outstanding projects from previous years have been completed, thus resulting in the SETA exceeding its targets.
3.5 Number of unemployed learners entered into Bursary Programmes.	567 Funded learners: 567	350	364 Funded learners: 364	14	Positive variance: 104% of target achieved. Bursaries for learners that are reported as entries, will not always result in the same learner being reported as a completion due to the university dropout rates, (which is approximately 40% according to a study conducted by the University of Stellenbosch). As a result of this, SETAs fund final year learners for the first time to meet targets linked to completions. This allows the SETA to use funding to fund additional learners, with the SETA requiring additional funding over and above what is approved.



Strategic Objective 3: To increase access to occupationally-directed programmes to address scarce and critical skills.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
3.6 Number of unemployed learners who completed Bursary Programmes.	134 Funded learners: 134	175	200 Funded learners: 200	25	Positive variance: 114% of target achieved. Bursaries for learners that are reported as entries, will not always result in the same learner being reported as a completion due to the university dropout rates, (which is approximately 40% according to a study conducted by the University of Stellenbosch). As a result of this, SETAs fund final year learners for the first time to meet targets linked to completions. This allows the SETA to use funding to fund additional learners, with the SETA requiring additional funding over and above what is approved.
3.7 Number of partnership agreements established with universities during the year to address scarce and critical skills.	4	4	6	2	Positive variance: 150% of target achieved. Agreements were entered into with universities and universities of technology to support Industry occupations in demand, mainly bursaries.
3.8 Number of unemployed learners entered Workplace Experience/ Internships.	258 Funded learners: 258	310	259 Funded learners: 259	-51	Negative variance: 84% of target achieved. Delayed activation of approved projects for work experience and internships by approved DG beneficiaries during the reporting period compromised learner entries.
3.9 Number of unemployed learners completed Workplace Experience / Internships.	187 Funded learners: 187	185	192 Funded learners: 192	7	Positive variance: 104% of target achieved. Completion target exceeded due to additional allocations for Workplace Experience and/or Internship interventions, resulting in increased completion rates.
3.10 Number of unemployed learners entered skills programmes.	1,906 Funded learners: 1,906	1,029	1,130 Funded learners: 1,130	101	Positive variance: 110% of target achieved. An overwhelming number of discretionary grant applications were received from stakeholders for skills programme interventions. Additional budget became available during the reporting period due to sweeping of inactive projects, resulting in additional approvals for DG skills programme applications.
3.11 Number of unemployed learners completed skills programmes.	1,520 Funded learners: 1,520	720	979 Funded learners: 979	259	Positive variance: 136% of target achieved. Increased completion rates of unemployed learners on skills programmes is attributed to completion of skills programme interventions from additional allocations during the period under review.



PART B: PERFORMANCE INFORMATION

Strategic Goal 4: To increase access of youth and adults to post-school education and training programmes and to encourage further learning to improve their employability.

Purpose: Many South Africans are poorly prepared to undertake further learning when they leave school and cannot access post-school education and training opportunities. This programme is focused on assisting youth and adults to access adult education and training programmes and bridging programmes that will enable them to access further learning to improve their employability.

Strategic Objective 4: To address the low level of youth and adult foundational skills in the sector by providing youth and adults with basic and intermediate skills in order to access further technical and occupational training through partnership agreements with workplaces and youth development organisations.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
4.1 Number of learners who entered AET programmes.	645 Funded learners: 645	655	689 Funded learners: 689	34	Positive variance: 105% of target achieved. Target exceeded due to increased allocations to stakeholders and their commitment to complete projects within the required timeframe.
4.2 Number of learners who completed AET programmes.	572 Funded learners: 572	390	488 Funded learners: 488	98	Positive variance: 125% of target achieved. Additional approvals for AET projects were implemented with beneficiary organizations resulting in higher completion rates.
4.3 Number of collaborative partnership agreements signed with youth development organisations.	4	3	3	Target achieved – no deviation.	100% of target achieved.
4.4 Number of bridging programmes with learners implemented.	2	2	2	Target achieved – no deviation.	100% of target achieved.

Strategic Goal 5: To ensure the continuous upgrading of skills in the workforce, to help ensure an increase in the skills pool, especially in middle- and high-level occupations.

Purpose: To encourage better use of workplace-based skills development opportunities annually in order to develop a knowledgeable workforce for the sustainability of FP&M sector workplaces.

Strategic Objective 5: To encourage better use of workplace-based skills development to upskill workers to ensure sustainability and industrial growth.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
5.1 Number of employed learners entered skills programmes.	2,751 Funded learners: 2,751	1,875	1,867 Funded learners: 1,867	-8	Negative variance: 99.6% of target achieved. Delayed activation of approved projects for skills programme interventions in workplaces resulted in a negative variance of this target. The Projects division must address this challenge in the new financial year.



Strategic Objective 5: To encourage better use of workplace-based skills development to upskill workers to ensure sustainability and industrial growth.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
5.2 Number of employed learners completed skills programmes.	1,497 Funded learners: 1,497	1,320	1,323 Funded learners: 1,323	3	Positive variance: 100% of target achieved. Workplaces supported the upskilling of workers with short impact skills programmes.
5.3 Number of employed learners entered into learnership programmes.	941 Funded learners: 941	900	897 Funded learners: 897	-3	Negative variance: 99.6% of target achieved. Delayed activation and slow progress with regard to implementation of learnership programmes in workplaces resulted in a negative variance. More robust follow-up with approved project beneficiaries from the Projects Division maybe required.
5.4 Number of employed learners completed learnership programmes.	574 Funded learners: 574	540	689 Funded learners: 689	149	Positive variance: 128% of target achieved. Completion target exceeded due to additional allocations for learnership programmes during the period under review.
5.5 Number of employed learners entered Bursary Programmes.	102 Funded learners: 102	110	111 Funded learners: 111	1	Positive variance: 101% of target achieved. Target exceeded due to increased allocations to stakeholders and their commitment to complete projects within the required timeframe.
5.6 Number of employed learners completed Bursary Programmes.	47 Funded learners: 47	50	51 Funded learners: 51	1	Positive variance: 102% of target achieved. Bursaries are a national priority. In this instance, learners were funded by the SETA in previous financial years, and due to delays in completion, the SETA is reporting them in the current year as completions.
5.7 Number of unemployed learners entered Work-Integrated Learning Programmes from TVETs.	412 Funded learners: 412	400	416 Funded learners: 416	16	Positive variance: 104% of target achieved. Agreements with employers and TVETs contributed to the achievement of this target. Due to additional allocations, contracting agencies were able to fund more TVET learners in allocated projects.
5.8 Number of unemployed learners completed Work-Integrated Learning Programmes from TVETs.	306 Funded learners: 306	240	301 Funded learners: 301	61	Positive variance: 125% of target achieved. Target exceeded due to increased allocations to stakeholders and their commitment to complete projects within the required timeframe.
5.9 Number of unemployed learners entered Work-Integrated Learning Programmes from HETs.	234 Funded learners: 234	250	259 Funded learners: 259	9	Positive variance: 104% of target achieved. Agreements with employers and HETs contributed to the achievement of this target. Due to additional allocations contracting agencies were able to fund more HET learners in allocated projects.



PART B: PERFORMANCE INFORMATION

Strategic Objective 5: To encourage better use of workplace-based skills development to upskill workers to ensure sustainability and industrial growth.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
5.10 Number of unemployed learners completed Work-Integrated Learning Programmes from HETs.	176 Funded learners: 176	150	182 Funded learners: 182	32	Positive variance: 121% of target achieved. Target exceeded due to increased allocations to stakeholders and their commitment to complete projects within the required timeframe.

Strategic Goal 6: To provide support to co-operatives, small enterprises, worker-initiated and community organisations to implement skills development training initiatives to address unemployment, poverty alleviation, disability and rural development.

Purpose: To encourage and support co-operatives, small enterprises, worker-initiated NGOs and community training initiatives in order to expand technical, financial and entrepreneurial capacity to address poverty alleviation and unemployment in rural areas. Co-operatives, Small Enterprises, CBOs, NLPEs, Worker, NGOs and community-based education programmes supported with skills training and development to expand and contribute to sector economic and employment growth. SSP identified a number of key areas of critical skills demand for co-operatives, small enterprises, worker-initiated, NGOs and community training initiatives, all of which affect the efficacy and sustainability of these enterprises.

Strategic Objective 6: To encourage and support co-operatives, small enterprises, worker-initiated, NGO and community training initiatives to address poverty alleviation and unemployment.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
6.1 Number of SMMEs, NGOs, worker-initiated, co-operatives, and community training initiatives supported through capacity building initiatives or funding.	20 Co-operatives 22 Small enterprises	30 Co-operatives and/or small enterprises	32	2	Positive variance: 107% of target achieved. Additional funding was allocated to small enterprises and Co-operatives to deliver skills development interventions.
	4 NGOs 3 CBOs 6 NLPEs	10 NGOs and/or NLPEs	23	13	Positive variance: 230% of target achieved. Discretionary grant agreements were concluded with NGOs and NLPEs to deliver skills development interventions. NGOs and NLPEs benefitted from additional DG approvals.
	2	2 Trade Unions and/or worker-initiated interventions funded	2	Target achieved – no deviation.	100% of target achieved.
6.2 Number of rural development projects implemented	21	25	29	4	Positive variance: 116% of target achieved. In order to address the SETA mandate and strategic Government priorities, rural development projects were fully supported. Due to sweeping of inactive projects, additional funding became available to address this transformational imperative.



Strategic Goal 7: Career paths are communicated effectively and contributed to improved relevance of training and greater career and vocational awareness of learners.

Purpose: For FP&M sector learners to succeed, they need to be guided prior to enrolment on both best match of their interest and their abilities to occupational requirements, as well as best prospects for employment and decent remuneration. These programmes require input from the labour market, as well as vehicles for matching potential learners to opportunities. Career paths are mapped to qualifications in all sectors and sub-sectors, and communicated effectively, contributing to improved relevance of training and greater mobility and progression, the FP&M SETA needs to submit information in a standard format and help expose learners to work before they make final decisions. FP&M SETA to provide information on steps taken to expose prospective learners to work in the FP&M sector.

Strategic Objective 7: To build career and vocational guidance in order to expose learners to FP&M sector occupations through career events and exhibitions.					
Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
7.1 Number of career awareness initiatives conducted.	33	25	33	8	Positive variance: 132% of target achieved. Annual target exceeded. An overwhelming number of invitations were received to attend various career events co-ordinated by government departments and other organisations.
7.2 Number of schools exposed to FP&M Sector career opportunities.	66	80	122	42	Positive variance: 153% of target achieved. A large number of schools were invited to career events and exhibitions. Annual target exceeded due to excellent response from schools.

Programme 4: Quality Assurance and Partnerships

Strategic Goal 8: To ensure quality, relevant and fit-for-purpose education and training and to promote partnerships with post-school education and training institutions and workplaces to improve the supply of skills and education within the FP&M sector.

Purpose: To establish a sustainable post-school education and training system complimented by strategic partnerships to promote skills development within the sector. To uplift the capacity of public partner learning institutions to deliver programmes that are of the required quality. Programmes offered must meet industry needs. Relevant, fit-for-purpose and appropriate occupational qualifications and curricula aligned to industry needs to be developed and registered with QCTO. Develop skills programmes to address skills gaps of NCV learners.

Strategic Objective 8: To promote the growth of a public TVET college system, RPL and occupationally-directed qualifications development that is responsive to FP&M sector skills needs and priorities.					
Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
8.1 Number of TVET colleges accredited or re-accredited during the year.	10	10	10	Target achieved – no deviation.	100% of target achieved.
8.2 Number of TVET Colleges where Centres of Excellence are established.	3	3	3	Target achieved – no deviation.	100% of target achieved.



PART B: PERFORMANCE INFORMATION

Strategic Objective 8: To promote the growth of a public TVET college system, RPL and occupationally-directed qualifications development that is responsive to FP&M sector skills needs and priorities.

Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
8.3 Number of partnership agreements signed with TVET colleges during the year.	10	10	10	Target achieved – no deviation.	100% of target achieved.
8.4 Number of lecturer development programmes implemented.	2	2	2	Target achieved – no deviation.	100% of target achieved.

Additional Achievements Funded by Industry

Additional achievements relating to learners' registrations and completions that were funded by industry and contributed to the FP&M SETA's overall performance during 2018/19.

UNFUNDED LEARNERS PER PROGRAMME	2017/18 Unfunded Learners	2018/19 Unfunded Learners	Overall Performance (Funded and Unfunded Learners)
3.3 Number of unemployed learners entered learnership programmes.	226	387	Total achievement: 2,206 116% of target achieved.
3.4 Number of unemployed learners completed learnership programmes.	56	225	Total achievement: 1,838 161% of target achieved.
3.8 Number of unemployed learners entered Workplace Experience / Internships.	102	73	Total achievement: 332 107% of target achieved.
3.10 Number of unemployed learners entered skills programmes.	230	70	Total achievement: 1,200 117% of target achieved.
3.11 Number of unemployed learners completed skills programmes.	681	19	Total achievement: 998 139% of target achieved.
5.1 Number of employed learners entered skills programmes.	2,320	133	Total achievement: 2,000 107% of target achieved.
5.2 Number of employed learners completed skills programmes.	2,072	57	Total achievement: 1,380 105% of target achieved.
5.3 Number of employed learners entered learnership programmes.	125	61	Total achievement: 958 106% of target achieved.
5.4 Number of employed learners completed learnership programmes.	63	69	Total achievement: 758 140% of target achieved.
5.5 Number of employed learners entered bursary programmes.	0	2	Total achievement: 113 103% of target achieved.

Additional Achievements Recorded During the Year

The following achievements were not included in the 2017/18 performance report as these related to learner registrations and completions concluded in the previous financial year. Due to the late submission of documentation by project beneficiaries, these achievements were not reported during the 2017/18 financial year.

GOALS / OUTCOME / OUTPUTS	TOTAL
3.1 Number of learners entered into artisan programmes	4
3.2 Number of learners completed artisan programmes	2
3.3 Number of unemployed learners entered into learnership programmes	100
3.4 Number of unemployed learners completed learnership programmes	107
3.5 Number of unemployed learners entered into Bursary programmes	49
3.6 Number of unemployed learners who completed Bursary programme	16



GOALS / OUTCOME / OUTPUTS	TOTAL
3.8 Number of Unemployed learners entered Workplace Experience / Internships	40
3.9 Number of unemployed learners completed Workplace Experience / Internships	11
3.10 Number of unemployed learners entered skills programmes	44
3.11 Number of unemployed learners completed skills programmes	75
4.1 Number of learners who entered AET programmes	27
4.2 Number of learners who completed AET programmes	64
5.1 Number of employed learners entered skills programmes	172
5.2 Number of employed learners completed skills programmes	134
5.3 Number of employed learners entered into learnership programmes	90
5.4 Number of employed learners completed learnership programmes	123
5.5 Number of employed learners entered Bursary programmes	9
5.6 Number of employed learners completed Bursary programmes	2
5.8 Number of unemployed learners entered Work-Integrated Learning Programmes from TVET	13
5.9 Number of unemployed learners completed Work-Integrated Learning Programmes from TVET	73
5.10 Number of unemployed learners entered Work-Integrated Learning Programmes from HETs	22

PART C: GOVERNANCE



1. INTRODUCTION

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

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

2. PORTFOLIO COMMITTEES

During the reporting period under review a presentation was made to the Portfolio Committee on Higher Education and Training in October 2018, on the financial performance of the FP&M SETA and the audit outcomes of the Auditor-General of South Africa for 2017/18.

In February 2019, the CEO and Chairperson of the FP&M SETA Board presented on the overall SETA performance, financial performance, Strategic Plan and Annual Performance Plan for the 2019/20 financial year and alignment to Government strategies to address employment of youth and unemployed graduates post training to the Honourable Minister of Higher Education and Training, Dr Naledi Pandor (MP). The FP&M SETA presentation was well received by the Ministerial Committee.

3. EXECUTIVE AUTHORITY

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

- Four (4) SETA Quarterly Monitoring Reports (SQMR) for 2018/19.
- FP&M SETA Annual Report 2017/2018.
- FP&M SETA Strategic Plan for 2015/2016 – 2019/20
- FP&M SETA Annual Performance Plan for 2018/19 – 2020/21.
- DHET Service Level Agreement for 2018/19.
- FP&M SETA Materiality Framework for 2018/19.
- FP&M SETA Sector Skills Plan for 2018 – 2022 (Annual Update).
- FP&M SETA PIVOTAL List 2018/19

4. THE ACCOUNTING AUTHORITY / BOARD

INTRODUCTION

The FP&M SETA is governed by its constitution, which is aligned to the standard constitution provided to the SETAs by the DHET. The term of office for all Accounting Authorities of Sector Education and Training Authorities expired on 31 March 2018. New FP&M SETA Board Committee members were appointed 01 April 2018. The members of the FP&M SETA Board are appointed by the Minister of Higher Education and Training, in terms of this constitution.

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

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

During the year under review, 15 members regularly participated in the meetings and activities of the FP&M SETA Board.

The Board met seven (7) times of which two (2) meetings were special board meetings during the period under review. The special Board meeting was convened to approve the Annual Financial Statements and the Annual Report.

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

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

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

- Govern and manage the SETA in accordance with the *PFMA*, the *Skills Development Act*, and any other applicable legislation;

- Ensure that the SETA achieves its predetermined objectives and other targets;
- Provide effective leadership and ensure that the SETA implements the goals of the NSDS and the Performance Agreement with the Minister;
- Provide strategic direction for the SETA;
- Liaise at a leadership level with stakeholders;
- Ensure that the SETA complies with the relevant statutory requirements and the requirements of its constitution;
- Manage institutional risk;
- Monitor the performance of the SETA; and
- Ensure that its members and the members of the committees, established by the Board, comply with the Code of Conduct set out in *Annexure 2* of the FP&M SETA Constitution.

Composition of the Board

Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Sipho Ngidi	Independent Chairman	01 April 2018	Not applicable	Bachelor of Administration Industrial Relations Development Programme Bachelor of Commerce (Honours) Economics	Finance HR Management Industrial Relations	Ithala Limited Ithala Limited HR and Remuneration Committee Reatile Timrite Social and Ethics Committee	Chairman of the Board Governance and Strategy Committee Chairman of the Executive Committee	7 of 7
Morongoa Suzen Leseke	Government Representative DAFF: Forestry	01 April 2018	Not applicable	National Diploma: Policing B-Tech: Policing Executive Development Programme				3 of 7
Michelle Odayan	Independent Member	01 April 2018	Not applicable	Bachelor of Arts (Law) LLB Advocate of High Court of South Africa	Law Finance Strategy Governance Project Management HR Development Organisational Development Gender Mainstreaming	Court-Consult Africa (PTY) Ltd Indaba-Africa Group (PTY) Ltd MTR Investments (PTY) Ltd Play Africa-Children's Museum NPO & People Opposing Women Abuse (POWA) NPO	Chairperson of the Finance, Projects and IT Governance Committees Board Committee member Attend Audit and Risk Committee meetings as invitee	5 of 7
Tshepo Henry Makhene	Organised Labour: SATWU	01 April 2018	Not Applicable	Grade 12				6 of 7



Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Bonita Natalie Loubser	Organised Labour: SATWU	01 April 2018	Not Applicable	Diploma in Collective Bargaining Adult Basic Education Certificate Diploma in Human Resources Certificate of Competence in Labour Court Litigation Degree in Labour Law Labour Market Laws, Pension Fund Business Finance Management				4 of 7
Susan Khumalo	Organised Labour: SATWU	01 April 2018	Not applicable	Grade 11 Basic Computer Course Shop stewards training course Work ethics training course EE Act/Health & Education Safety/Skills Development	Labour relations	Not applicable	Governance and Strategy Committee Member Finance, Projects and IT Governance Committee Member	2 of 7
Abieda Abrahams	Organised Labour: SATWU	01 April 2018	Not applicable	National Diploma Clothing Management Diploma ETD Outcomes Based Assessment: Plan and Conduct Assessment of Learning National Diploma – Education Training and Development	Training and skills development	Not applicable	Quality Assurance Member Governance and Strategy Committee Member HR and Remuneration Committee Member	7 of 7
Thamsanqa Vuwani Mhlongo	Organised Labour: CEPPWAWU	01 April 2018	Not applicable	Grade 12	Labour relations	Wood and Paper Bargaining Council Furntech COSATU Central Executive Committee	HR and Remuneration Committee Member	3 of 7

Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Teboho Cosmas Maroele	Organised Labour: SATU	01 April 2018	Not Applicable	Certificate in Foundation of Business Studies Diploma in Labour Relations				5 of 7
Jane Margaret Molony	Organised Business: PAMSA	01 April 2018	Not Applicable	Bachelor of Fine Arts (Honours) IMM Marketing Diploma Basic Counselling Course				7 of 7
Mpuka Radinku	Organised Business: Publishing	01 April 2018		Secondary Teacher's Diploma BA Honours (Degree)	Management Publishing	South African Book Development Council Board (Deputy Chairperson) South African Book Fair Board (Executive Director)		4 of 7
Makhosi Chiwashira	Organised Business: Media24	01 April 2018	Not applicable	Personnel & Training Management Diploma Certificate in Public Relations (PR1) UNISA Certificate in Human Resources through IPM Project Management B-BBEE MDP Skills Development Facilitator Assessor – ETDP & FP&M SETA registered Moderator – ETDP & FP&M SETA registered				7 of 7



Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Norman Mfanaleni Dlamini	Organised Business: Forestry	01 April 2018	Not Applicable	Bachelor of Science and Agriculture Management Certificate Certificate in Project Management Business Development Programme International Leadership Development Programme				5 of 7
Mvuleni Stephen Thobela	Organised Business: Printing and Packaging	01 April 2018	Not applicable	Bachelor of Business Admin Agricultural Management certificate, N3 Printing, Diploma in Christian Ministries, Programme in Principles of Business Development	Agriculture, Printing, Business administration	Director: Print Production of the University of South Africa		3 of 7
Frans Barnard	Organised Business: Textiles	01 April 2018	Not applicable	BA Development Administration BA (Hons) Black Languages BA (Hons) Industrial Relations M.A Industrial Relations (Restructured Bargaining Framework for the Textile Industry (Cum Laude) Diploma in ETDP Practice (CUM LAUDE) Advanced Labour Law Programme	Strategic HR Management HR Risk Management Talent Management Workforce Planning Learning and Development Industrial Relations HR Technology and Safety / Wellness	South West Gauteng TVET College WESTCOL TVET Aranda Textile Mills Aranda Learnership College National Textile Bargaining Council	HR and Remuneration Committee Member Quality Assurance Committee Member	4 of 7

Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Johann Baard – Alternative	Organised Business: South African Apparel Association (SAAA)	Alternative	Not applicable	Degree Bachelor of Arts (UCT) Industrial Relations Development Programme (Stellenbosch University)		Manpower Commission National Chairman of SA Chamber of Business standing Committee on labour affairs and Social Policy Western Cape Development Council Chairman of Industrial Practitioners Association of SA Chairman of the Cape Clothing Manufacturers Association Member of BUSA Member of NEDLAC Technical Task Team	Board Member Projects, Finance and IT Governance	1 of 7
Mike Truelock – Alternative member	Organised Business: PAMSA	Alternative	Not applicable	National Diploma in Organisation and Work Study National Diploma in Personal Management Industrial Relations Diploma Programme Management Development Programme	Organisational Development HR Management Management Learning and Development	Santa Barbara Home Owners Association Truelock Adventures cc	Chairman of the HR and Remuneration Committee Executive Committee Member Finance, Projects and IT Governance Committee Member	1 of 7



