fp&m seta

Fibre Processing & Manufacturing Sector Education and Training Authority

FUTURE PERFECT

SKILLS DEVELOPMENT

ANNUAL REPORT 2017/2018

Clothing | Footwear | Forestry | Furniture | General Goods | Leather | Packaging | Printing | Print Media | Publishing | Pulp and Paper | Textiles | Wood Products

ANNUAL REPORT - 2017/18

higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

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Fibre Processing & Manufacturing Sector Education and Training Authority
FUTURE PERFECT SKILLS DEVELOPMENT

ANNUAL REPORT OF THE FP&M SETA FOR THE 2017/2018 FINANCIAL YEAR

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

Honourable Minister Naledi Pandor (MP) 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 2018.

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.

Signed:
Ms Felleng Yende
Chief Executive Officer: FP&M SETA

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PART A
GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

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2. LIST OF ABBREVIATIONS AND ACRONYMS

ACRONYM	FULL DESCRIPTION
AET	Adult Education and Training
AGSA	Auditor-General of South Africa
AFS	Annual Financial Statements
ALP	Action Learning Programmes
APP	Annual Performance Plan
ATR	Annual Training Report
CBO	Community-Based Organisation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIA	Certified Internal Auditor
CIMA	Chartered Institute of Management Accountants
CIPC	Companies and Intellectual Property Commission
COSATU	Congress of South African Trade Unions
CPD	Corporation for Public Deposits
CSS	Customer Satisfaction Survey
CSTO	Co-ordinating SETA-TVET Offices
CTFL	Clothing, Textiles, Footwear and Leather
DAC	Department of Arts and Culture
DAFF	Department of Agriculture, Forestry and Fisheries
DG	Discretionary Grant
DHET	Department of Higher Education and Training
DQP	Development Quality Partner
DUT	Durban University of Technology
EISA	External Integrated Summative Assessment
EXCO	Executive Committee
FIETA	Forest Industries Education and Training Authority
FP&M	Fibre Processing & Manufacturing
GRAP	Generally Recognised Accounting Practice
HEI	Higher Education Institutions
HET	Higher Education and Training
HR	Human Resources
ILDP	International Leadership Development Programme
IPAP	Industrial Policy Action Plan
ISOE	Institute of Sectoral and Occupational Excellence
IT	Information Technology
KZN	KwaZulu-Natal
LMIP	Labour Market Intelligence Partnership
MAPPP	Media, Advertising, Publishing, Printing and Packaging
MEC	Member of the Executive Committee
MIS	Management Information System
MOA	Memorandum of Agreement

ACRONYM	FULL DESCRIPTION
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 Entities
NPO	Non-Profit Organisation
NQF	National Qualifications Framework
NSA	National Skills Awards
NSDS	National Skills Development Strategy
NSFAS	National Student Financial Aid Scheme
NCV	National Certificate Vocational
OFO	Organising Framework for Occupations
OQSF	Occupational Qualification Sub-Framework
PASA	Publishers Association of South Africa
PFMA	Public Finance Management Act, 1999 (Act No 1 of 1999)
PIVOTAL	Professional, Vocational and Technical Academic Learning Programmes
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' Organisation
SACTWU	Southern African Clothing and Textile Workers Union
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
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

"The FP&M SETA has played an integral part in the skills revolution within the FP&M sector, which was initiated to put South Africa on the global competitiveness map."

This report marks the seventh-year of implementation of the National Skills Development Strategy (NSDS III) since 2011 and highlights the overall performance, the milestones achieved and key skills development challenges of the FP&M SETA for the reporting period under review.

I am pleased to report that I have been re-appointed as the Chairman of the FP&M SETA Board, and I remain enthusiastic, committed and determined in my responsibility as such. I look forward to what lies ahead and am confident that the newly elected Board will continue to set the benchmark for sound corporate governance and high performance, and that we will continue to achieve unqualified audit reports and efficient service delivery to the sector for years to come.

We remain focused on delivering on our mandate as a SETA, which is to facilitate skills development in the FP&M sector and the broader economy. In our quest to consolidate our contribution to the country's skills development landscape and to comply with national legislation and improve skills development delivery and graduate rates in the FP&M sector, the FP&M SETA implemented a number of strategic and innovative projects resulting in catalytic outcomes for the sector.

From day one of its establishment, the FP&M SETA has made a difference to people and their life paths – individuals whose names may now be consigned to the archives, but whose dreams still live large because of the opportunities afforded to them by the SETA.

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

Strategy and Operational Performance

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

We are mindful of the magnitude of the role that we 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.

During the reporting period, 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. We continued to strengthen our engagements with stakeholders which provided us with important feedback. The survey results were largely positive and we will build on this in the coming year to ensure that our skills development interventions are meeting stakeholder expectations.

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 new SETA landscape. The FP&M SETA Board also held a highly successful strategic planning session in October 2017, focusing on the FP&M SETA research outcomes and mapping out a way forward by identifying areas that need greater focus.

Performance Highlights

It is our impact on the lives of learners that is at the heart of everything we do. Over the years, individuals have encountered FP&M SETA at different stages of their career journey and as a result are stronger and better prepared for sustained success through the experience. It is pleasing to report that since establishment, a large number of learners have entered and completed FP&M SETA PIVOTAL programmes leading to achieving occupationally-directed qualifications. Just under 2,000 learners have entered apprenticeship programmes, over 18,500 learners have entered learnership programmes and approximately 3,200 learners have registered for bursary programmes. Thanks to our strategic partnership with the National Student Financial Aid Scheme (NSFAS), learners were able to graduate with tertiary occupational qualifications. I am pleased that our strategic partnership with the National Student Financial Aid Scheme (NSFAS) continues to thrive. We have committed approximately R18,7 million to support our students in a number of higher education institutions that study qualifications aligned to our scope.

In terms of the short impact programmes, we had over 28,000 learners entering skills programmes. Since 2014/15, approximately 2,250 learners entered work-integrated learning programmes from TVETs and HETs with over 1,500 completions. I would also like to add that the sector is making a huge impact in raising the educational profile of the sector by ensuring that learners are able to access AET programmes. Over 5,000 learners have entered AET programmes to improve their foundational skills in mathematical literacy and languages.

Employers too, have felt the benefit of aligning with the FP&M SETA mandate by participating in the skills development of their employees, thus motivating them to make a sustainable contribution to organisational growth, productivity and sector prosperity.

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)*, other relevant legislation and codes of good practice.

It gives me immense pleasure to report that the FP&M SETA achieved 42 out of a total of 48 performance indicators and targets in the Annual Performance Plan (APP) for SETA funded learners for 2017/18, representing an achievement of 87.5% against the APP. In terms of the overall performance of the FP&M SETA for SETA funded and industry funded learners, the SETA achieved a performance of 91.67%.

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 development priorities of the SETA mandate.

It must be noted that the FP&M SETA will continue to strive to achieve the 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 plague our fledgling democracy.

Promotion of TVET Colleges

For this financial year, we are proud to have established strategic collaborations and partnerships with a number of higher education and training institutions, including 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. Phase I of this project was completed in July 2017.

I am delighted to report that the FP&M SETA is funding Phase II of this project which is focusing on the implementation of the CSTO model.

Some of the public TVET colleges that partnered with the FP&M SETA during the period under review are:

- Sekhukhune TVET College;
- Ekurhuleni West TVET College;
- College of Cape Town;
- Boland TVET College;
- Northlink TVET College;
- Umfolozi TVET College;
- Thekwini TVET College;
- King Sabata Dalindyebo TVET College;
- Elangeni TVET College; and
- Vhembe TVET College.

The FP&M SETA's commitment to establishing an integrated and fully-functional PSET system was further demonstrated by the funding of a national TVET research project in collaboration with the South African College Principals' Organisation (SACPO), which will inform and guide the FP&M SETA's TVET strategy and approach for supporting TVET colleges going forward. This research project on building strategic and innovative partnerships with TVET Colleges was completed in August 2017, resulting in the FP&M SETA Board having a strategic discussion and making firm recommendations at the Board Strategic Planning Session in October 2017.

The FP&M SETA Centres of Excellence also restores the TVET college esteem by being able to produce students that meet the scarce and critical skills demands of the industry. Three TVET colleges were recognised as Institutes of Sectoral and Occupational Excellence (ISOE's) to partner with industry, in order to promote occupational-qualifications and to address the scarce and critical skills of industry. These TVET colleges are:

- Ekurhuleni East TVET College;
- Elangeni TVET College; and
- College of Cape Town.

Stakeholder Engagements

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

During the period under review, the total revenue, including income from skills development levies was approximately R391,4 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 2017/18 financial year. When compared with the previous financial year's budget of R367,5 million, the FP&M SETA worked with a very constrained budget during the 2017/18 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 the 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 in the future.

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, NLPEs, 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.

Report of the Auditor-General for 2017/18

We are extremely proud to report that we have obtained a fifth consecutive unqualified audit opinion from the Auditor-General of South Africa. We have also met the majority of our NSDS III targets for the period and continued to work with our delivery partners to fulfil the Service Level Agreement entered into with the DHET for the period under review. 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 Board is committed to providing the necessary leadership and support to the SETA Management to ensure that all of the findings of the Auditor-General are adequately addressed. Furthermore, the Board will ensure that Management develops a robust action plan which will be monitored and audited regularly in the new financial year to prevent recurrence of these findings.

Governance

As the FP&M SETA Board, we have a fiduciary duty to ensure that the organisation operates along solid principles of good governance and to deliver 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 Good Corporate Governance.

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.

We also kept abreast of compliance changes in our regulatory environment and put in place an implementation plan to ensure our readiness to meet the requirements of the *Protection of Personal Information (POPI) Act, 2013*. 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 (AFS). 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.

We are very fortunate that the SETA Board and its committee members all come from environments, where governance is important and that the FP&M SETA management team and staff are all committed to good governance practices. This is testament to our reputation as a well-governed SETA that manages its risks responsibly.

Future Outlook

The FP&M SETA has responded very positively to the challenges in its operating environment. The FP&M SETA's revised strategy, aptly named "#Coaching, Mentoring & Training", will maximise delivery and enable the FP&M SETA to make the greatest difference possible in the next two years of its existence. This strategy will build on the strong legacy that the FP&M SETA has created over the past five years.

The FP&M SETA, together with the other SETAs, has learnt many lessons and also developed many best practices during the period. As the new SETA landscape evolves, it is imperative that these practices are embraced to ensure sustainable delivery at a very high-level.

We are pleased with the finalisation of the new SETA landscape until 31 March 2020, and are looking forward with great anticipation as the FP&M SETA continues to contribute to government's human resources development agenda.

Appreciation

The year has brought a reminder that business is never static. Conditions change and those affected must adapt. This year has proved that the FP&M SETA is a resilient, resourceful and resolute organisation that can hold its own under any circumstances. The entire team – Board, Management and Staff – banded together to ensure that not a minute of skills development energy and success expended in the past would be wasted, but that each would be built on, for the sake of the very deserving beneficiaries, whom we live to serve.

It would be a serious omission if I did not thank employers 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.

Finally, I would like to thank the FP&M SETA CEO, her management team and all the 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 a high-level.

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 the FP&M SETA stakeholders and the FP&M SETA Board. It also provides an opportunity to raise issues or concerns.

Conclusion

Given that the tenure of the current Board terminated on 31st March 2018, I would like to place on record my sincere appreciation and gratitude to all Board Members, whose sacrifices, guidance and support carried us through some very trying circumstances and challenges since establishment of the FP&M SETA in March 2011.

I am positive that the good work of the FP&M SETA will continue and set the trend of the new Board to perform and deliver on a challenging NSDS strategy and mandate.

I also extend my congratulations to the CEO, Ms Felleng Yende for the sustained high performance of the organisation since her appointment in May 2013. Kudos to Ms Yende for the sacrifices she has made to re-align the organisation with a business model that has reaped rich rewards and I look forward to commanding this ship alongside her for the next two years.

The successes of the FP&M SETA are attributed to the dedication and hard work of a joint effort by all stakeholders, management and staff through their unselfish commitment to the realisation of goals and objectives to improve the lives of workers in the FP&M sector.

We cannot predict what lies ahead, but I know with certainty that the 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 fibre processing and manufacturing sector's people, the sector in its entirety and our beloved country.

It is possible to change many lives in two years and thus, there is much to be done in the run-up to 2020. We will move above and beyond and achieve greater results.

Mr Sipho Ngidi

FP&M SETA

31 July 2018

4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

"Skills are the foundation of life, the backbone of nations. Without them, the manufacturing world would undoubtedly grind to a halt and would sound the death knell of our global economy."

Introduction

During the reporting period under review, I can confidently state that we continued to turn the legacy of this organisation into a material force that transforms the destinies of the poor, the unemployed, workers, youth, women and the geographically and socially marginalised.

Skills development is about making a material difference to people's lives; making a palpable and tangible difference to the lives of all our people in order to address the triple challenges of unemployment, poverty and inequality. From day one of its establishment, the FP&M SETA has made a difference to people and has altered their life paths because of the opportunities afforded to them by the FP&M SETA.

The work that the FP&M SETA does is centred around the relationships and partnerships that we have cultivated over the years. These partnerships have availed post-school education and training opportunities to learners, as well as opportunities for employment. This is evident in the outcomes of the projects we have executed and is further reflected in the performance reports of the SETA.

Since 2011, a total of 86,733 individuals have encountered the FP&M SETA at different stages of their career journey and as a result have become stronger and better prepared for sustained success through their experiences. Among these are 53,511 learners who entered FP&M SETA occupationally-directed programmes and 33,222 learners who have successfully completed occupational qualifications.

Overall Performance

It gives me pleasure to commence my report with the announcement that the FP&M SETA did not only maintain its unqualified audit status, but also increased its overall performance for both funded and unfunded achievements from 89.5%, achieved in the last financial year to 91.67% in the 2017/18 reporting period. The SETA also performed well against the APP targets, recording a performance of 87.5%. The FP&M SETA also exceeded expectations by achieving 100% against the DHET monitored targets.

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

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

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

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

As part of our commitment to addressing our mandated strategic objectives, 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.

I am extremely pleased to report that our Sector Skills Plan (SSP) has improved markedly with regard to alignment with the FP&M SETA strategy.

#Coaching, Mentoring & Training

The year under review was initiated with the launch of our new strategy "#Coaching, Mentoring & Training", that would allow us to forge ahead with unique skills development interventions that made an impact on our youth. From the outset, the work of the FP&M SETA has been meaningful – every initiative, every programme and every campaign is a link to #Coaching, Mentoring & Training. With each intervention we seek to influence the journey that our beneficiaries take through their careers by equipping them with the skills and knowledge that will enable them to become productive members of society and to fulfil their work and personal dreams.

The Skills Pipeline

We recognise that if we are to be a "#Coaching, Mentoring and Training" SETA, a robust, dynamic, functional and sustainable skills pipeline must be built.

During the 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 occupations in demand in our sectors.

As part of our commitment to ensuring that the return on investment has impact on the lives of learners, enhances employability prospects and the South African economy and society at large, we have conducted ongoing research to ensure that our performance against our objectives can be measured and this research informs our skills pipeline.

Another connection to our skills pipeline, the Career Awareness Programme, continued with pace during the year, with the production and dissemination of an updated FP&M SETA Career Guide, and the launch of a comprehensive FP&M SETA Career Portal.

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 funded a very successful project in partnership with Independent Newspapers, Media SA and SACTWU resulting in the launch of the "Racism Stops With Me!" campaign.

During the reporting period, the FP&M SETA has created new partnerships, and strengthened existing ones with our stakeholders that include post-school training institutions, 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.

The FP&M SETA is actively investigating ways to drive new skills development interventions that will develop our people, and it must be noted that the ultimate goal here is to introduce initiatives that will promote ongoing sustainability and to introduce skills that would remain relevant in the long-term.

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.

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 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 an important 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. Organisations that overlook this trend should brace themselves for an absolute failure ahead. For the FP&M SETA, we aim to be the principal influencers towards this new trend. As skills development leaders, we are prepared 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.

While South Africa is one of the most progressive countries on the African continent, it is also very unfortunate that the majority of the least economically developed countries in the world are in Africa. With that said, South Africa should set the example on readying its people for the Fourth Industrial Revolution, our female citizens must be empowered to take the matters in their hands and aggressively pursue education, penetrate the male dominated work environments, aim for leadership positions, and most importantly, break into the world of entrepreneurship.

For 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. The National Skills Development Strategy (NSDS III) emphasises that access to training and skills development opportunities is a major priority and key imperative, and everyone in the education and training domain must strive towards achieving the fundamental transformation of inequities linked to class, race, gender, age and disability in our society.

In response to the industrial demands, we embarked on programmes that have responded to the skills needs in the market. We have also witnessed and been a part of the opening of a number of community skills development centres in our country - this is certainly a good sign of progress and making a tangible dent in the skills development landscape.

During the 2017/18 year, the FP&M SETA embarked on a number of key projects that include:

Construction and Launch of the Richmond-Indaleni Community Skills Development Centre

Friday, 23 February 2018 was a red-letter day for the FP&M SETA, when the former Honourable Minister of Higher Education and Training, Professor Hlengiwe B. Mkhize (MP), launched the Richmond-Indaleni

A Dream Realised: Construction of the Richmond-Indaleni Community Skills Development Centre completed.

The Honourable Minister of Higher Education and Training, Prof. Hlengiwe B. Mkhize (MP) launches the Richmond-Indaleni Community Skills Development Centre.

Community Skills Development Centre in Richmond, KwaZulu-Natal, and declared this state-of-the-art TVET campus officially open for training and development initiatives.

This project involved a strategic partnership with key stakeholders: the FP&M SETA, the Indaleni-Missionary Alumni Project (IMIAP), the Methodist Church of Southern Africa, Umgungundlovu TVET College and the Richmond Municipality.

Boasting a diversity of skills development resources, this training hub will liberate the community from the burdens of poverty, inequality, crime and unemployment.

At the beginning of the project, the former Minister of Higher Education and Training, the Honourable Dr Blade Nzimande said that the decision to establish the Community Skills Development Centre answered many calls, most notably, that the area did not have a higher education and training institution that could meet the community needs, as Umgungundlovu TVET College was restricted by a lack of a training infrastructure in the Richmond area.

The FP&M SETA Chairman, Mr Sipho Ngidi, explained that the centre's benefit will extend far further than its immediate beneficiaries: "It will provide youth with life-skills that will enable them to grow their own community, through job creation and entrepreneurship, and ultimately develop the local economy for the community's benefit," he states. Mr Ngidi added further, "We have managed to precisely lay the foundation for a conducive space that will enable us to drive skills development in Richmond, now we are faced with ensuring that young people enter this fortress of knowledge and development, and emerge as completely transformed individuals with the know-how and renewed determination to face the challenges of their community."

The centre has already been put to the test, with unemployed young people having started their programmes some time ago in mobile classrooms erected amid the construction, and many having graduated prior to the official launch. Learner, Jennah Jimmy, believes she is worth more today than she was the day she stepped into the facility. "I am better off than other young people who are jobless and sitting at home with diplomas and degrees," she says. "The training has increased my career prospects and I am now more employable."

Learner and facilitator Hlengiwe Mbhele stated that the centre is going to equip many young people to start their own businesses or join the world of work. She benefited from shoemaking skills, but has her sights set on becoming a teacher.

Facilitator Kishor Harrilal adds that, in addition to the wonderful opportunities the centre opens for community members, the monthly stipend enables learners to help at home and respond to their basic needs positively: "That's true upliftment," he says.

Now, with the formalities over, the Richmond-Indaleni Skills Development Centre is ready to focus on its core function and to welcome scores more learners like Jennah and Hlengiwe. It is a world-class facility, which includes nine classrooms for theoretical components of occupational learning programmes, five modern workshops to facilitate practical training, and an administration centre with offices and boardrooms. It is fitted out with the most modern machinery in footwear production, woodwork and carpentry, fashion and garment construction, which makes it the pride of this deserving community and a beacon of hope for youngsters and older residents alike. In order to benefit our rural learners, it also boasts a fully equipped and modern IT centre with full internet facilities.

Some of the key noticeable features of the buildings include "green elements" such as water harvesting features and solar geysers for hot water. The buildings are also disability friendly. From a social responsibility perspective, during the construction phase of the centre, one of the special conditions linked to the appointment of a turnkey principal agent was that approximately 20% of unskilled and semi-skilled workers had to be sourced from the local community. We are pleased to report that these targets were exceeded by a further 10%.

From the FP&M SETA's perspective, the Richmond-Indaleni Skills Development Centre is fully accredited to offer training in garment construction, furniture and upholstery making, charcoal production, silviculture, pest control, tree felling and timber processing. However, other SETAs have come on board, and this has expanded the training menu with a very wide range of other attractive trades so that the skills development centre becomes sustainable and viable in the future.

Fittingly, we leave the last word on this hub of productivity to the FP&M SETA CEO, Ms Felleng Yende: "This centre is a remarkable gift to Richmond and its surrounding communities," she says. "We are honoured and privileged to have been part of such a momentous undertaking." The centre was officially handed over to the Umgungundovu TVET College on the 01st of April 2018.