Committees

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

Committee	Number of meetings held	Number of members	Name of members
Executive Committee	4	5	Sipho Ngidi (Chairman) Mvuseni Stephens Thobela Jane Margaret Molony Susan Khumalo Teboho Cosmas Maroele Alternative members Tshepo Makhene Makhosi Jean Chiwashira Thamsanqa Vuwani Mhlongo Frans Barnard
Audit Risk Committee	6 (including 2 that were special)	4	Trevor Boltman (Chairman) Karien de Villiers Roger Godsmark Zakariya Suder
		1	In attendance; Adv. Michelle Odayan
Governance and Strategy Committee	2	9	Sipho Ngidi (Chairman) Abieda Abrahams Thamsanqa Vuwani Mhlongo Bonita Natalie Loubser Teboho Cosmas Maroele Norman Mfaneleni Dlamini Jane Molony Mpuka Radinku Rajen Naicker
Finance, Projects and IT Governance Committees	2	5	Michelle Odayan (Chairperson) Makhosi Jean Chiwashira Norman Mfaneleni Dlamini Abieda Abrahams Bonita Natalie Loubser Alternative members Teboho Cosmas Maroele Thamsanqa Vuwani Mhlongo Deryn Garz Olga Bezuidenhout
HR and Remuneration Committee	4	8	Frans Barnard (Chairperson) Johann Baard Mvuseni Stephen Thobela Makhosi Jean Chiwashira Abieda Abrahams Thamsanqa Vuwani Mhlongo Teboho Cosmas Maroele Tshepo Henry Makhene

Committee	Number of meetings held	Number of members	Name of members
Quality Assurance Committee		9	Morongoa Suzen Leseke (Chairperson) Frans Barnard Pamela Naidoo Ken Leid Teboho Cosmas Maroele Thamsanqa Vuwani Mhlono Abieda Abrahams Susan Khumalo Jay Deepnarain Alternative members Olga Bezuidenhout Theresa Bronwyn Otto

Remuneration of Board Members

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

Board members qualifying for remuneration are classified as follows:

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

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

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

Name	Representation	Remuneration (R'000)	Other Re-imbursements (R'000)	Total (R'000)
Mr Sipho Ngidi	Board Chairman Governance and Strategy Committee Chairman	283	1	284
Adv. Michelle Odayan	Finance, Projects and IT Governance Chairperson	120	-	120
Ms Makosi Jean Chiwashira	Finance, Projects and IT Executive Committee HR and Remuneration Committee	-	2	2
Mr Trevor Boltman	Audit and Risk Committee Chairman External Independent	165	4	169
Ms Karien De Villiers	Independent Member	37	2	28
TOTAL		605	9	614

Note: 1. Mr Trevor Boltman attended Board meetings in his capacity as Audit and Risk Committee Chairman;
2. Adv. Michelle Odayan attended Audit and Risk Committee Meeting on invite as an independent Board member.

5. RISK MANAGEMENT

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

- The dedicated Risk Division, headed up by the General Manager: Governance, Risk, Compliance and Legal, implemented its mandate to identify risk and oversee the implementation of risk management strategies and risk mitigating procedures.
- The Risk Management Policy defining the risk appetite and tolerance levels was implemented successfully.
- A comprehensive Risk Register that reflects both strategic, operational and external risks, with clear actions that need to be taken by assigned risk champions, was updated regularly on the electronic Risk monitoring module.
- Risk Assessment were done at ARC meetings to identify emerging risks and to compile mitigating measures to address the identified risks.
- Internal Audit played an oversight role by evaluating the effectiveness of the risk management processes in place. It also recommended areas of improvement to ensure the efficient realisation of strategic and operational goals. The Internal Audit Coverage Plan

is risk-based and addresses high risk areas identified in terms of the FP&M SETA's Risk Profile.

PROGRESS MADE IN ADDRESSING THE RISKS IDENTIFIED

Risk mitigating measures and action plans were developed during the period under review to address identified risks, thereby increasing efficacy of internal operations. This contributed to increased efficiencies in addressing external customer queries, a reduction in the response time to queries and an increase in customer satisfaction. The Risk and Audit Committee monitored the effectiveness of the Risk Management Committee and the risk management function. It provided guidance to staff in the implementation of risk management strategies. The risks in not achieving the targets by the organisation were monitored in a separate risk register and revised and updated as progress in achieving the targets were made.

6. INTERNAL AUDIT AND AUDIT COMMITTEES

INTERNAL AUDIT FUNCTION

The Internal Auditors, appointed by the FP&M SETA, continued with the implementation of their three-year rolling internal audit plan. The internal audit function reported to the Audit Committee in line with the Internal Audit Charter. It provided objective assurance regarding the state of internal control, risk management, and governance processes at the FP&M SETA. The input received from the Internal Auditors and the risks identified, as a result of the extensive internal audits conducted at the FP&M SETA, contributed to the effectiveness of the organisation and strengthened its internal control systems.

KEY ACTIVITIES AND OBJECTIVES OF THE INTERNAL AUDIT

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

AUDIT WORK CARRIED OUT

The Internal Auditors conducted audits in line with their 2018/19 internal audit plan. Operational areas that were scrutinised included human resources and payroll, projects/discretionary grants, supply chain management, IT Governance and risk management. An information technology review and audit of predetermined objectives was also carried out.

AUDIT COMMITTEE

The independent Audit Committee of the FP&M SETA carried out its duties during the period under review, according to its Audit Charter. The Audit Committee met six (6) times during the year and was chaired by an independent Chairman, as appointed by the FP&M SETA Board. The Audit Committee ensures that the organisation operates according to a strict ethical code, implements fair practice, and embodies good corporate governance. The Audit Committee, working with the Board and SETA staff, oversees the implementation of relevant and updated policies and procedures across all governance structures and SETA departments. The committee oversees the implementation of sound financial practices, effective risk management, and legal compliance.

KEY ACTIVITIES AND OBJECTIVES OF THE AUDIT COMMITTEE

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

The table below discloses the relevant information on the audit committee members:

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	Number of meetings attended
Trevor Boltman	Certified Internal Auditor (CIA) Certified Government Auditor Certification in Control Self-Assessment (CCSA) Certificate in Forensic Investigation	External – Independent	-	November 2011	Not applicable	6 of 6
Karien de Villiers	Chartered Accountant Bachelor of Accounting Science (B Compt) (Honours) and CTA	External – Independent	-	February 2014	Not applicable	6 of 6
Roger Godsmark	Bachelor of Science (Honours) Agricultural Economics	External – Employer representative	-	November 2011	Not applicable	2 of 6
Zakariya Suder	Bachelor of Commerce	External – Labour representative	-	January 2012	Not applicable	4 of 6
* - Advocate Michelle Odayan	Bachelor of Arts (Law) LLB Advocate of the High Court of South Africa	Invitee - Board independent member)	-	01 April 2018	Not applicable	4 of 6

*** - Advocate Odayan attended based on invitation.**

* There is one vacancy for an independent Audit Committee member.

7. COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

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

The FP&M SETA timeously submitted their quarterly compliance report for the 2018/19 financial year to the DHET with evidence according to the SETA Governance standard and the DHET acknowledged receipt thereof.



8. FRAUD AND CORRUPTION

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

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

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

9. MINIMISING CONFLICTS OF INTEREST

The FP&M SETA has 'Declaration of Interest' practices in place at all levels of the organisation. Staff members are required to disclose their financial interest annually. Additionally, staff in the SCM Division, also declare any interest in relation to transactions entered into with service providers. The declaration is printed on the purchase order.

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

10. CODE OF CONDUCT

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

The Code of Conduct stipulates that Board members must:

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

- Conduct themselves ethically and in accordance with the principles of good governance.

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

11. HEALTH, SAFETY, AND ENVIRONMENTAL ISSUES

The safety and wellness of its employees are key priorities of the FP&M SETA. The FP&M SETA has implemented policies and procedures to ensure the safety of its employees, visitors, and any other person who may be affected by its activities. Productivity and efficiency of employees are closely related to their emotional and physical well-being and it is therefore of utmost importance to maintain safe working conditions and productivity enhancing environment, compliant with all relevant legislation and approved codes of practice.

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

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

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

12. SOCIAL RESPONSIBILITY

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

As the leading partner in skills development in the fibre processing and manufacturing sector, it is the responsibility of the FP&M SETA to raise awareness amongst its constituent members and skills development partners of the need for an inclusive



approach to skills development. The FP&M SETA is the liaison between previously disadvantaged groups (unemployed youth, women, people with disabilities, and people living in rural and township areas) and the providers of skills development (the institutions of higher and further education). In order to meet the needs of these learners, the SETA has established partnerships with constituent stakeholders, levy paying members, educational institutions and government departments to implement innovative skills development initiatives in rural communities and townships.

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

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

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

13. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2019.

AUDIT AND RISK COMMITTEE RESPONSIBILITY

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

AUDIT AND RISK COMMITTEE MEMBERSHIP

The Audit and Risk Committee consists of three (3) external independent (non-executive) members and two (2) members representing Employer and

Employee organisations respectively. There was a vacancy of one (1) external independent (non-executive) member.

INTERACTION WITH OTHER STAKEHOLDERS IN GOVERNANCE AND OVERSIGHT

The Audit and Risk Committee ensured that an acceptable and productive relationship is maintained with other stakeholders in governance and oversight.

Audit and Risk Committee reports were submitted to the Accounting Authority. In addition, the Chairperson of the Audit and Risk Committee attended Board meetings during which he reported matters of significant importance to the Board. The AGSA also attended ARC meetings.

THE EFFECTIVENESS OF INTERNAL CONTROL

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity for the period December 2018 to March 2019 revealed that the system of internal control is adequate and effective.

The following internal audit reviews were completed during the year under review:

- Projects / Discretionary Grants including site visits;
- Supply Chain Management;
- Asset management review;
- Quality assurance review;
- Audit of Pre-determined Objectives; and
- Follow up on audit findings raised in the prior financial year.

The following were areas of concern:

There was no internal audit function for the period April 2018 to December 2018, which was a concern. It must be noted that however that the other controls of the entity enabled the entity to prevent material findings in the audit of the financial statements, performance information and compliance with laws and regulations.

RISK MANAGEMENT

Management of the Governance, Legal, Risk and Compliance Management unit reported on a quarterly basis to the Audit and Risk Committee regarding the management of risks in the department.

All General Managers of FP&M SETA Divisions have risk management as one of their key responsibility areas in their performance agreements, thus instilling a culture of risk management, improving the maturity of the department in the risk management process and managing risk in a structured approach.

IN-YEAR MANAGEMENT AND MONTHLY/ QUARTERLY REPORT

The public entity has reported monthly and quarterly to the Treasury as is required by the PFMA as well as on a quarterly basis to the Audit and Risk Committee.

EVALUATION OF FINANCIAL STATEMENTS

The Audit and Risk Committee's evaluation of the Annual Financial Statements and Annual Performance Report entailed:

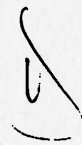
- Review and discussions of the unaudited Annual Financial Statements to be included in the Annual Report, with the Auditor-General and Accounting Officer;
- Review of any changes in accounting policies and practices;
- Review of the FP&M SETA's compliance with legal and regulatory provisions; and
- Review of the unaudited information on pre-determined objectives to be included in the Annual Report.

AUDITOR'S REPORT

The Audit and Risk Committee has reviewed and discussed:

- The audited Annual Financial Statements to be included in the Annual Report with the Auditor-General and the Accounting Authority.
- Management letter and Management's response thereto.

The Audit and Risk Committee concurs with and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.