It is critical that we aspire to establish a knowledge economy and developing knowledgeable workers for the future that will ensure a future generation of knowledge for the FP&M sector. It is our responsibility to ensure that South Africa produces a skilled, capable and flexible workforce by eliminating the barriers that limit access to occupations in demand. These workers will be the innovators and at the heart of creating a sustainable sector that aligns with the National Development Plan (NDP) and the Vision 2030.

Centre of Excellence for Leather Skills (Pty) Ltd

The Centre of Excellence for Leather Skills (Pty) Ltd is located at the Richmond-Indaleni Community Skills Development Centre. This rural development initiative focused on the implementation of the NQF Level 2 - National Certificate in CTFL Manufacturing Processes – footwear occupational programmes,

The Honourable Minister of Higher Education and Training, Prof. Hlengiwe B. Mkhize (MP) and the Honourable MEC for Finance in the KwaZulu-Natal Provincial Government, Ms. Ina Cronje visited the Centre of Excellence for Leather Skills at the Richmond-Indaleni Community Skills Development Centre.

which was started in November 2016. During the learning programme, learners are equipped with multiple skills in footwear manufacturing operations and they would have an integrated view of concept to finished product, as well as an understanding of the entire value chain. To date, 60 learners have successfully completed a full learnership programme in Footwear Making Processes and the centre has trained and provided employment for two facilitators from the Richmond community. In terms of opportunities created post-completion of the learnership, learners will be placed in employment within the footwear sector or learners will be provided with opportunities to undertake further training in retail or entrepreneurship programmes with a view to establishing their own businesses. Learners that exit the programme are now able to work from home, making sandals and other types of footwear and have the skills to carry out shoe repairs, with very little capital investment.

Thandeka Vocational Education Trust (Pty)Ltd - Graduation is just the beginning...

The Honourable Premier of the Western Cape, Ms Helen Zille, with CEO of FP&M SETA Ms Felleng Yende at TVET SA Graduation Ceremony.

The Honourable Premier of the Western Cape, Ms Helen Zille, attended the second Thandeka Vocational Education Trust (Pty) Ltd Learner Graduation Ceremony at the River Club in Cape Town. The Premier was joined by the CEO of the FP&M SETA, Ms Felleng Yende, officials from industry employer and labour organisations, senior managers and representatives from our client sites and proud learners.

During 2017/18, 465 learners from clothing and textile manufacturing concerns successfully completed national qualifications (learnerships with electives in sewing and finishing), part qualifications (skills programmes including team leaders, sewing machine mechanics, quality and finishing, and sewing multi-skilling) and industry aligned short courses (e.g. productivity and work study). More than 300 of these learners attended the graduation ceremony.

Thandeka Vocational Education Trust (Pty) Ltd partnered with various manufacturing concerns in the Western Cape, Eastern Cape and KwaZulu Natal as well as the South African Apparel Association and the Apparel Manufactures' Association and graduated 99 employed learners and 130 unemployed learners on learnerships. The sponsoring employers placed on average 74% of the unemployed graduates in employment on completion of the programmes. Prestige Clothing (Pty) Ltd received a recognition award during the graduation ceremony for placing more than 90% of their graduates in employment.

Thandeka Vocational Education Trust also implemented credit bearing skills programmes and industry aligned programmes which resulted in the certification of 236 learners. The programmes were all funded by the FP&M SETA.

The Premier addressed the learners and attendees on the demands of the world of work and the importance of skills development in meeting the requirements for sustainable employment. The Premier commended Thandeka Vocational Education Trust (Pty) Ltd for successfully implementing a very effective training model that starts with classroom learning, followed by training on the factory floor, and culminating in the placement of learners in workplaces. Ms Zille reminded the graduates that they were privileged that have been given the opportunity to enter learning programmes and that this opportunity was "really only the beginning". The Premier encouraged the graduates to "be prepared to do what others don't want to do" and to "make the choice to do their very best wherever they are" in order for the next door to open for them.

The CEO of the FP&M SETA spoke about the role of the FP&M SETA as primary funder of skills development in the clothing & textile sectors. Ms Yende congratulated the graduates with successfully completing their programmes and for making the most of the opportunities that were given to them.

Mr Snethemba Harmans, a Sewing Learnership graduate, who is now working at TFG Design

Centre, shared his success story with the audience. His story was a testimony to the fact that through sheer determination and hard work, one could overcome many obstacles and find your true destiny. Snethemba has a natural flair for design and this talent, combined with the technical knowledge and skills that he has gained through his learnership training, has enabled him to find employment in an industry that he truly loves.

IGODA Incubator Programme

IGODA Clothing Manufacturing Incubator ("IGODA") programme has been running for 24 months and has proven to be one of the projects that can transform the status of the clothing manufacturing sector.

IGODA was established to provide an enabling environment for emerging designers, qualified unemployed clothing technologists and unemployed youth interested in the sector through focused training, coaching and mentoring by qualified entrepreneurs. The strategy was to provide skills development interventions that are customised according to industry requirements and quality standards. This included on-the-job training on quality, supervisory management and other aspects of effective clothing manufacturing. Trainees are able to gain more insight into the industry value chain through the IGODA Incubator Programme.

The programme aimed to expose learners to various business and employment opportunities that the industry can offer. The ultimate goal is to develop successful enterprises, which on completion of the incubation period, learners graduate and effectively participate in the mainstream economy thereby strengthening local and national manufacturing capacity.

One of the scarce skills in this industry is the shortage of garment product developers like patternmakers and markers and it is pleasing to note that 100 learners have registered to close these skills gaps.

David Tlale: The Intern

To make the dreams of budding fashion designers a reality, the FP&M SETA partnered with the South African and internationally-acclaimed fashion design guru, David Tlale. The partnership was influenced by the need to support a high-level fashion design platform that would afford an opportunity to up-and-coming fashion designers that have raw fashion talent, with the relevant training and mentorship by the experts in the industry. It was David Tlale's brainchild that conceived the popular TV-series 'The Intern by David Tlale' - a competitive fashion reality show broadcasted on SABC 3, and thus, as part of its sponsorship, the FP&M SETA touched the lives of a massive audience of young people who had a vision and dream of breaking into the national fashion industry.

The 13-episode show saw nine talented competitors receive David Tlale's full attention and supervision through a variety of design practices. Broadcasting for 13 weeks, the young designers were put under pressure to display their best skills and stun South African viewers.

During the internship, fashion design was not the only focus. The interns also learned how to source fabrics, they were taught quality control, range development, retailing, marketing, public relations and media relations. The aim was to make them self-sustainable in the tough and robust fashion industry, and to realise that fashion design goes beyond just designing garments.

For the FP&M SETA, this was an opportunity to inspire those in the industry and the public in general, to procure locally-designed garments and also ensuring that more young people across the country are attracted to the industry and will be inspired to start their own businesses.

To this end, the FP&M SETA invested a sum of R4 million to ensure that this intervention became a reality. The FP&M SETA is positive that the show, together with a local brand name such as David Tlale, will bring the greatest possible impact to the skills development landscape in the clothing and fashion design sector.

Ithemba Lomphakathi Crafters and Designers Connect Initiative

Ithemba Lomphakathi Crafters and Designers Connect offers a holistic and comprehensive craft and clothing design workshop for crafters and design entrepreneurs, with a special focus on capacity building and facilitating of local and global markets. The project is made up of a team of professionals and creative social entrepreneurs committed to stimulating economic growth in rural areas through a series of technical skills development and entrepreneurship programmes. The series of programmes were aimed at using the creativity and vibrancy of the arts, culture, clothing and textiles sector as a tool for sector promotion, job creation and skills development.

The Ithemba Lomphakathi Crafters and Designers Connect programme was conceptualised to support crafters and clothing entrepreneurs to grow and sustain craft and clothing enterprises and to help crafters and designers have access to local and global markets. The aim of the programme is to promote rural crafters and clothing makers as resourceful and creative individuals, who are inspired by their rich and vibrant cultural heritage and design context.

The project is designed to help those entering the arts, craft, clothing and textiles sectors to improve their design and product development, quality control and assurance, marketing and entrepreneurial skills. The workshops attracted and empowered approximately 200 local crafters and clothing designers. Approximately 20 locally-based informal trading Small, Medium & Micro Enterprise Businesses (SMMEs) registered their entities with relevant authorities such as SARS and Companies and Intellectual Property Commission (CIPC).

An exhibition day was also featured on the final day with an estimated 5,000 people in attendance. Crafters and designers had a favourable opportunity to sell their goods during the exhibition.

Promoting the Growth of Technical and Vocational Education and Training Institutions

While the skills contribution of the TVET sector has traditionally been limited, government's determined focus on increasing both the quality and quantity of output from TVET Colleges means that this sector is playing an increasingly important role in skills development in the sector. With a new focus on repositioning TVET colleges as institutions of choice for learners who are seeking skills to secure employment or create sustainable businesses, a number of partnerships and collaborations with TVETs were forged during the period under review, including and not limited to, artisan development, learnership implementation, lecturer development and work-integrated-learning for TVET graduates.

It pleases me to report that the FP&M SETA Board has supported the post-school education and training system in key priority areas, which included the construction of the Richmond-Indaleni Community Skills Development Centre. Other initiatives included the development of the Framework Guidelines for Co-ordinating SETA-TVET Offices (CSTO) in partnership with Jet Education Services and the Department of Higher Education and Training, which culminated in the opening of a CSTO Office at Ehlanzeni TVET College in Nelspruit, Mpumalanga.

Extension of NSDS III - Legislative Changes

I am pleased to inform you that the former Honourable Minister of Higher Education and Training, Dr Blade Nzimande has promulgated and extended the National Skills Development Strategy 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 the currently established FP&M SETA.

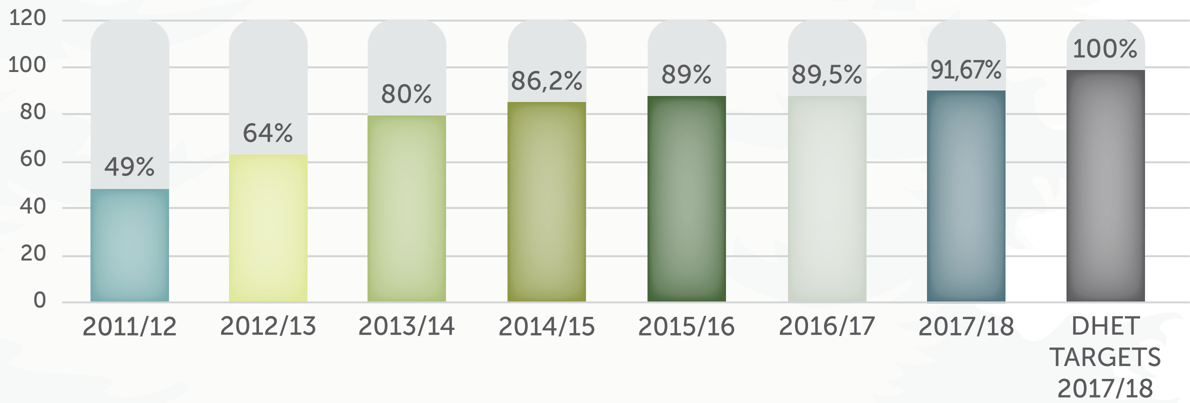
FP&M SETA Performance 2017/18

To prove our commitment to effective and efficient service delivery, the FP&M SETA has made significant strides 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 needed to synergise their efforts in order to achieve the strategic objectives and targets contained in the FP&M SETA Strategic Plan 2015/16 to 2019/20 and Annual Performance Plan 2017/18 to 2019/20.

The SETA endeavoured to deliver on its mandate and to 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. I am delighted to report that the FP&M SETA achieved 100% performance against the DHET Monitoring Targets.

OVERALL SETA PERFORMANCE 2011/12 - 2017/18 (Audited)
(Funded and Unfunded Achievements)



Mandatory and Discretionary Grant Allocation and Expenditure

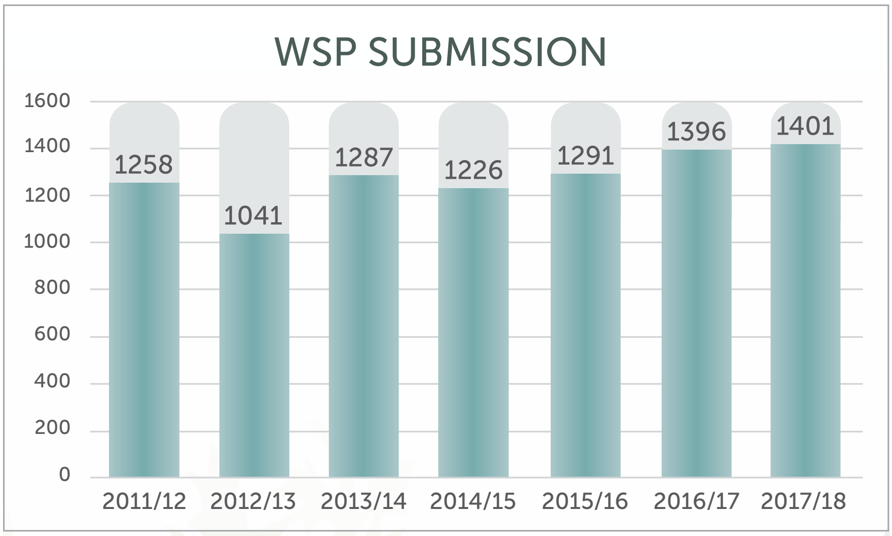
Since establishment in 2011, there has been an increase in the overall number of mandatory grant submissions received. This is indicative of our efforts to broaden participation in skills development in the sector and promoting sector development and sustainability.

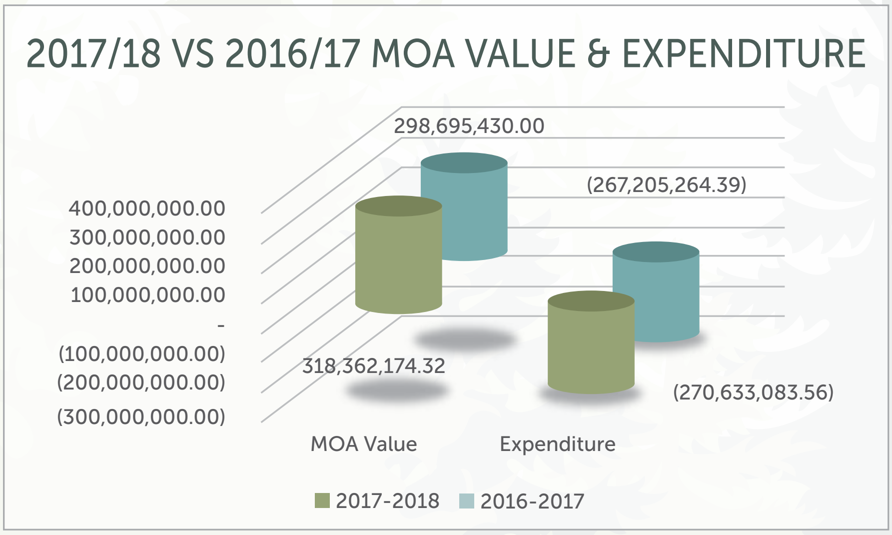
Both mandatory and discretionary grants of the SETAs must support training of both employed workers and the unemployed.

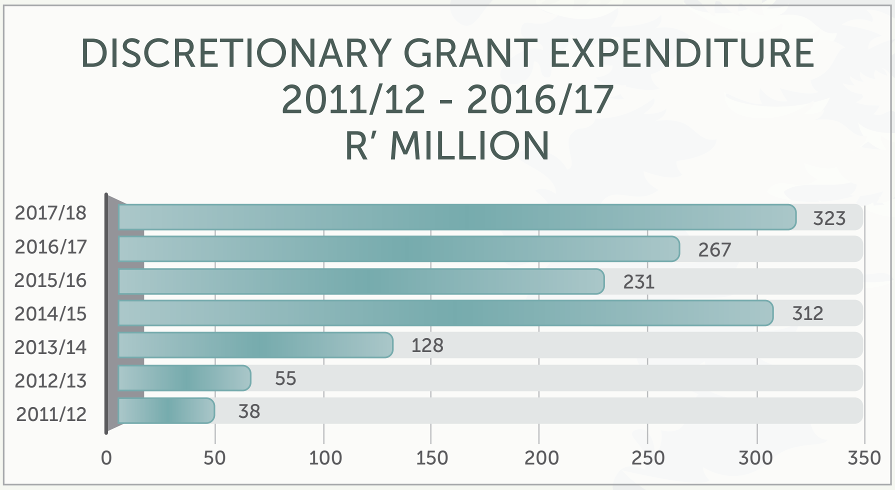
A successful partnership with NSFAS to support bursary programmes to address middle to high-level skills needs in the FP&M sector, has been established. We have made a commitment of approximately R7 million towards the NSFAS in 2017/18 and 100 learners benefitted from that funding. In addition, we have established direct bursary partnerships with four higher education and training institutions, amounting to approximately R11,7 million.

Total discretionary grants allocated for 2017/18 for a variety of learning programmes, special projects, sectoral priorities and critical partnerships amounted to approximately R439 million.

The implementation of PIVOTAL programmes, especially high-level and middle-level skills (learnerships, apprenticeships and bursaries) contributes extensively to the improvement of productivity in workplaces and job placement of unemployed graduates. For the period under review, it must be noted that the SETA exceeded its targets for unemployed learners entering into PIVOTAL (bursary, learnership, internship) programmes and skills programmes, recording an achievement percentage of 179%.







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 2017/18. 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.

The FP&M SETA prioritises artisan training because of the nature of the specific middle-level occupational skills required by the sector. More than R59 million was allocated for artisan development in the sector by advocating effective partnerships between employers, TVET colleges and the FP&M SETA to fund 350 apprentices entering artisan programmes.

The FP&M SETA Board approved approximately R70 million for learnership implementation in the sector for approximately 2,680 employed and unemployed learners entering learnerships that are occupationally-based programmes and that lead to direct jobs in the sector.

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 students from TVETs and HEIs. Just under R44 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.

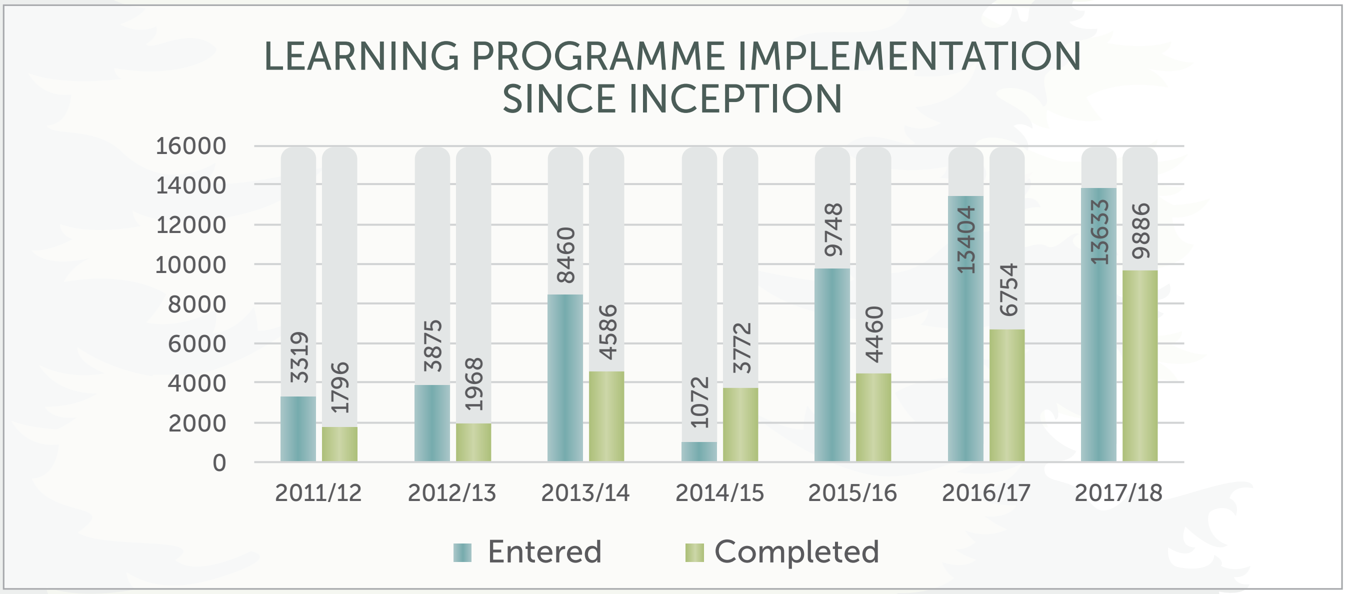
The FP&M SETA exceeded targets by implementing focused projects to address basic skills gaps which relates to foundational skills relating to illiteracy and poor numeracy skills in the FP&M sector. Targets for entering and completing adult education and training programmes were easily achieved during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

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

Discretionary grant expenditure during the period under review increased during 2017/18 when compared to 2016/17, due to concerted efforts by the projects division to encourage early uptake of projects and ensuring skills development providers to adhere to contractual obligations and timeframes with regard to tranche payments.