Trevor Boltman

Chairman of the Audit Committee

FP&M SETA

31st July 2019



Back Row Left to Right: Ms Morongoa Suzen Leseke (Government Department Representative), Advocate Michelle Odayan (independent Member), Mr Frans Barnard (Employer Representative), Mr Mvuleni Stephen Thobela (Employer Representative), Mr Norman Mfanaleni Dlamini (Employer Representative), Ms Jane Margaret Molony (Employer Representative), Ms Makhosi Chiwashira (Employer Representative), Mr Teboho Cosmas Maroele (Labour Representative)

Front Row Left to Right: Mr Trevor Boltman (Independent Audit Committee Chairman), Mr Sipho Ngidi (FP&M SETA Chairman of the Board), Ms Felleng Yende (FP&M SETA CEO), Mr Mpuka Radinku (Employer Representative), Ms Abieda Abrahams (Labour Representative), Mr Tshepo Henry Makhene (Labour Representative)

Not present at the time of the photograph: Ms Bonita Natalie Loubser (Labour Representative), Thamsanqa Vuwani Mhlongo (Labour Representative)

PART D: HUMAN RESOURCE MANAGEMENT





1. INTRODUCTION

HR is one of the most strategic resources that is managed with great care and diligence within the FP&M SETA, because it must be strategically positioned to:

- Retain, engage and attract highly competent, skilled and talented employees;
- Ensure affiliation of management to professional bodies;
- Promote a workforce that is diverse and inclusive; and
- Provide a safe and healthy, learning and working environment and develop employees to their fullest potential.

1.1 SET HUMAN RESOURCE PRIORITIES FOR THE YEAR UNDER REVIEW

The FP&M SETA reviewed human resources policies in line with the relevant legislation to:

- Recruit a suitably qualified, capable and skilled workforce;
- Promote employment equity;
- Develop high-quality leaders and managers who exemplify the core values of the SETA, and who are committed to service delivery;
- Promote an effective performance management system;
- Effectively manage employee health and wellness in the workplace; and
- Promote sound labour relations between the employer and employees.

1.2 EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

Performance management aims to motivate and empower employees to perform their work roles effectively, to provide performance feedback, acknowledge achievements and to support on-going personal and professional development. In the year under review, all employees signed performance contracts. Their work plans were developed in line with the SETA's Strategic Plan, APP and DHET Service Level Agreement. Significant improvements in performance management were accomplished, through the sustained performance management system. Individual performance objectives are linked to the strategic objectives.

1.3 EMPLOYEE WELLNESS PROGRAMMES

The wellness of employees plays a key role and the SETA ensures support to all its employees where required. The SETA's appointed wellness service provider is Careways. Support programmes are

implemented through Careways, in particular when employees require professional coping mechanisms to deal with traumatic life experiences and life stressors in order to facilitate optimal workplace functioning. Employees and their immediate families are allowed to register and make use of the wellness site for free. Employees and their dependents are always reminded that they can access the Employee Wellness Programme (EWP) via the toll-free number, email address, as well as the SMS number provided. A number of employees made use of the EWP where face-to-face counselling was the top service accessed during the period. Also assisted through the wellness programme was the family of a deceased employee who went through a couple of counselling sessions during the period of grief.

1.4 POLICY DEVELOPMENT

In the year under review, the HR policies that were reviewed in the previous financial year (2018/19) were implemented, and ongoing monitoring and evaluation processes were undertaken.

1.5 ACHIEVEMENTS

The FP&M SETA has taken care during the year under review to manage its staff successfully. In the financial year under review, the staff complement totalled 73.

Placements of interns within the regional offices continued successfully through the year and some were retained on fixed-term contracts for an agreed period. This placed them in advantageous positions as most of them were absorbed by the market. Overall, the FP&M SETA has a healthy workforce with a low staff turnover.

The Workplace Skills Plan and the Annual Training Report were successfully submitted to the ETDP SETA and approved for implementation throughout the year. A Memorandum of Understanding between the FP&M SETA and ETDP SETA on skills development interventions for employees was entered into. Through the ETDP discretionary funding, several employees were enrolled on various training programmes, including Contract Management, Monitoring & Evaluation, Project Management and a Post-Graduate Diploma with Regent Business School. The targeted beneficiaries were mainly Specialists, Co-ordinators and Line Managers.

The on-line payslip system is now fully functional and employees can directly access their individual payslips online at any time of need.

The necessity to create an enabling environment to cultivate a relationship between the Union and Management in order to meet the challenges of the future has been acknowledged; with the aim to create a working environment where every member



of the organisation contributes to the organisation's success. The KZN Regional staff have successfully relocated the office to the Durban CBD.

1.6 CHALLENGES FACED BY THE PUBLIC ENTITY

The FP&M SETA has undertaken to dismiss four employees who were charged with acts of misconduct and dishonesty regarding work done. All cases went through formal disciplinary processes. Lessons learnt will continuously be observed and communicated, where applicable. All employees are expected to conduct themselves in an ethical manner and within the prescripts of the laws that govern the operations of the SETA.

One employee was terminated due to ill-health, while the other one passed away during the year under review.

1.7 FUTURE HR PLANS /GOALS

The SETA's future plans and goals are to review and align the organisational structure with the National Skills Development Plan 2030 in an effort to contribute to enhancing the capabilities of our people so that they are active participants in developing the potential of the country thus becoming 'an educated, skilled and capable workforce for South Africa'. The SETA further intends to be responsive to legislative changes and best practices by reviewing and developing new human resources policies. Training and development of employees in line with the Workplace Skills Plan will be implemented. Efforts are being made to employ people with disabilities. Also, in the priority list is maintaining a non-qualification on audit and striving towards a clean audit outcome. Co-operation and good faith in the relationship between the Union and the Employer remains essential to ensure achievement of optimum results through the working relationship. More training interventions for employees, specifically in the following areas: research, documents and records management, project management, contract management, health and safety, and monitoring and evaluation.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

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

Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of Personnel Exp. to Total Personnel Cost (R'000)	No. of Employees	Average Personnel Cost Per Employee (R'000)
Top Management	4,432	13%	2	2,216
Senior Management	4,791	14%	3	1,597
Professional qualified	9,011	27%	12	750
Skilled	10,793	33%	24	449
Semi-skilled	3,516	11%	14	251
Unskilled	339	1%	4	84
Other	226	1%	14	16
TOTAL	33,108	100%	73	453

Note: "Other" refers to interns and fixed-term contract employees.

Performance Rewards

Programme/Activity/Objective	Performance Rewards (R'000)	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost
Top Management	400	4,432	9%
Senior Management	263	4,791	5%
Professional qualified	529	9,011	6%
Skilled	703	10,793	7%
Semi-skilled	200	3,516	6%
Unskilled	24	339	7%
Other	0	226	0%
TOTAL	2,119	33,108	6%

Training Costs

Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Avg. Training Cost Per Employee (R'000)
Office of the CEO	3,635	4	0.34%	1	12
Research, Planning & Reporting	6,773	14	0.31%	5	4
Projects	10,196	145	1.75%	17	10
Quality Assurance	2,939	14	0.74%	5	4
Finance	5,644	26	0.61%	7	5
Governance/Risk/ Compliance/Legal & M&E	3,695	39	1.74%	5	13
Other	226	0	0.00%	0	0
TOTAL	33,108	332	1%	40	8

Note: The training reported includes both formal training and internal workshops.



Training Expenditure Cost Breakdown

Formal Training	R112,000
Internal Workshops	R220,000
TOTAL	R332,000

Employment and Vacancies

Programme/Activity/Objective	2017/2018 No. of Employees	2018/2019 Approved Posts	2018/2019 No. of Employees	2018/2019 Vacancies	% of Vacancies
Top Management	2	2	2	0	0.0%
Senior Management	3	3	3	0	0.0%
Professional Qualified	11	13	12	1	8.3%
Skilled	26	25	24	1	4.2%
Semi-skilled	14	18	14	4	28.6%
Unskilled	4	4	4	0	0.0%
Other	14	14	*14	0	0.0%
TOTAL	74	79	73	6	8.2%

Explanations

- *Other refers to interns.
- Other positions are strengthened by the appointment of SSAs and or interns (additional capacity) funded through discretionary grant funding.

Employment Changes

Levels	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	2	*1	1	2
Senior Management	3*	**1	1	3
Professional qualified	11	2	1	12
Skilled	26	0	2	24
Semi-skilled	14	6	6	14
Unskilled	4	0	0	4
Other	14	0	14	0
TOTAL	74	10	25	59

Note:

- * Appointment of CEO.
- ** Promotion/appointment of General Manager Quality Assurance.
- Due to additional capacity required, other appointments are fixed-term contracts until 31 March 2020.



Reasons for Staff Leaving

Reason	Number	% of Total No. of Staff Leaving
Death	1	4%
Resignation	3	13%
Dismissal	2	8%
Retirement	0	0%
Ill health	1	4%
Expiry of contract	14	58%
Other	3	13%
TOTAL	24	100%

Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal Warning	1
Written Warning	4
Final Written warning	1
Dismissal	2
Other	3

Equity Target and Employment Equity Status

Explanations:

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

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	0
Senior Management	1	1	0	0	1	1	1	1
Professional qualified	4	*5	0	0	1	1	0	0
Skilled	4	4	0	0	0	0	2	2
Semi-skilled	3	**4	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Other	2	3	0	0	0	0	0	0
TOTAL	15	18	0	0	2	2	3	3

Note:

- * Recruitment of Grants Accountant.
- ** Recruitment of Administrator.



Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0
Professional qualified	4	4	0	0	0	0	2	2
Skilled	13	13	0	0	2	2	2	2
Semi-skilled	6	*7	2	2	2	2	1	1
Unskilled	4	4	0	0	0	0	0	0
Other	10	10	0	0	0	0	0	0
TOTAL	38	39	2	2	4	4	5	5

Note:

- * Recruitment of Administrator.

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	*1	1
Semi-skilled	0	*1	0	0
Unskilled	0	0	0	0
TOTAL	0	1	1	1

Note:

- * Disability also suggests partial disability.

This is a highly detailed and layered abstract collage. The color palette is dominated by various shades of green, from light lime to deep forest green, set against a textured, brownish-grey background that resembles recycled paper. The composition is dense with numerous elements:

- **Geometric and Patterned Elements:** There are several vertical columns of repeating shapes, such as circles, squares, and rectangles. Some columns contain numbers (e.g., 1, 1, 2, 0, 5, 8, 4; 1, 0, 0, 1, 0, 8, 9, 0, 2; 1, 1, 2, 0, 5, 8, 4; 1, 0, 0, 1, 0, 8, 9, 0, 2; 1, 0, 0, 1, 0, 8, 9, 0, 2; 1, 0, 0, 1, 0, 8, 9, 0, 2). There are also horizontal bands of small squares and rectangles.
- **Organic and Nature-Inspired Elements:** Stylized green trees are on the left. A large, detailed green leaf is in the center. A green spiral, resembling a shell or a spring, is on the left. A green house with a chimney is on the right. A green car is on the left. A green shopping bag is on the right.
- **Abstract Shapes and Icons:** There are various abstract shapes, including a green circle, a green square, a green triangle, a green rectangle, a green diamond, a green star, a green heart, a green cross, a green plus sign, a green minus sign, a green multiply sign, a green divide sign, a green percent sign, a green dollar sign, a green pound sign, a green yen sign, a green euro sign, a green dollar sign, a green pound sign, a green yen sign, a green euro sign.
- **Text and Numbers:** The numbers 1, 2, 3, 4, 5, 8, 9, 0 are scattered throughout the collage, often appearing in vertical columns. There are also some small, illegible text fragments.
- **Overall Style:** The collage has a hand-drawn, artistic feel, with a mix of organic and geometric forms. The layers are visible, giving it a sense of depth and complexity.