SETA Performance on Learning Programme Implementation

In line with the expenditure trend below, both learner registrations and learner completions during 2017/18 have increased substantially since 2011. This is mostly due to increased monitoring of projects, as well as more efficient certification processes.



Rural Development

In order to address rural development, the FP&M SETA Board approved a number of dedicated projects with a view to address the transformation imperatives of inequality, 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 250 disabled learners trained for the period under review.

Research

Year-on-year there has been a marked improvement in the overall quality and alignment of the 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).

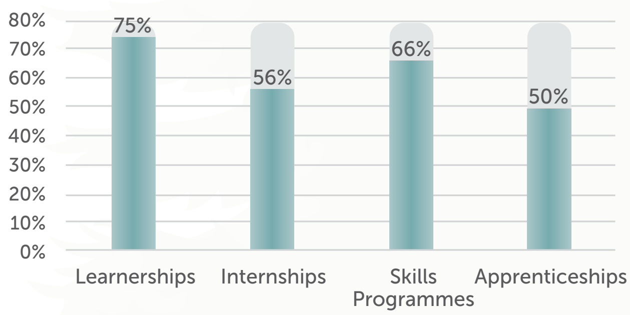
The Sector Skills Plan (SSP) continues to receive excellent reviews from the Department of Higher Education and Training. The FP&M SETA produces a well-researched SSP, together with a sector analysis, to enable effective skills planning for the sector. The SSP is informed by research, which analyses the sector and establishes baselines for employment in the sector in terms of equity concerns. It provides a sound analysis of industrial sectors and articulated sector strategies that address current and future scarce and critical skills and occupations in demand within the sector.

Skills shortages are rated as one of the most central 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.

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 improve. 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.

Findings: Effectiveness

% of employers retaining learners



Employers absorbing at least 50% of the learners	
Learnerships	40%
Internships	27%
Skills Programmes	37%
Apprenticeships	26%

The most important decisions when offering learners permanent employment are learner productivity, positive attitude, and/or commitment to work.

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

During the Board Strategic Planning Session in October 2017, the outcomes of key research studies were presented to the FP&M SETA Board:

i. The findings and recommendations related to a research study to guide the FP&M SETA's TVET strategy and approach for supporting TVET colleges was concluded, with a view to establishing linkages and to assist TVET colleges in building partnerships with employers, resulting in very productive discussions during the Board Strategic Planning Session.

ii. As part of our commitment to ensuring that 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.

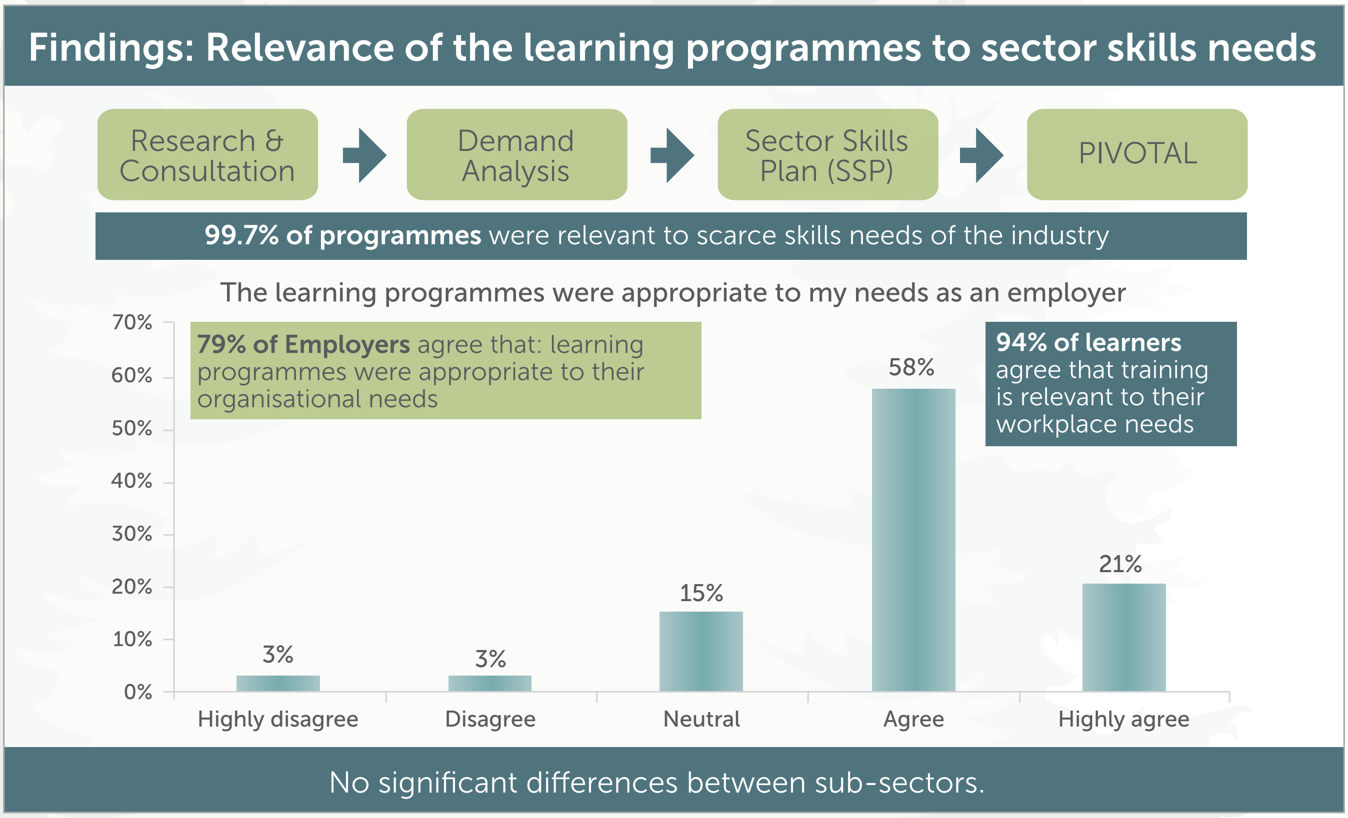
Some of the key findings of the Impact Study conducted during the year under review is reflected in the graph below.

It is critical that our research agenda focuses 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 of skills for the next 30 years if we are to address competitiveness and sustainability of our industries in the long term.

I am glad to report that some of the FP&M sub-sectors have pro-actively engaged on firming up their industry strategies with a view of addressing potential industry growth areas and aligning to skills development interventions. The following workshops were held to address industry growth strategies and women empowerment:

(i) Printing and Packaging Growth Strategy Workshop in partnership with Printing South Africa (PSA) was held on 21 April 2017. The objective of the workshop was to address research outcomes related to the formulation of a growth strategy for the industry.

(ii) A successful Clothing Summit "Training and Skills Development for a Sustainable Clothing Industry" was held on 04 - 05 April 2017.



(iii) In order to address the transformational imperative of women empowerment, gender and transformation dialogue sessions were held in Johannesburg, Gauteng in July 2017 and Durban, KwaZulu-Natal in November 2017. The key issues addressed were associated with gender issues with a focus on skills and entrepreneurship development. It also provided an analysis of industry activities and identifying what activities were successful and worth replicating. Strategies were discussed that included the support required to more substantively advance gender equity at all levels within companies. Gender equality is important for sustainable development and overall wellbeing. Directing resources towards this would be a big boost for the next generation and would serve as social justice to women and young girls.

Career and Vocational Guidance

In line with our objectives to promote career and vocational guidance, the Career Awareness Programme continued to thrive during the year, with the production and dissemination of an updated career guide and the launch of a comprehensive career portal, that is an invaluable tool for youngsters considering their career choices or preparing for the challenges of the job market. Among other services, the portal connects job seekers with prospective employers.

Also, during the 2017/18 financial year, the FP&M SETA supported a number of career exhibitions in order to expose school learners and teachers to FP&M sector occupations. The DHET organised career events and career guidance exhibitions which were hosted by Municipalities and sector stakeholders were supported. These included:

- **FP&M SETA Youth & Skills Development Summit in Partnership with Cape Media:** With skills development at the centre of its mandate, the FP&M SETA together with its partners have been hosting the annual Skills Summit and Career Expo to expose learners, particularly those in grades 10, 11 and 12 to various skills and career opportunities available to them in the FP&M sectors.

  The FP&M SETA proactively engaged with learners in high schools around the country, to prepare them for the next phase of their lives. Over 1,500 learners, educators and officials from the Department of Basic Education were hosted at the Skills Summit for two days. The learners were provided with information relating to funding opportunities and careers in the FP&M industries.

  Further to this, learners were given the opportunity to engage with experts from the various FP&M sectors, who shared their knowledge and experience about their respective jobs. A number of stakeholders from the public and private sectors were invited to participate in the expo. This saw learners interact with experts from various fields, experience a diversity of products and services, and gain insight on the various workplaces.

- **Nelson Mandela International Career Day:** The Annual Mandela Day Career Development Festival in partnership with the Department of Higher Education and Training provided 3,600 high school learners and NEET youth from the surrounding rural and semi-rural areas, the opportunity to interact with, 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, aimed to act and 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, in association with the FP&M 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 representative of South Africa as a whole.
- Career Guidance: The FP&M SETA engaged with over 100 high schools across the country to provide important career information and guidance to our youth so that they were able to make informed career choices.

The FP&M SETA looks forward to many more successful, impactful career and vocational events in future.

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 on accreditation is moving from compliance to continuous improvement as the quality assurance system in the SETA matures. Our quality assurance division is encouraged to give developmental assistance to firms to improve the quality of learning delivery.

The FP&M SETA sectors' stakeholders are also aligning themselves to the current FP&M SETA, QCTO, SAQA and DHET national policies by participating in workshops to develop occupational qualifications and accredit their businesses against these occupational qualifications and trades.

QCTO Qualifications Development

I am proud to note that during the period under review, we have developed and submitted to QCTO for evaluation, a total of 55 occupationally-directed qualifications and part qualifications. These were aligned to the curriculum requirements and the new qualifications framework of the QCTO. With that, a total of 24 Occupational Qualifications and trades have since been registered with SAQA for implementation. Currently, 24 are with SAQA for registration and 10 are with the QCTO evaluation committee for approval purposes.

The FP&M SETA furthermore, in supporting the qualifications development processes, has had a number of engagements with 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 also took an initiative to not only supporting its stakeholders with the ETDP training courses alone, but it has also embarked on External Integrated Summative Assessment (EISA), and Learning Materials Development, which will be given to stakeholders applying for accreditation with the QCTO against the FP&M SETA Occupational Qualifications.

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, backlogged 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 on our learning programmes.

It is important for providers and stakeholders to note the transitional arrangements for the quality assurance of historically registered qualifications as outlined *in QCTO Circular 1 of 2017*:

(i) Process for dealing with Qualifications that have a registration end date of 31 March 2018 or 30 June 2018:

- Skills Development Providers that are currently accredited for registered qualifications with registration end dates of 31 March 2018 or 30 June 2018 may still enrol learners up to 31 March 2019 or 30 June 2019 respectively (as "per last date of enrolment").

- Historically registered qualifications on the Occupational Qualification Sub-Framework (OQSF) with learner enrolments which have not been replaced by an Occupational Qualification by 31 March 2019 or 30 June 2019, will be prioritised for re-alignment and/or extension of the registration date.
- For Skills Development Providers who are offering skills programmes and single unit standards – single unit standards or skills programmes will be replaced by occupational part qualifications.

(ii) Implications of the above for Skills Development Provider Accreditation:

- Where there is a registered Occupational Qualification, the Skills Development Providers' accreditation for the historically registered qualifications on the OQSF will end with the "last date for achievement" to allow for teach-out.
- This will mean that Skills Development Providers will have to apply for accreditation for the new Occupational Qualification with the QCTO as soon as such qualifications are registered.
- Skills Development Provider accreditation for unit standards and skills programmes will remain valid until the "last date for achievement" of the full qualification or the unit standard, provided there are no occupational part-qualifications registered.
- In the case of trades, Skills Development Provider accreditation will not be extended beyond the expiry date of the provider's accreditation.
- Skills Development Provider accreditation applications for historic qualifications registered on the OQSF post-30 June 2018, must be done via the QCTO.
- All Skills Development Provider accreditation applications for Occupational Qualifications registered on the OQSF must be made to the QCTO.

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 the cornerstone of our successes and achievements. Having a robust and effective monitoring and evaluation division is critical to successful implementation of the strategy and for achieving performance.

Monitoring and Evaluation

One of our priorities in the last financial year was to implement an effective monitoring and evaluation strategy to enhance project management of the DG funded projects and compliance of skills development providers with FP&M SETA quality assurance accreditation criteria.

In the execution of its tasks, the Division engaged the services of independent sector skills advisors with a view of obtaining an objective perspective on the discretionary grant projects implementation and the compliance of the skills development providers with the accreditation criteria. Nationally, approximately 650 discretionary grant projects were monitored and 494 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 were resolved within a specific timeframe.

The SETA has noted with appreciation that stakeholders are welcoming the site visits conducted as these assisted both parties with a smooth and efficient implementation of the discretionary grant projects and assisted with alignment to strict compliance requirements.

Projects Delivery

In order to streamline discretionary grant project implementation, several measures were implemented including 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 withdrawn and allocated towards areas of critical need.

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.

During the current financial year, the FP&M SETA received R340,1 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 2017/18 financial year.

SDL income was increased by R878,000 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 (R7,3 million) were received by the FP&M SETA as a result of late payment of SDL by employers to SARS.

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

Other revenue (R194,000) was generated from fees paid by learners to re-write examinations relating to apprenticeship programmes. R3.7 million was received for insurance refunds and R597,000 was treated as surplus funds received from W&R SETA.

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 Corporation of Public Deposits (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
- In terms of the asset management plan, assets that were destroyed in the fire at Braampark offices in April 2017 and redundant or broken assets were identified and written off during the year. Below are

Revenue Collection

	2017/2018			2016/2017		
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	R347,025	R340,147	R6,878	R382,887	R319,966	R62,921
Penalties and interest	R5,250	R7,300	R (2,050)	R3,641	R8,512	R (4,871)
Investments	R25,482	R39,415	R (13,933)	R18,428	R38,942	R (20,514)
Donor funding (Create SA and DAC)	-	-	-	-	R80	R (80)
Other revenue	-	R4,550	R(4,550)	-	R94	R (94)
TOTAL	R377,757	R391,412	(R13,655)	R404,956	R367,594	R37,362

details of how asset holdings have changed during the period under review, including information on the disposals, scrapping, and loss as a result of theft.

- During the year, assets valued at a cost of R4,814,193 (and accumulated depreciation of R4,070,826) 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.

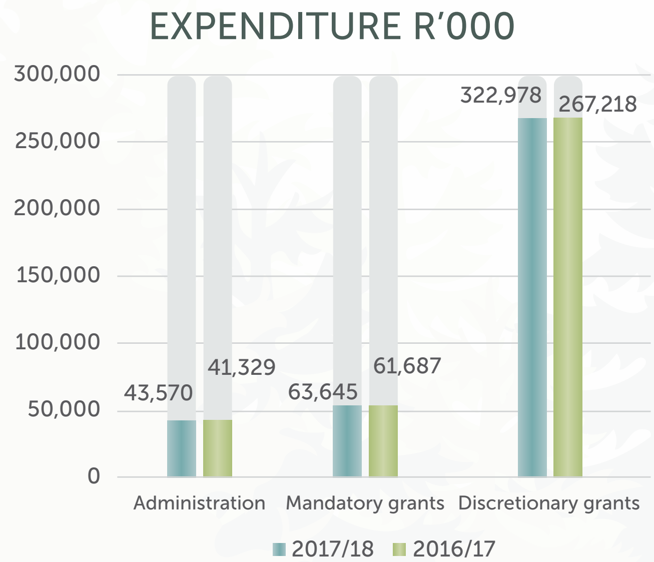
SDL income amounted to R340,1 million (2016/17: R319,9 million) and was allocated in line with the SETA Grant Regulations, which came into effect on 01st April 2013:

- Administration expenditure – R43,5 million (2016/17: R41,3 million).
- Mandatory grants expenditure – R63,6 million (2016/17: R61,6 million).
- Discretionary grants expenditure – R322,9 million (2016/17: R267,2 million).
- Penalties and interest income received for late payments made to SARS amounted to R7,3 million (2016/17: R8,5 million).
- Donor funding, for which the conditions were met, amounted to R0 (2016/17: R80,000).
- Other revenue amounted to R4,550,000 (2016/17: R94,000).
- Investment income earned totalled R39,4 million (2016/2017: R38,9 million).

Investment Strategy

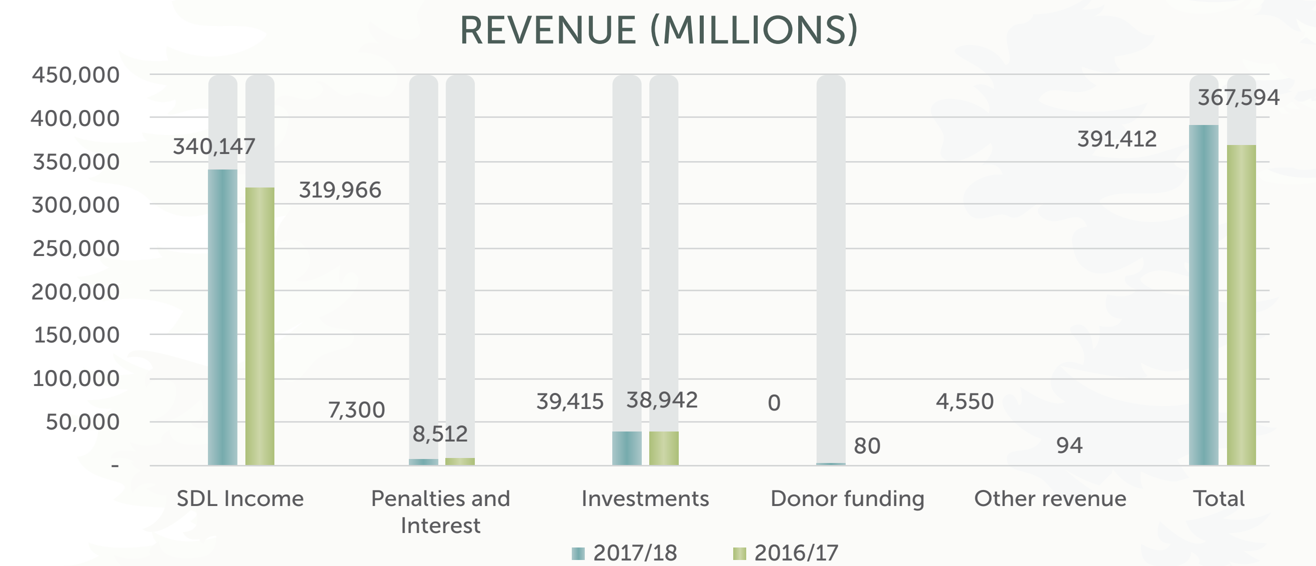
The FP&M SETA invested excess funds with the CPD as per Section 31.3.3 of Treasury Regulations. The average interest rate for the year totalled 7,33%.

Spending Trends of the FP&M SETA



Revenue Trends

Revenue received in 2017/18 was reported at R391,4 million (2016/17: R367,5 million).



Administration Expense

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

The total administrative expenditure totalled R43,5 million (2016/17: R41,3 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 R63,6 million (2016/17: R61,6 million). Disbursements totalled R64,5 million (2016/17: R61,2 million).

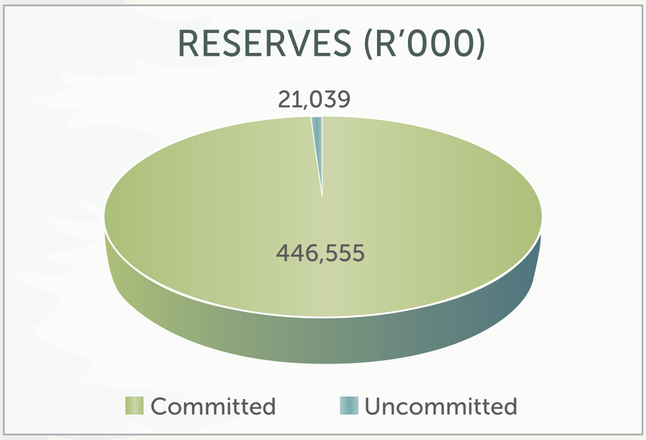
Mandatory grant expenses were greater in the current financial year due to greater levy income received as compared to last year.

Discretionary grant and special project expenses totalled R322,978 million (2016/17: R267 million).

Information Technology Environment

Our IT environment is very stable with daily, weekly and monthly backups being performed.

Committed Funds



At the end of March 2018, discretionary reserves totalled R467,594 million, of which R446,555 million was contractually committed. R21,039 million was uncommitted at year-end and approval to retain these funds has been submitted to National Treasury.

Capacity Constraints and Challenges

The FP&M SETA did not experience any significant financial constraints or challenges during the period under review, despite difficulties experienced in appointing a General Manager: Quality Assurance in a permanent capacity.