1. Report of the Auditor-General to Parliament on the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the entity set out on pages 86 to 125, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with the *International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

EMPHASIS OF MATTER

6. I draw attention to the matter below. My opinion is not modified in respect of this matter. Restatement of corresponding figures

RESTATEMENT OF CORRESPONDING FIGURES

7. As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of an error in the financial statements of entity at, and for the year ended, 31 March 2019.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

8. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and the SDA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.



Report on the Audit of the Annual Performance Report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as performance report of the entity for the year ended 31 March 2019:

Programme	Pages in the Annual Performance Report
Programme 3 - Learning Programmes and Projects	51 – 57

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not raise any material findings on the usefulness and reliability of the reported performance information for this programme:
 - Programme 3 - learning programmes and projects

Other matter

17. I draw attention to the matter below. Achievement of planned targets

ACHIEVEMENT OF PLANNED TARGETS

18. Refer to the annual performance report on pages 50 to 59 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets.

Report on the Audit of Compliance with Legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
24. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor General

Auditor-General

Pretoria

31 July 2019



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence

Annexure -Auditor-General's Responsibility for the Audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the FP&M SETA's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FP&M SETA's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the FP&M SETA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the FP&M SETA to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.



2. Annual Financial Statements for the year ended 31 March 2019

STATEMENT OF RESPONSIBILITY

The Accounting Authority is responsible for the preparation of the FP&M SETA'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.

The external auditors are engaged to express an independent opinion on the financial statements of FP&M SETA.

The annual financial statements of the FP&M SETA set out on page 86 to page 125 have been approved by the Board on 30 July 2019.

Felleng Yende
Chief Executive Officer

Sipho Ngidi
Board Chairperson

Statement of Financial Position as at 31 March 2019

	Note(s)	2019 R '000	2018 Restated* R '000
Assets			
Current Assets			
Cash and cash equivalents	5	598,693	551,161
Receivables from non-exchange transactions	6	717	631
Receivables from exchange transactions	7	3,084	615
Inventories	8	75	52
		602,569	552,459
Non-current assets			
Property, plant and equipment	3	3,524	492
Intangible assets	4	68	72
		3,592	564
Total Assets		606,161	553,023
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	11	3,678	3,582
Trade and other payables from non-exchange transactions	10	82,717	59,234
Government grants and Donor funding received in advance	9	9,328	9,332
Provisions	12	9,055	9,084
		104,778	81,232
Total liabilities		104,778	81,232
Net Assets		501,383	471,791
Reserves			
Capitalisation reserve	34	-	3,759
Admin Reserve	34	3,592	564
Discretionary reserve	34	497,791	467,468
Total Net Assets		501,383	471,791



Statement of Financial Performance for the Year Ended 31 March 2019

	Note(s)	2019 R '000	2018 Restated* R '000
Revenue			
Revenue from exchange transactions			
Other revenue	14	127	4,550
Finance income	15	39,845	39,415
Total revenue from exchange transactions		39,972	43,965
Revenue from non-exchange transactions			
Transfer revenue			
Skills development levy (SDL) revenue	16	354,502	340,147
SDL penalties and interest received	17	6,036	7,300
Total revenue from non-exchange transactions		360,538	347,447
Total revenue	13	400,510	391,412
Expenditure			
Employee related costs	18	(22,110)	(22,893)
Depreciation and amortisation		(1,234)	(576)
Lease rentals on operating lease		(4,295)	(2,364)
Debt Impairment	19	96	254
Employer grants and project expenses	20	(328,243)	(386,636)
General Expenses	21	(15,115)	(17,361)
Loss on disposal of assets and liabilities		(17)	(743)
Total expenditure		(370,918)	(430,319)
Surplus/(deficit) for the year		29,592	(38,907)

Statement of Changes in Net Assets

	Capital Reserve R '000	Administration Reserve R '000	Employer Grant Reserve R '000	Discretionary Reserve R '000	Total Reserves R '000	Accumulated Surplus R '000	Total Net Assets R '000
Balance at 01 April 2017	-	1,620	-	509,078	510,698	-	510,698
Changes in net assets							
Surplus/(Deficit) for the year	-	-	-	-	-	(38,907)	(38,907)
Transfer to Capital Reserve	3,759	(3,759)	-	-	-	-	-
Allocation of unappropriated surplus	-	4,791	21,493	(65,191)	(38,907)	38,907	-
Transfer to Discretionary Reserves: Excess Funds	-	(2,088)	(21,493)	23,581	-	-	-
Total changes	3,759	(1,056)	-	(41,610)	(38,907)	-	(38,907)
Restated balance as at 31 March 2018	3,759	564	-	467,468	471,791	-	471,791
Adjustments							
Opening balance as previously reported	3,759	564	-	467,594	471,917	-	471,917
Change in accounting policy (Refer to note 25)	-	-	-	(126)	(126)	-	(126)
Restated* Balance at 01 April 2018 as restated*	3,759	564	-	467,468	471,791	-	471,791
Changes in net assets							
Allocation of unappropriated surplus/(deficit)	-	3,946	20,899	4,747	29,592	(29,592)	-
Transfer to Discretionary Reserves: Excess Funds	(3,759)	(918)	(20,899)	25,576	-	-	-
Net income (losses) recognised directly in net assets	(3,759)	3,028	-	30,323	29,592	(29,592)	-
Surplus/(Deficit) for the year	-	-	-	-	-	29,592	29,592
Total recognised income and expenses for the year	(3,759)	3,028	-	30,323	29,592	-	29,592
Total changes	(3,759)	3,028	-	30,323	29,592	-	29,592
Balance at 31 March 2019	-	3,592	-	497,791	501,383	-	501,383
Note(s)		27		27			



Cash Flow Statement

	Note(s)	2019 R '000	2018 Restated* R '000
Cash flows from operating activities			
Receipts			
Cash receipts from stakeholders		358,122	347,836
Other cash receipts from stakeholders		127	3,953
Interest income		39,845	39,415
		<u>398,094</u>	<u>391,204</u>
Payments			
Grants and project payments		(304,680)	(361,049)
Compensation of employees		(22,261)	(22,633)
Payments to suppliers and other		(19,341)	(17,868)
		<u>(346,282)</u>	<u>(401,550)</u>
Net cash flows from operating activities	26	51,812	(10,346)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(4,147)	(152)
Purchase of other intangible assets	4	(133)	(113)
Net cash flows from investing activities		(4,280)	(265)
Net increase/(decrease) in cash and cash equivalents		47,532	(10,611)
Cash and cash equivalents at the beginning of the year		551,161	561,772
Cash and cash equivalents at the end of the year	5	598,693	551,161

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other revenue	-	-	-	127	127	
Finance Income	41,113	-	41,113	39,845	(1,268)	37.1
Total revenue from exchange transactions	41,113	-	41,113	39,972	(1,141)	
Revenue from non-exchange transactions						
Transfer revenue						
SDL revenue	339,552	-	339,552	354,502	14,950	37.2
SDL penalties and interest received	9,030	-	9,030	6,036	(2,994)	37.3
Total revenue from non-exchange transactions	348,582	-	348,582	360,538	11,956	
Total revenue	389,695	-	389,695	400,510	10,815	
Expenditure						
Personnel	(21,642)	-	(21,642)	(22,110)	(468)	37.5
Depreciation and amortisation	(1,546)	-	(1,546)	(1,234)	312	37.8
Lease rentals on operating lease	(4,768)	-	(4,768)	(4,295)	473	37.9
Bad debts written off	(52)	-	(52)	96	148	37.10
Employer grant and project expenses	(345,129)	(24,746)	(369,875)	(328,243)	41,632	37.4
General expenses	(16,558)	-	(16,558)	(15,115)	1,443	37.6
Total expenditure	(389,695)	(24,746)	(414,441)	(370,901)	43,540	
Operating surplus	-	(24,746)	(24,746)	29,609	54,355	
Gain on disposal of assets	-	-	-	(17)	(17)	37.7
Surplus before taxation	-	(24,746)	(24,746)	29,592	54,338	
Actual amount on comparable basis as presented in the budget and actual comparative statement	-	(24,746)	(24,746)	29,592	54,338	



1. Presentation of Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

These accounting policies are consistent with the previous period.

1.1 PRESENTATION CURRENCY

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

1.2 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

The useful lives of items of property, plant and equipment have been assessed as follows:

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

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

1.3 INTANGIBLE ASSETS

An intangible asset is recognised when:

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets, amortisation is provided on a straight-line basis over their useful life.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful Life
Computer software	License period

Intangible assets are derecognised:

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

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

1.4 FINANCIAL INSTRUMENTS

Definitions

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

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

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

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

A financial asset is:

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



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

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

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

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

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

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

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

Classification

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

Class:	Category:
Cash and Cash Equivalents	Financial asset measured at amortised cost
Receivables non exchange	Financial asset measured at amortised cost
Receivables exchange	Financial asset measured at amortised cost

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

Class:	Category:
Trade and other payables exchange	Financial liability measured at amortised cost
Trade and other payables non-exchange	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can

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

Derecognition

Financial assets

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

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

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

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

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming

a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

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

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

Financial liabilities

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

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

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



Presentation

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

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

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

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

1.5 TAX

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

1.6 LEASES

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

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

Operating leases - lessee

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

1.7 INVENTORIES

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

Subsequently inventories are measured at the lower of cost and net realisable value.

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used

for all inventories having a similar nature and use to the entity.

Inventory primarily comprise of consumables and office stationery that is not used at year end.

1.8 SHARE CAPITAL / CONTRIBUTED CAPITAL

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

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

- Administration reserve
- Employer grant reserve
- Discretionary reserve

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

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

Purpose of total SDL payments from employer	% Allocation 18/19	% Allocation 17/18
Administration costs of the SETA	10.50%	10.50%
Mandatory Grants	20.00%	20.00%
Discretionary Grants and Projects	49.50%	49.50%
	80.00%	80.00%

In addition, contributions received from public service employers in the national or provincial spheres of government may be used to pay for its administration costs.

Interest and penalties received from SARS are utilised for discretionary grants. Other income received is utilised in accordance with the original source of the income.

The net surplus/(deficit) is allocated to the administration reserve, the mandatory grant reserve and the discretionary fund reserve based on the above. The amount retained in the administration reserve equates to the net book value of property, plant and equipment and intangible assets. Excess cash reserves are transferred to the discretionary reserve.

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

1.9 EMPLOYEE BENEFITS

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

1.10 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

1.11 COMMITMENTS

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements and these include discretionary grant contracts that are non-cancellable or only cancellable at significant cost.

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

1.12 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

Measurement

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

Interest, royalties and dividends

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

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

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

1.13 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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



equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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

Levy Income

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

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

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

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

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

Penalties and Interest

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

Government grants and other donor income

Conditional government grants and other conditional donor funding received are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over

the period necessary to match the grants with the related costs which they are intended to compensate. Unconditional grants received are recognised when the amounts have been received.

1.14 BORROWING COSTS

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

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

1.15 COMPARATIVE FIGURES

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

1.16 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

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

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

1.17 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.18 IRREGULAR EXPENDITURE

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

1.19 BUDGET INFORMATION

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

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

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

The approved budget covers the fiscal period from 01/04/2018 to 31/03/2019.

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

1.20 RELATED PARTIES

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

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

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

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

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

1.21 EVENTS AFTER REPORTING DATE

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

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

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



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

1.22 GRANTS AND PROJECT EXPENDITURE

Grants and project expenditure

A registered company may recover its total SDL payment by complying with the grant criteria in accordance with the Skills

Development Regulations issued in terms of the Skills Development Act 1999 (Act No 9 of 1999).

Mandatory grants

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

Discretionary grants

A SETA may out of any surplus monies determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. The grant payable and the related expenditure are recognised when the application has been approved to the extent that the conditions of the grant have been met and the services have been rendered (substance over form is applied to ensure that minor administrative compliance deliverables do not result in a deviation from the accrual principle to which these financial statements are prepared).

2. New standards and interpretations

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

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

GRAP 20 : Related Parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or

deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

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

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements. Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

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

-A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;

- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or (ii) is a member of the management of that entity (or its controlling entity).