Challenges with regards to performance against pre-determined objectives as set out in the Annual Performance Plan largely related to job placement of learners post-training on learnerships, apprenticeships and bursaries. This resulted in under performance against the targets. This was mainly due to economic and financial challenges experienced by our industrial sub-sectors.

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

New or Proposed Activities

Discretionary grant applications for the implementation of new projects have been received from stakeholders in the FP&M sector and are pending Board approval. Discretionary allocations will address the pre-determined targets as set out in the 2018/19 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 May 2018. The FP&M SETA applied to retain Discretionary grant reserves to the amount of R467,594 million. The response from National Treasury is pending.

Supply Chain Management

During the external audit, the Auditor-General, identified gaps regarding compliance with Supply Chain management (SCM) Regulations, aligned to National Treasury Regulations. Non-compliance identified related to procurement and contract management. 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 the SCM division has controls in place to mitigate non-compliance. The Travel Policy was amended in line with National Treasury SCM Instruction No. 04 of 2017/2018.

During the year under review, the following tender was positively concluded:

- Travel Management Services for the SETA.

The SETA requested an extension from National Treasury for the following contracts:

- Docufile Record Management – Off-site storage of documents;
- Omnicron – Office lease for regional offices; and
- Mobile Telephone Networks (MTN) – Internet Solution.

Audit Outcomes 2017/18

The FP&M SETA received a fifth consecutive, unqualified audit-opinion in the 2017/18 financial year, which is a testament to our pursuit of total compliance, good corporate governance and service delivery excellence. Due to a focused approach from the Internal Audit team ensuring that mechanisms are in place to conduct risk assessment exercises and the monitoring of action plans, all findings from the previous financial were resolved.

Key Noteworthy Audit Success Areas for this Financial Year (2017/18):

- A drastic reduction in the number of audit findings.
- The Auditor-General of South Africa commended the FP&M SETA for submitting financial statements that were free from material misstatements.
- The Auditor-General of South Africa noted the overall improvement in the FP&M SETA Annual Performance Report against pre-determined objectives.
- It was noted in the Management Report that the FP&M SETA Board provides assurance on the current status of internal controls and status of implementing commitments and recommendations made by both the external and internal audit by management.
- The Management Report notes that the FP&M SETA has an effective internal audit function that assist in monitoring the effectiveness of the business processes and key controls.
- The FP&M SETA has an effective Audit Committee that carries out its responsibilities as per the approved charter and the requirements of the National Treasury Regulations.

Audit Concerns

During the external audit by the Auditor-General of South Africa for the financial period under review, material findings relating to compliance with key legislation were reported, more specifically procurement and contract management in the Supply Chain Division. The FP&M SETA management has noted the root cause, which was the lack of effective prevention and detection and inadequate measures/ controls to ensure compliance with applicable legislative requirements.

In addressing this finding, I am pleased to report that the entity has appointed a new Supply Chain Manager, who is highly competent in systems development in Supply Chain Management and is knowledgeable about Preferential Procurement Regulations and B-BBEE.

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.

Economic Viability

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

Acknowledgements

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 Mr Ngidi on his appointment as Chairperson of the Board for a second term of office. Well done!

This reporting period marked the final year of office for FP&M SETA Board Members appointed since establishment, and whose tenure expired on 31 March 2018. You will always be remembered as the Board that built a formidable foundation that resulted in the SETA and the sector growing in leaps and bounds ensuring future successes and creating a better life for all. You really made a difference and have set a very high-performance benchmark that will be difficult to match.

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 established 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.

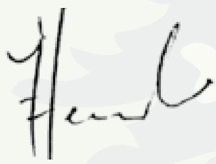
We commend the employers who have played a critical role in the unemployment plight by opening their doors to work placement opportunities for unemployed graduates and urge other employers to follow their lead.

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 that is being added to the lives of others in the process. You have proved 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 who continuously assist in ensuring that the FP&M SETA fulfils its skills development mandate.

We cannot predict what lies ahead, but I know with certainty that the 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: 31 July 2018

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, designed to provide reasonable assurance with regards to the integrity and reliability of the performance information, Human Resources (HR) information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the HR information, and the financial affairs of the public entity for the financial year that ended on 31 March 2018.

Yours faithfully,

Chief Executive Officer
Ms Felleng Yende
Date: 31 July 2018

Chairman of the Board
Mr Sipho Ngidi
Date: 31 July 2018

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;*
- *Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003), as amended by Act 46 of 2013;*
- 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).

Revisions to Legislative and other Mandates

Extension of the Current NSDS III - Gazette No 39263

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

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

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

Generic National Artisan Workplace Data, Learner Grant Funding and Administration System Policy, June 2015.

The policy standardised artisan funding through the creation of a single artisan funding mechanism. The artisan learner grant amount for the period of 2018-19 is R 165,000.00 per new artisan learner enrolled with effect from 01 April 2018.

Relevant court rulings

A court ruling was issued setting aside Regulation 3(12), which provides that the remaining surplus of discretionary funds must be paid by SETAs on 01 October of each year into the National Skills Fund, and Regulation 4(4), which reduced the mandatory grant that an employer could claim back from 50% to 20%.

In terms of the court ruling, the Minister of Higher Education and Training issued *Gazette No. 39592 of 2016* on the 13th of January 2016, which re-promulgated Regulation 4 (4) of the Sector Education and Training Authorities Grant Regulations of 03rd December 2012. The re-promulgation provides that the Mandatory Grant be set at 20%, as per Regulation 4(4). The Minister has appealed Regulations 3 (12) which provides that the remaining surplus of discretionary funds must be paid by SETAs on 01 October of each year into the National Skills Fund.

SETAs were advised to continue planning based on the SETA Grant Regulations of 03rd December 2012 inclusive of the re-promulgation of regulation 4(4).

Skills Development Circular No. 11/2016 issued on 18th August 2016 confirms the following:

- As things presently stand, with effect from 01st April 2016, SETAs are neither entitled nor obliged to comply with Regulation 3(12).
- It should be noted that if the appeal is ultimately re-instated and is ultimately successful, SETAs will be obliged to comply with the terms of Regulation 3(12).

- In the meantime, SETAs must continue to disclose uncommitted surpluses transferable to the National Skills Fund (NSF) as a contingent liability at the end of each financial year.
- SETAs are required to continue to submit their applications for the retention of surpluses to National Treasury and the Department of Higher Education and Training as prescribed by the *Public Finance Management Act* (PFMA).
- The Minister received another challenge from BUSA on 30th June 2016, pertaining to Regulation 4(4).
- Regulation 4(4) as gazetted by the Minister on 13th January 2016, remains enforced until the court makes a ruling on the matter.

Skills Development Circular No. 15/2017 issued on 30th November 2017 had the following implications for the Annual Performance Plan:

- Regulation 3(12) of the SETA Grant regulations will no longer apply to SETAs and the NSF
- Regulation 4(4) is not affected by the decision and is still in force based on compliance with the statutory requirement outlined in Section 5(a)(v) of the *Skills Development Act*.
- The funds which SETAs had previously disclosed as uncommitted surpluses which were due to be transferred to the NSF as a contingent liability at the end of each financial year should now be allocated to the discretionary grant.
- SETAs will continue to submit their respective applications for the retention of surpluses to National Treasury and the Department of Higher Education and Training as prescribed by section 53(3) of the *Public Finance Management Act*.
- SETAs should also observe National Treasury Instruction No.6 of 2017/18 regarding the retention of surpluses by public entities.

Circular 1 of 2017 (OQA & OQM) issued by the QCTO on 15th December 2017 relates to the transitional arrangements for the quality assurance of historically registered qualifications. QCTO notes that certain registered qualifications have an expiry date of 31 March 2018 or 30 June 2018. Most of these qualifications will be replaced by occupational qualifications registered on the Occupational Qualifications Sub-Framework (OQSF). The aim of the circular is to communicate to providers and stakeholders the process of dealing with historically registered qualifications.

Other Mandates

- National Skills Development Strategy III (NSDS III);
- Medium Term Strategic Framework of Government (MTSF 2009-2014);
- Medium Term Expenditure Framework of Government;
- New Growth Path;
- Industrial Policy Action Plan;
- Human Resource Development Strategy;
- National Development Plan – 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 31 MARCH 2018)

ACCOUNTING AUTHORITY/ FP&M SETA BOARD CHAIRMAN
Mr Sipho Ngidi

CHIEF EXECUTIVE OFFICER
Ms Felleng Yende

CHIEF FINANCIAL OFFICER
Mr Richard Marule

GENERAL MANAGER: RESEARCH PLANNING & REPORTING
Mr PK Naicker

GENERAL MANAGER: QUALITY ASSURANCE
Mr Johnny Modiba (Acting)

GENERAL MANAGER: GOVERNANCE COMPLIANCE RISK & LEGAL (GCRL):
Mr Schalk Burger

GENERAL MANAGER: PROJECTS
Ms Chereece Balkisson

FINANCE
SUPPLY CHAIN MANAGEMENT
INFORMATION TECHNOLOGY

SKILLS PLANNING & REPORTING
MARKETING & COMMUNICATIONS
HUMAN RESOURCES
RESEARCH

QUALIFICATIONS DEVELOPMENT
LEARNING PROGRAMMES

MONITORING & EVALUATION

REGIONS:
GAUTENG
WESTERN CAPE
KWAZULU-NATAL

The FP&M SETA Head Office and Gauteng Regional Office is situated at 1 Newtown Avenue, Killarney, Johannesburg, 2001.. Tel: 011-403 1700.

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

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

PART 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 conclusion. The audit conclusion on the performance against pre-determined objectives is included in the report to Management. The AGSA evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework - for Programme 3 - Learning Programmes and Projects.

The Auditor-General identified material misstatements in the Annual Performance Report which was subsequently corrected. Thus, the Auditor-General did not raise any material findings on the usefulness and reliability of the reported performance information (refer to page 51).

2. SITUATIONAL ANALYSIS

Service Delivery Environment

Since inception in 2011, the FP&M SETA has experienced exceptional growth as an organisation and has managed to cement its reputation in the FP&M sector as a credible partner in skills development. At a national level, the FP&M SETA demonstrated support for the NSDS III through the alignment of its sector skills priorities with national priorities.

The FP&M SETA has increased its performance markedly since its establishment in March 2011. The FP&M SETA's overall performance (funded and unfunded achievements) increased in 2017/18 to 91.67%, from the 89.5% reported in the 2016/17 financial year.

We pro-actively engaged with all our stakeholders and have an ongoing commitment to working closely with them, learning from past engagements and continuing to improve and respond to social expectations.

During the period under review, the FP&M SETA registered 13,633 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 9,886 learners completed learning programmes relating to scarce and critical skills in the FP&M sector.