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

The standard elaborates on the definitions and identification of:

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

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management.

The effective date of the standard is 01 April 2019 as set by the Minister of Finance however FP&M SETA has adopted the standard in 2015/16.

GRAP 108 : Statutory receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date. The effective date of the standard is 01 April 2019 as set by the Minister of Finance. The standard is applicable however, it is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 109 : Accounting by principles and agent

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal- agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement

requirements for revenue, expenses, assets and/ or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/ or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date. The effective date of the standard is 01 April 2019 as set by the Minister of Finance.

GRAP 32 : Service concession arrangements

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date. The effective date of the standard is 01 April 2019 as set by the Minister of Finance.

GRAP 104 : Financial instruments

The objective of this standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

It furthermore covers: Definitions, recognition, classification, measurement, derecognition, presentation and disclosure, transitional provisions, as well as the effective date. The effective date of the standard is 01 April 2019 as set by the Minister of Finance.

This standard will supersede the previous standard of Grap on Financial Instruments issues in October 2009.

The following standards and interpretations are also not yet effective but they will not have an impact on future financial reporting for the SETA:

- GRAP 34: Separate Financial Statements
- GRAP 35: Consolidated Financial Statements
- GRAP 36: Investments in Associated and Joint Ventures
- GRAP 37: Joint Arrangements
- GRAP 38: Disclosure of Interests in other entities
- GRAP 110: Living and Non - living Resources
- IGRAP 17: Service Concession arrangements where a grantor controls a significant residual interest in an asset
- IGRAP 18: Recognition and derecognition of land
- IGRAP 19: Liabilities to pay levies



3. Property, Plant and Equipment

	2019 R '000			2018 R '000		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture and fittings	2,433	(1,563)	870	1,436	(1,345)	91
Motor vehicles	141	(126)	15	141	(126)	15
Office equipment	2,479	(1,001)	1,478	842	(658)	184
Computer equipment	2,493	(1,338)	1,155	1,049	(859)	190
Artwork	279	(273)	6	279	(267)	12
Total	7,825	(4,301)	3,524	3,747	(3,255)	492

Reconciliation of Property, Plant and Equipment – 2019

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Office furniture and fittings	91	1,001	-	(221)	(1)	870
Motor vehicles	15	-	-	-	-	15
Office equipment	184	1,645	(2)	(349)	-	1,478
Computer equipment	190	1,501	(15)	(497)	(24)	1,155
Artwork	12	-	-	(6)	-	6
	492	4,147	(17)	(1,073)	(25)	3,524

Reconciliation of Property, Plant and Equipment – 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Office furniture and fittings	435	-	(224)	(103)	(17)	91
Motor vehicles	15	-	-	-	-	15
Office equipment	517	128	(364)	(92)	(5)	184
Computer equipment	503	24	(155)	(182)	-	190
Artwork	18	-	-	(6)	-	12
	1,488	152	(743)	(383)	(22)	492

None of the Property, Plant and Equipment are held as security for any SETA liabilities.

4. Intangible Assets

	2019 R '000			2018 R '000		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Value
Computer software	1,234	(1,166)	68	1,101	(1,029)	72
Total	1,234	(1,166)	68	1,101	(1,029)	72

Reconciliation of Intangible Assets – 2019

	Opening Balance	Additions	Amortisation	Total
Computer software	72	133	(137)	68
	72	133	(137)	68

Reconciliation of Intangible Assets – 2018

	Opening Balance	Additions	Amortisation	Total
Computer software	132	113	(173)	72
	132	113	(173)	72

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2019 R '000	2018 R '000
Petty cash on hand	6	11
Bank balances	10,105	29,584
Donor funds held	6,861	10,500
Short-term deposits	581,721	511,066
	598,693	551,161

Short term deposits are held with the Corporation of Public Deposits (CPD), is available on demand and is subject to an insignificant risk of change in value.

For the purposes of the cash and flow statement, cash and cash equivalents comprise of cash on hand, bank balances and deposits held on call with CPD.

Cash and cash equivalents include donor funds held amounting to R 9.3 million. During the year, the Standard Bank DHET account was closed and donor funds amounting to R 3.9 million was transferred to Nedbank to be paid to DHET to settle the outstanding liability.



6. Receivables from Non-exchange Transactions

	2019 R '000	2018 R '000
Employer receivables due as a result of SARS (overpayments): Gross value	683	640
Inter-SETA receivables	34	-
Other Debtors	-	128
Training Layoff Scheme (TLS) Debtors	726	726
Allowance for doubtful debts provision	(726)	(863)
	717	631

6.1 Receivables from Non-Exchange Transactions Impaired

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

	2019 R '000	2018 R '000
Opening balance	(863)	(1,441)
Provision for impairment	-	-
Amounts written off as uncollectible	-	324
Unused amounts reversed	137	254
	(726)	(863)

7. Receivables from Exchange Transactions

	2019 R '000	2018 R '000
Deposits	280	364
Prepaid expenses	2,687	77
Sundry debtors	117	174
	3,084	615

8. Inventories

	2019 R '000	2018 R '000
Stationery and other consumables	75	140
	75	140
Inventories (write-downs)	-	(89)
	75	52

Inventories recognised as an expense during the year.

Inventory comprises cartridges, paper, kitchen items and other consumables.

Inventories Reconciliation

	2019 R '000	2018 R '000
Opening carrying amount	140	275
Purchases	188	115
Amount utilised	(253)	(250)
	75	140

9. Government Grants and Donor Funding Received in Advance

FP&M Seta received conditional grants as follows:

Unspent conditional grants and receipts comprises of:

	2019 R '000	2018 R '000
Unspent conditional grants and receipts		
Department of Arts and Culture	1,989	1,989
Create SA	3,354	3,354
TLS: DHET	3,985	3,989
	9,328	9,332

Movement During the Year

	2019 R '000	2018 R '000
Balance at the beginning of the year	9,332	10,190
Amounts during the year	-	(851)
incorrect allocation of bank charges	(4)	(7)
	9,328	9,332
Non-current liabilities	-	-
Current liabilities	9,328	9,332
	9,328	9,332

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



10. Trade and Other Payables from Non-Exchange Transactions

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

Non-exchange payables are as follows:

	2019 R '000	2018 R '000
Mandatory grant payables	-	37
Discretionary grant payables	11,372	1,579
Discretionary grant accruals	64,723	52,470
Accrual for mandatory grants	6,622	5,149
	82,717	59,234

11. Trade and Other Payables from Exchange Transactions

	2019 R '000	2018 R '000
Trade payables	630	332
Accrued expense: Administrative expenses	2,963	3,244
Accrued expense: Salary deductions payable	-	6
Accrued expense: Operating lease straight lining	85	-
	3,678	3,582

12. Provisions

Reconciliation of provisions: 2019	Performance bonus	Levies from exempt companies	Total
Opening balance	2,444	6,640	9,084
Amount utilised in profit and loss	(2,119)	(1,289)	(3,408)
Additions	1,968	1,411	3,379
	2,293	6,762	9,055

Reconciliation of provisions: 2018	Performance bonus	Levies from exempt companies	Total
Opening balance	2,271	6,102	8,373
Amount utilised in profit and loss	(1,959)	(878)	(2,837)
Additions	2,132	1,416	3,548
	2,444	6,640	9,084



13. Revenue

	2019 R '000	2018 R '000
Other revenue	127	4,550
Interest received - investment	39,845	39,415
SDL revenue	354,502	340,147
SDL penalties and interest	6,036	7,300
	400,510	391,412

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

	2019 R '000	2018 R '000
Other revenue	127	4,550
Interest received - investment	39,845	39,415
	39,972	43,965

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

	2019 R '000	2018 R '000
Transfer revenue		
SDL revenue	354,502	340,147
SDL penalties and interest	6,036	7,300
	360,538	347,447

14. Other Income

	2019 R '000	2018 R '000
Testing certificates - non-exchange	65	194
Insurance refund - exchange	62	3,759
W&R SETA	-	597
	127	4,550

15. Finance Income

	2019 R '000	2018 R '000
Interest revenue		
Interest from deposits and bank	39,845	39,415



16. Levies

	2019 R '000	2018 R '000
Administration - SDL received from SARS	46,615	44,702
Administration - Inter SETA transfer in	6	13
Employer grants - SDL grants received from SARS	88,418	85,114
Employer grants - Inter SETA transfer in	-	24
Discretionary grants - SDL received from SARS	219,435	210,235
Discretionary grants - Inter SETA transfers in	28	59
	354,502	340,147

17. SDL Penalties and Interest Received

	2019 R '000	2018 R '000
SDL interest income	2,548	3,284
SDL penalties income	3,488	4,016
	6,036	7,300

18. Employee Related Costs

	2019 R '000	2018 R '000
Basic	18,952	18,612
Bonus	1,307	1,464
Medical aid - company contributions	950	978
UIF	67	69
Workmen's compensation	42	130
SDL	205	201
Leave pay provision charge	(201)	237
Short term benefit	241	286
Other short-term costs	-	4
Cellphone allowances	101	103
Overtime payments	3	3
Acting allowances	28	14
Car allowance	415	458
Termination benefits	-	334
	22,110	22,893

Note: Project payroll costs of R 10.5 million are disclosed in Note 20.1.

19. Debt Impairment

	2019 R '000	2018 R '000
Reversal of debt impairment	96	254

20. Employer Grant and Project Expenses

	2019 R '000	2018 R '000
Discretionary Grant Expenses		
Non-pivotal skills administrative project costs (20.1)	13,144	12,453
Non-pivotal skills project expenses	38,174	81,743
Project expenses on non-window funded projects (20.2)	4,990	6,138
Pivotal skills administrative expenses	2,702	2,040
Pivotal skills project expenses	201,714	220,617
	260,724	322,991
Mandatory grant expenditure		
Mandatory grant to employers	67,519	63,645
Employer grant and project expenses for the period	328,243	386,636

20.1 Non-Pivotal Skills Administrative Project Costs

	2019 R '000	2018 R '000
Basic salaries	7,803	7,600
Leave accrual	(86)	136
Medical aid	410	429
Bonus accrual	662	669
UIF	36	37
SDL	87	87
Short Term Benefits (Note 1)	1,410	912
Cellphone allowances	39	43
Acting Allowance	10	15
Car Allowance	141	183
Total Project Salaries	10,512	10,111
Project Monitoring: Travel and Subsistence	202	359
QA Monitoring Visits: Verification SSA Costs	493	483
QA Monitoring Visits: Verification Travel and Subsistence	102	122
Meetings / Workshops / Conferences	1,552	1,159
Resources	283	219
	13,144	12,453

1. Included in short term benefits is an amount of R527,000 paid to Chereece Balkisson on retrenchment.



20.2 Project Expenses on Non-window Funded Projects

	2019 R '000	2018 R '000
DG Marketing	3,154	4,751
SSP	1,418	476
WSP	418	203
DG funding promotions	-	708
	4,990	6,138

1. DG marketing costs reduced due to service provider Cre8or's contract coming to an end in July 2018 and also a reduction in marketing material for the current year.
2. All DG and SSP workshops budget were allocated to SSP line item as DG funding promotions line item was not budgeted for in 2018/19.
3. This represents an increase in SSA's assisting companies with WSP submissions.

21. General Expenses

	2019 R '000	2018 R '000
Internal audit fees	1,162	1,109
Advertising	76	65
Auditors remuneration (6)	1,871	2,425
Bank charges	44	46
Cleaning	36	32
Audit committee fees	161	111
Computer expenses	13	15
Legal fees (2)	260	718
Board fees	453	350
Disaster recovery costs (1)	40	1,837
Insurance (3)	248	173
Repairs and Maintenance	40	8
Fuel and oil	9	20
Consultant fees	413	463
Offsite disaster recovery costs	-	204
Postage and courier	143	178
Printing costs	428	922
Management information systems	2,584	2,325
Stationery	129	191
Security	38	36
Staff welfare	3	2
Subscriptions and membership fees	1,045	1,021
Telephone (4)	622	811
Staff training and development costs	112	166
Travel costs (5)	1,513	1,108
Electricity	430	427
QCTO expenses	2,325	1,829
Catering and refreshments	432	314
Office expenses	485	455
	15,115	17,361

1. Disaster recovery costs decreased as the offsite premises were utilised until April 2018.
2. Legal fees decreased as last year's fees were paid to attorneys for IR processes.
3. Insurance costs increased due to purchase of new assets.
4. Telephone costs decreased due to implementation of new telephone systems and cancellation of Telkom services.
5. Airfares increased as a result of costs incurred for disciplinary hearings, board induction, audit readiness sessions and overseas travel.
6. Audit fees decreased due to savings on audit costs.



22. Government Grants and Subsidies

	2019 R '000	2018 R '000
Operating grants		
Create SA: NSF	-	-
DEPARTMENT OF ARTS AND CULTURE		
Balance unspent at beginning of year	1,989	1,989
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	1,989	1,989
CREATE SOUTH AFRICA (SA)		
Balance unspent at beginning of year	3,354	3,354
W&R SETA AND CTFL SETA JOINT COLLABORATION PROJECT		
Conditions met - transferred to revenue	-	851
Other	-	(851)
	-	-
DHET		
Balance unspent at beginning of year	3,989	3,996
Prior year adjustment. See note 25	(4)	(7)
	3,985	3,989

23. Lease Rental on Operating Lease

The operating leases relates to building premises used as office accommodation in our two regional offices and head office. New contracts were signed effective 01 April 2018 for Cape Town and Head office to 31 March 2020. The Durban office lease also expires on 31 March 2020.

Reconciliation of future minimum lease payments:

Reconciliation of future minimum lease payments	2019 R '000	2018 R '000
Not later than one year	3,222	2,231
Later than one and not later than 5 years	-	2,404
	-	-
	3,222	4,635

24. Related Parties

Relationships

Member	Member Name
Aranda Textile Mills	Frans Barnard (Authority Member)
Aranda Learnership College	Frans Barnard (Authority Member)
Pearson Holdings	Brian Mafawarowa
DHET	Shareholder
Other SETAs	Parent entity is DHET

Related Party Balances

Amounts included in Government grants and donor funding regarding related parties

	2019 R '000	2018 R '000
UIF	726	726
Department of Arts and Culture	(1,364)	(1,364)
DHET	(3,985)	(3,989)

Impact on Statement of Financial Performance

	2019 R '000	2018 R '000
W&R SETA - Debtor provision reversed	-	254
W&R SETA - Other Revenue	-	597

Administration fees paid to (received from) related parties

	2019 R '000	2018 R '000
eThekweni Municipality	(56)	(62)
Telkom	(174)	(577)



Related Party Transactions

Related party	Nature of relationship	Transaction type	Amount SFP 2019	Amount receivable/ (payable) 2019	Amount SFP 2018	Amount receivable/ (payable) 2018
Pearson Holdings SA (PTY) Ltd	Brian Wafawarowa (Authority Member)	Mandatory grants	-	-	263	-
Pearson Holdings SA (PTY) Ltd	Brian Wafawarowa (Authority Member)	Discretionary grants	-	-	-	(156)
Aranda Textile Mills (PTY) Ltd	Frans Barnard (Authority Member)	Mandatory grants	101	(6)	92	(7)
Aranda Textile Mills (PTY) Ltd	Frans Barnard (Authority Member)	Discretionary grants	1,044	95	1,202	-
Aranda Learnership College	Frans Barnard (Authority Member)	Discretionary grants	5,501	1,810	2,900	(205)
Aranda Learnership College	Frans Barnard (Authority Member)	Mandatory grants	3	-	3	(1)
Subtotal	-	-	6,649	1,899	4,460	(369)
			6,649	1,899	4,460	(369)
			Amount SFP 2019	Amount SFP 2018		
Aranda Textile Mills (PTY) Ltd	Frans Barnard (Authority Member)	Levies	(375)	-	(340)	-
Pearson Holdings SA (PTY) Ltd	Brian Wafawarowa (Authority Member)	Levies	-	-	(924)	-
Aranda Learnership College	Frans Barnard (Authority Member)	Levies	(11)	-	(10)	-
Subtotal	-	-	(386)	-	(1,274)	-
			(386)	-	(1,274)	-

*SPF is the transaction value recognised in the statement of Financial performance.

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

Board members 2019	Attendance Fee	Expenses	Total
Board			
S Ngidi (Chairman)	283	1	284
M Odayan	77	-	77
T Boltman	88	2	90
Makhosi Chiwashira	-	2	2
Audit Committee			
T Boltman	77	2	79
M Odayan	43	-	43
K De Villiers	37	2	39
	605	9	614

Board members 2018	Attendance Fee	Expenses	Total
Board			
S Ngidi (Chairman)	207	2	209
M Odayan	86	2	88
T Boltman	53	1	54
Audit Committee			
T Boltman	65	1	66
M Odayan	25	-	25
K De Villiers	18	2	20
	454	8	462

Executive Management 2019	Basic Salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Leave pay	Other benefits received	Total
Name							
CEO	2,108	298	212	213	211	-	3,042
GM: Governance, Compliance, Risk and Legal	1,060	100	194	16	-	-	1,370
GM: Projects	409	-	75	7	23	527	1,041
GM: Research, Planning and Reporting	1,020	100	235	14	-	-	1,369
CFO	1,078	101	73	138	-	-	1,390
GM: Quality Assurance	733	64	87	99	-	29	1,012
	6,408	663	876	487	234	556	9,224

Executive Management 2018	Basic Salary	Bonuses and performance related payments	Other short- term employee benefits	Post- employment benefits	Leave pay	Other benefits received	Total
Name							
CEO	1,862	276	275	239	-	-	2,652
GM: Governance, Compliance, Risk and Legal	994	92	183	15	-	-	1,284
GM: Projects	701	35	131	10	-	79	956
GM: Research, Planning and Reporting	954	92	224	14	-	-	1,284
CFO	1,020	31	69	121	-	-	1,241
GM: Quality Assurance	711	-	124	11	64	334	1,244
	6,242	526	1,006	410	64	413	8,661

NB. Other benefits in 2018/19 relates to a retrenchment package paid to Chereece Balkisson.

25. Prior Period Errors

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

1. Administration accruals were understated in the prior year. Comparatives have been restated.
2. Discretionary accruals were understated in the prior year. Comparatives have been restated.
3. Bank charges were not charged against the DHET donor fund account. Comparatives have been restated.

	2019 R '000	2018 R '000
Statement of financial position		
Administration accruals	-	(120)
Discretionary accruals	-	(13)
DHET funds received in advance	-	7
	-	(126)

	2019 R '000	2018 R '000
Statement of Financial Performance		
Workmen's compensation	-	87
Venue Hire and airfares	-	33
DG marketing	-	8
Non-PIVOTAL admin	-	5
Bank charges	-	(7)
	-	126

26. Cash Generated from (used in) Operations

	2019 R '000	2018 R '000
Surplus (deficit)	29,592	(38,907)
Adjustments for:		
Depreciation and amortisation	1,234	576
Gain on sale of assets and liabilities	17	743
Debt impairment	(96)	(254)
Movements in provisions	(29)	711
Changes in working capital:		
Inventories	(24)	134
Receivables from exchange transactions	(2,467)	394
Sundry debtors	96	254
Other receivables from non-exchange transactions	(86)	14
Trade and other payables from exchange transactions	96	1,813
Trade and other payables (non-exchange)	23,483	25,034
Government grants and Donor funding received in advance	(4)	(858)
	51,812	(10,346)

27. Allocation of Net Surplus

2018/19	Administration reserve	Employer reserve mandatory grants	Discretionary reserve	Total per statement of performance
Total income				
SDL revenue	46,621	88,418	219,463	354,502
SDL penalties and interest received	-	-	6,036	6,036
Other revenue	-	-	127	127
Finance income	-	-	39,845	39,845
Total income	46,621	88,418	265,471	400,510
Total expenses				
Administration expenses	(42,675)	-	-	(42,675)
Employer grants and project expenses	-	(67,519)	(260,724)	(328,243)
	3,946	20,899	4,747	29,592



2017/18	Administration reserve	Employer reserve mandatory grants	Discretionary reserve	Total per statement of performance
Total income				
SDL revenue	44,715	85,138	210,294	340,147
SDL penalties and interest received	-	-	7,300	7,300
Other revenue	3,759	-	791	4,550
Finance income	-	-	39,415	39,415
Subtotal	48,474	85,138	257,800	391,412
Total expenses				
Administration expenses	(43,683)	-	-	(43,683)
Employer grants and project expenses	-	(63,645)	(322,991)	(386,636)
	4,791	21,493	(65,191)	(38,907)

28. Surplus Funds Transferable to National Treasury

	2019 R '000	2018 R '000
Transfers of excess funds from:		
Discretionary Grant Reserve	497,791	467,460
Administration Reserve	3,592	564
Capital Reserve	-	3,759
Application for approval	(501,383)	(471,783)
	-	-
Surplus funds due to National Treasury		
Cash and cash equivalents	598,693	551,161
Receivables from non-exchange transactions	717	631
Receivables from exchange transactions	3,084	615
less current liabilities	(104,778)	(81,232)
less closing balance of commitments	(479,441)	(446,555)
	18,275	24,620

According to Circular 15/2017 from the Department of Higher Education the NSF contingent liability no longer exists.

29. Financial Instruments Disclosure

Categories of financial instruments 2019

	2019 R '000	2018 R '000
Financial assets	At amortised cost	At amortised cost
Trade and other receivables from exchange transactions	3,084	615
Trade and other receivables from non-exchange transactions	717	631
Cash and cash equivalents	598,693	551,161
	602,494	552,407
Financial liabilities		
Trade and other payables from exchange transactions	(3,678)	(3,582)
Trade and other payables from non - exchange transactions	(82,717)	(59,234)
	(86,395)	(62,816)

	2018 R '000	2017 R '000
Financial instruments in statement of financial performance 2019	At amortised cost	At amortised cost
Interest income (calculated using effective interest method) for financial instruments at amortised cost	39,845	39,415

30. Risk Management

Financial risk management

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

Liquidity risk

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

2018/19	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years
Trade and other trade payables from exchange transactions	(3,678)	(3,678)	(3,678)	-	-
Trade and other payables: Non-exchange	(82,717)	(82,717)	(82,717)	-	-
	(86,395)	(86,395)	(86,395)	-	-

2017/18	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years
Trade and other trade payables from exchange transactions	(3,582)	(3,582)	(3,582)	-	-
Trade and other payables: Non-exchange	(59,234)	(59,234)	(59,234)	-	-
	(62,816)	(62,816)	(62,816)	-	-



Credit risk

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

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

Financial instrument	2019 R '000	2018 R '000
Receivables from exchange transaction	3,084	615
Cash and Cash equivalents	598,693	551,161
Receivables from non - exchange transaction	717	631

2018/19 Age Analysis	Current	30 to 60 days	60 to 90 days	90 to 120 days	More than 120 days	Carrying amount
Receivables from exchange transactions	2,804	-	-	-	280	3,084
Cash and cash equivalents	598,693	-	-	-	-	598,693
Receivables from non-exchange transactions	717	-	-	-	726	1,443
Gross before impairment	602,214	-	-	-	1,006	603,220
Impairment loss	-	-	-	-	(726)	(726)
	602,214	-	-	-	280	602,494

2017/18 Age Analysis	Current	30 to 60 days	60 to 90 days	90 to 120 days	More than 120 days	Carrying amount
Receivables from exchange transactions	571	-	-	-	44	615
Cash and cash equivalents	551,161	-	-	-	-	551,161
Receivables from non-exchange transactions	640	-	-	-	854	1,494
Gross before impairment	552,372	-	-	-	898	553,270
Impairment loss	-	-	-	-	(863)	(863)
	552,372	-	-	-	35	552,407

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

Long outstanding receivables from non-exchange and impaired amounts to R726,000 (more than 120 days).

Interest rate risk

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

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

2018/19	Interest bearing amount	Effective interest rate	Non-interest-bearing amount
Financial assets			
- Receivables from exchange transactions	-	-%	3,084
- Cash and cash equivalents	598,693	7.23%	-
- Receivables from non-exchange transactions	-	-%	717
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	-%	(3,678)
- Trade and other payables (non-exchange)	-	-%	(82,717)
	598,693	7.23%	(82,594)

2017/18	Interest bearing amount	Effective interest rate	Non-interest-bearing amount
Financial assets			
- Receivables from exchange transactions	-	-%	615
- Cash and cash equivalents	551,161	7.33%	-
- Receivables from non-exchange transactions	-	-%	631
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	-%	(3,582)
- Trade and other payables (non-exchange)	-	-%	(59,234)
	551,161	7.33%	(61,570)

Fair Value and Market Risk

Market risk

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

Fair values

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

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

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

Cash and cash equivalents

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

Accounts receivable

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



Accounts payable

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

31. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Minister of Higher Education and Training had approved the SETA licence until 31 March 2020.

32. Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure

	2019 R '000	2018 R '000
Opening Balance	-	36
Amount written off	-	(36)
	-	-

33. Irregular Expenditure

	2019 R '000	2018 R '000
Opening Balance	139	-
Add: Irregular Expenditure - current year	660	1,248
Less: Amounts condoned	(738)	(1,109)
	61	139

Details of irregular expenditure not recoverable	2018/19	2017/18
SCM non-compliance: Evaluation/ functionality criteria not included in the specification document	517	1,109
SCM - non-compliance: Irregular procurement of Career Booklet where we did not comply with three (3) quotation requirements	82	-
SCM non-compliance: BEE scores were incorrectly allocated	-	139
SCM non-compliance: Incorrect awarding of preferential points. This matter is still under investigation	61	-
	660	1,248

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

34. Contingencies

Surplus funds

We have on the 31 May 2019 submitted an application to the DHET for retention of surplus funds and to retain funds used for internal projects. Reserves carried over from the previous financial year outside of the definition of surplus have been disclosed as a contingent liability and request for approval for these funds has been submitted to National Treasury. As in the previous year FP&M SETA expects that National Treasury will approve the retention of surplus funds.

	2019 R '000	2018 R '000
Administrative reserve	3,592	564
Discretionary reserve	497,791	467,468
Capital reserve	-	3,759
	501,383	471,791

In terms of *Section 53 (3) of the PFMA*, public entities listed in Schedule 3A and 3C to the PFMA may not retain cash surpluses that were realized in the previous financial year without obtaining the prior written approval of National Treasury. National Treasury issued Instruction No.6 of 2017/2018 to repeal the National Treasury Instruction No.3 of 2015/2016 on the retention of cash surpluses. This new Treasury Instruction takes effect from the date of issue for surpluses realized in the previous financial year and subsequent financial years whichever is applicable. According to this Treasury Instruction the surplus is based on cash and cash equivalents plus receivables less current liabilities and commitments at the end of the financial year.

As at 31 March 2019 FP&M SETA had a surplus of R 18.2 million. Refer to Note 28 for the detailed calculation of the surplus.

35. Commitments

Of the balance of R 497.7 million available in the discretionary reserves at the end of March 2019, R 479.4 million (refer to annexure A) has been approved and contractually committed. Amounts for expenses that have already been contracted or incurred and therefore included in grant expenses in the statement of financial performance, are also indicated. A request for the accumulation of these funds has been submitted to National Treasury on 31st of May 2019. At the time of compiling the annual financial statements, no reply had been received.

A PO has been issued to procure a vehicle amounting to R359,622.15.

Annexure A

Summary Commitments Register as at March 2019

Interventions	Opening balance as per audited AFS	Cumulative restatements	Restated Balance	Additions	Expenditure	Adjustments	Cancellations	Project Savings	Accruals	Closing Balance
AET	2,158,200.00	-	2,158,200.00	2,530,500.00	(1,190,000.00)	25,200.00	(204,600.00)	(74,400.00)	(587,500.00)	2,657,400.00
Apprenticeships	144,123,226.75	-	144,123,226.75	54,000,000.00	(25,020,753.50)	511,612.50	(11,709,458.00)	(2,206,201.50)	(9,398,050.50)	150,300,375.75
Bursaries	64,035,918.52	-	64,035,918.52	47,310,000.00	(15,424,986.92)	653,750.00	(6,838,320.00)	(1,900,170.00)	(17,248,507.92)	70,587,683.68
Learnerships	75,499,432.00	-	74,324,432.00	72,255,000.00	(46,168,358.00)	86,500.00	(2,640,500.00)	(1,563,814.00)	(8,398,900.00)	87,894,360.00
Qualifications Development	23,738,924.01	-	23,738,924.01	-	(1,694,400.00)	-	-	-	(785,000.00)	21,259,524.01
Skills Programmes	22,916,606.00	-	22,916,606.00	33,735,525.00	(17,541,249.00)	43,880.00	(1,570,060.00)	(420,640.00)	(3,271,474.00)	33,892,588.00
Special Project	63,282,739.16	-	64,457,739.16	48,660,492.28	(54,667,827.34)	2,366,277.00	(3,590,116.72)	(385,780.54)	(3,359,416.42)	53,481,367.42
Work Integrated Learning (HET)	6,531,000.00	-	8,400,000.00	9,540,000.00	(5,334,936.89)	475,200.00	(603,000.00)	(502,863.11)	(3,044,800.00)	8,929,600.00
Work Integrated Learning (TVET)	13,837,263.01	-	11,768,263.01	23,166,000.00	(12,666,100.00)	225,000.00	(1,605,900.00)	(50,363.01)	(4,905,700.00)	15,931,200.00
Workplace Experience / Internship	14,950,209.08	-	15,150,209.08	10,890,000.00	(6,870,580.00)	450,000.00	(1,238,400.00)	(1,103,053.08)	(2,308,800.00)	14,969,376.00
Training Layoff Scheme	6,253,706.32	-	6,253,706.32	-	-	-	-	-	-	6,253,706.32
Project Administration	9,228,495.99	-	9,228,495.99	19,900,800.00	(15,845,688.28)	-	-	-	-	13,283,607.71
WSP Promotion	(0.00)	-	(0.00)	1,000,000.00	(418,135.19)	(155,141.76)	-	(426,723.05)	-	(0.00)
Capacity Building and Stakeholder relations	(0.00)	-	(0.00)	3,000,000.00	(3,155,141.76)	155,141.76	-	-	-	(0.00)
SSP	(0.00)	-	(0.00)	2,000,000.00	(1,416,428.66)	-	-	(583,571.34)	-	(0.00)
Total	446,555,720.84	-	446,555,720.84	327,988,317.28	(207,414,585.54)	4,837,419.50	(30,000,354.72)	(9,217,579.63)	(53,308,148.84)	479,440,788.89



Summary Commitments Register as at March 2018

Interventions	Opening balance as per audited AFS	Opening Balance adjustment	Restated Opening Balance 1 April 2017	Additions	Expenditure	Adjustments	Cancellations	Project Savings	Accruals	Closing Balance
AET	2,904,600.00		2,904,600.00	2,205,000.00	(1,999,200.00)	12,000.00	(264,000.00)	(262,200.00)	(438,000.00)	2,158,200.00
Apprenticeships	147,886,477.25	800,000.00	148,686,477.25	50,940,000.00	(30,391,630.00)	1,357,500.00	(19,051,033.00)	(3,318,400.00)	(4,099,687.50)	144,123,226.75
Bursaries	80,842,174.90	1,697,000.00	82,539,174.90	31,465,000.00	(25,223,142.50)	-	(5,021,630.00)	(354,250.00)	(19,369,233.88)	64,035,918.52
Learnerships	89,337,232.00	297,000.00	89,634,232.00	70,756,000.00	(62,578,300.00)	344,000.00	(9,287,900.00)	(1,222,000.00)	(12,146,600.00)	75,499,432.00
Qualifications Development	37,875,000.00		37,875,000.00	623,500.00	(11,459,575.99)	-	(3,300,000.00)	-	-	23,738,924.01
Skills Programmes	22,358,420.00	(14,400.00)	22,344,020.00	23,662,312.00	(17,178,226.40)	256,080.40	(2,310,240.00)	(285,660.00)	(3,571,680.00)	22,916,606.00
Special Project	76,440,236.21		76,440,236.21	62,529,887.00	(68,182,653.06)	795,000.31	(1,471,360.00)	(1,491,235.00)	(5,337,136.30)	63,282,739.16
Work Integrated Learning (HET)	5,847,000.00		5,847,000.00	10,303,000.00	(8,175,400.00)	24,000.00	(450,000.00)	-	(1,017,600.00)	6,531,000.00
Work Integrated Learning (TVET)	5,786,700.00		5,786,700.00	24,630,000.00	(11,075,436.99)	-	-	(126,000.00)	(5,378,000.00)	13,837,263.01
Workplace Experience / Internship	23,968,123.08	30,000.00	23,998,123.08	9,278,400.00	(13,550,963.44)	96,000.00	(3,201,626.56)	(675,500.00)	(994,224.00)	14,950,209.08
Training Layoff Scheme	-	-	-	6,253,706.32	-	-	-	-	-	6,253,706.32
Project Administration	5,739,702.07		5,739,702.07	18,745,369.00	(15,256,575.08)			-	-	9,228,495.99
WSP promotion	-	-	-	1,000,000.00	(202,855.08)			(797,144.92)	-	(0.00)
Capacity Building and Stakeholder relations	-	-	-	4,970,000.00	(4,883,457.38)			(86,542.62)	-	(0.00)
SSP	-	-	-	1,000,000.00	(475,667.64)			(524,332.36)	-	(0.00)
Total	498,985,665.51	2,809,600.00	501,795,265.51	318,362,174.32	(270,633,083.56)	2,884,580.71	(44,357,789.56)	(9,143,264.90)	(52,352,161.68)	446,555,720.84



36. Change in estimate

Property, plant and equipment

The estimated useful life of property and plant assets was revised by management during the year taking into account the physical condition and expected usage of the asset. The impact of the change is a decrease in depreciation for the current year amounting to R122,000 and the depreciation expense for future periods is expected to increase by the same amount.

37. Budget differences

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

37.1 Interest Income (un-favourable)

Interest income is lower as the budget was set slightly over optimistic.

37.2 SDL Income (un-favourable)

Levy revenue shows a slight increase over budget as budget was set at a 3% escalation.

37.3 SDL penalties and interest received

This typically varies depending on level of non-compliance by companies.

37.4 Employer grant and project expenses

Costs are lower due to late activation of new contracts. The majority of the spend is on old contracts.

37.5 Personnel expenses

Payroll costs are higher due to an element of under budgeting.

37.6 General Expenses

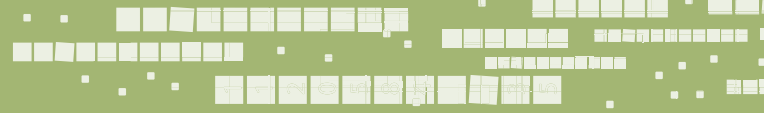
Lower due to savings on legal fees, audit fees and disaster costs.

37.7 Due to the write off of assets

37.8 Lower due to assets reaching end of useful life and new assets purchased.

37.9 Savings due to smaller, cheaper premises for the Gauteng office.

37.10 This relates to a reversal of a debtor provision and write off of mandatory grants provision for bad debt.





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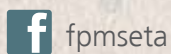
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