This increase in performance and service delivery can largely be attributed to the implementation of the business model, and the organogram that was conceptualised and developed by the CEO, Ms Felleng Yende, in consultation with the FP&M SETA Board.

Our strategy progressively demonstrates that we are closing the gaps that need to be addressed, relating to areas such as the increased focus on research, monitoring and impact assessment of SETA interventions, the employability pipeline and the effective use of the Skills Development Levy (SDL), as outlined in the White Paper on Post-School Education and Training.

It is our mandate to ensure that we build a dynamic and fully integrated post-school education and training system for the FP&M sector, that reflects innovation that is informed by research, and that encourages continued upward growth for all of our industrial sub-sectors.

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 on important roles 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 2017/18 in line with the processes set out in the business model, 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.

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

During the year under review, the FP&M SETA, under the spirited guidance of its CEO, Ms Yende, initiated and implemented a number of high profile projects. Some of which are detailed below:

SA Book Fair

The South African Book Fair, one of the country's prominent literary events, is renowned for re-uniting book lovers and authors from all corners of the Republic of South Africa and abroad.
The fair attracts avid readers, editors, authors, publishers, e-publishers, self-publishers, and writers who meet, connect, engage and learn about each other, books and trends in the industry. Further to this, the event attracts entrepreneurs and small businesses who are looking to position themselves in the publishing industry.

Taking into consideration the relevance of the South African Book Fair to the FP&M sectors, the FP&M SETA has been supportive of the event for a number of years. The FP&M SETA has sponsored small businesses to participate in the event. Small publishers particularly, were funded by the FP&M SETA to secure stands and showcase their work at the exhibition.

The FP&M SETA strategically partnered with South African Book Developmental Council (SABDC) and the Department of Arts and Culture to afford small publishers, editors and writers the opportunity to build their skills and promote their businesses at the book fair. The opportunity did not only boost their careers and businesses, but exposed them to business opportunities with international publishers and potential partnerships with established industry players.

In light of the scarce skills in the publishing industry, particularly the publishing of indigenous languages, the FP&M SETA offered 15 learners an intensive, quality-controlled skills programme to develop their skills as indigenous language publishers. Correct interpretation, alignment to cultures and reliability of translated content remains critical to publishing in indigenous languages, the programme was thus, designed to address those challenges.

Further to this, business management skills programmes had been a priority, with the goal to assist small, medium and micro-sized enterprises (SMMEs) with the growth and sustainability of their businesses through sound business management practices.

The FP&M SETA perceives the South African Book Fair as a highly valuable event to the industry. Leveraging its influence, the FP&M SETA has been able to reach SMMEs from all nine provinces across South Africa, with the majority originating from remote areas in South Africa. The event has thus been instrumental to business, giving them the platform to improve their skills and enter emerging and lucrative local and international business markets.

International Leadership Development Programme (ILDP)

While South Africa is one of the economically leading countries on the African continent, the country also remains a business destination for many international entrepreneurs. As a result of the constantly changing global business environment, this also necessitates

that South African businesses keep abreast of international business trends and furthermore adapt to maintain their competitive edge.

Taking this into account, and with the aim of strengthening businesses within the wood, textiles, pulp and paper, publishing, printing, forestry and clothing sub-sectors, the FP&M SETA partnered with the University of Pretoria's leading school of business, the Gordon Institute of Business Science (GIBS) to equip 25 selected young leaders with global strategic leadership skills, through the International Leadership Development Programme (ILDP).

The 12-month long programme was designed by GIBS to develop high-level strategic and innovative management and leadership skills, and to ultimately expose the learners to the World-Class Manufacturing (WCM) models – enabling them to move towards the efficient production of high quality products.

As part of the curriculum, delegates from various organisations in South Africa were kept up-to-speed with international markets, exposing them to different cultures and approaches in the relevant business contexts, and introducing them to innovative businesses around the globe. To complement the content and the practical aspect of the programme, learners undertook international trips to countries that have the best tried and tested practice models in World-Class Manufacturing.

The young leaders visited the various manufacturing plants, interacted with experts and management, and brought home practical, innovative methods for business management and leadership that they can apply in a local context.

Thanks to GIBS' international footprint, learners were introduced to state-of-the-art international business techniques and methodologies.

Studying in isolation and in dispersed groups, learners were immersed thoroughly in researched and tested business models. The learning content had been successfully applied within business contexts. Therefore, incumbents had to study them and establish how they can apply what they learned within their South African industries.

Aranda Entrepreneurship Project

During a recent collaboration between the FP&M SETA and Aranda Learnership College, a total of 132 young and budding entrepreneurs were equipped with business management skills. Learners from Kanana, Khutsong, Meadowlands and Carletonville engaged with experts on the fundamental intricacies of business management, such as creating and submitting business plans, marketing, and financial management.

The course, designed by Aranda Learnership College, comprised of three phases. The first phase, which was funded by the FP&M SETA to the value of R950,000. Learners were registered into the NQF level one General Education and Training Certificate in Clothing, Textiles, Footwear, Leather and General Goods (CTFL) Manufacturing Processes qualification.

Phase one developed and strengthened the learners' approach to focus on quality and productivity. The second phase was aimed at developing and enhancing the young entrepreneur's business competency. This was done through the Business Practice and New Venture Creation qualification.

During the third phase, the learners were stretched to apply the business principles they had just learnt and touched on the key aspects of running a business, which included the various ways to secure and conclude business deals. Further to this, the third phase familiarised learners with the methods of putting together business proposals, and securing and retaining business contracts.

This programme marks a major contribution to the FP&M sector. In addition to enabling young entrepreneurs to enter the CTFL markets, it will also contribute to the economic growth of the sector.

L&X Projects –Driving Occupational Skills in Rural Communities

Dr Kenneth Jacobs and his wife are a beacon of hope for the Wellington community. After witnessing the extreme poverty and unemployment in Wellington – a rural Western Cape community surrounded predominantly by farms, the two experienced medical specialists decided to address the socio-economic challenges facing the youth in the area.

Harsh realities in the Wellington community were the main reason why the couple decided to create a skills development hub called L&X Projects. Through this initiative, the youth would gain skills needed to secure jobs or enable them to follow the entrepreneurship route.

L&X Projects brought relevant and life-changing skills to the people of Wellington. The furniture sector is very lucrative, and manufacturing businesses can be operated successfully from rural areas.

Recently, 50 learners successfully completed two levels of the upholstery skills programmes. Learners were also registered on NQF-aligned learnership programmes, relating to wood machining and cabinetmaking. The FP&M SETA invested a total of R857,000 in this project.

Upon graduating, beneficiaries were able to start their own businesses, while the others joined furniture manufacturers; occupying the critical skills roles that employers had been battling to fill.

Boost for Scarce Skills in the Print Media Sub-sector

"This country's future tech leaders will come out of this room," says Media24 CEO, Esmare Weideman. She believes this software development programme called The Hub@Media24 – an initiative of Media24 that has been custom built by the Cape Innovation and Technology Initiative (CiTi) and funded by the FP&M SETA – is an important building block for South Africa's digital future.

Now, in its second year, this programme is part of a drive to grow technology skills while simultaneously creating work opportunities for unemployed black youth. "Our country desperately needs skilled software developers and yet we are seeing many black IT graduates unable to find work," Weideman continued. "This project is about working with this group – all individuals of real potential – and equipping them with the technical skills specific to the needs of industry."

The project, partly funded by the FP&M SETA to the value of R3 million, is underpinned by a strong psycho-social skills development programme where candidates are prepared for the world of work. It all happens in a dedicated learning lab called The Hub@ Media24, which is based in the start-up environment of the Bandwidth Barn, Woodstock.

This is a 12-month programme for 15 learners. The successful candidates will graduate with an accredited National Certificate: IT Systems Development with a specialisation in .Net, PHP and Android development. They will also write internationally recognised examinations for each of these programming languages.

A proof of concept was run in 2016 through which a number of individuals emerged and have shown enormous potential in Media24's growing teams of software developers in its digital and ecommerce businesses, News24 and Spree.

Thanks to the support of the FP&M SETA the lab is expected to see a further group of the top students on the programme being selected to join Media24's award-winning Graduate Programme in 2019.

3. ORGANISATIONAL ENVIRONMENT

The period under review concluded the first seven years of the FP&M SETA.

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'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 (GAAP) and National Treasury Regulations. The SETA continues to deliver its mandate with the 10.5% administration budget. 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.

In terms of Quality Assurance, the focus of accreditation is moving from compliance to continuous improvement as the quality assurance system in the SETA matures.

The Projects Division has implemented optimised internal controls, to ensure maximum impact is derived from activities of the Division. Weekly, monthly and quarterly reviews ensure a valid and accurate Commitments Register. Efficient utilisation of the Monitoring and Evaluation Division to vet project applicants prior to approval, assists in guaranteeing high quality partnerships with stakeholders and skills development providers.

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 Board, 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 (EXCO) is responsible for the monitoring and evaluation of operational activities including the implementation of action plans.

4. 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 and 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, 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 scarce and critical skills gaps.

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.

Programme 3: Learning Programmes and Projects

Strategic Goal 3: A skilled and capable workforce for the 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. This makes it impossible for them to access further education and training opportunities that will enable them to acquire a minimum qualification at an NQF level four.

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 SAQA. 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, as well as 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 agencies.

Discretionary grants have been made available to support projects in partnership with youth organisations aimed at assisting unemployed youth to obtain basic occupational skills, the goal is 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, 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 the employed and unemployed learners, and the placement of learners in work experience and internship programmes. It also included the placement of graduates from TVET colleges and HET institutions on WIL programmes.

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 interventions, 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-initiated interventions, NGOs and community-based education programmes supported with skills training and development to expand and contribute to sector economic and employment growth.

The SSP identified a number of key areas of critical skills demand for co-operatives, small enterprises, worker-initiated interventions, NGOs and community training initiatives, all of which affect the efficacy and sustainability of these enterprises.

Community-based organisations are supported through the discretionary grant strategy of the FP&M SETA, 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 the best match of their interests and their abilities to occupational requirements, as well as the 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, are communicated effectively, and contribute 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. The FP&M SETA also needs 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 the 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 with a main goal 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 for the delivery of 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 students.

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 and capacity within the FP&M sector and HEIs 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 2017/18.

The performance against these goals is reported in detail in the performance report, on predetermined objectives included on pages 51 to 62.

5. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

1.1 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, and maintain effective and efficient financial, material and human resource planning and deployment of resources.

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

Strategic Objective 1: To Improve the effectiveness and efficiency of the governance, human resources, corporate services and financial administration.					
Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
1.1 Audit opinion from the regulatory audit by the Auditor-General.	**New KPI**	Clean Audit	**Unqualified with Findings**	Clean audit not achieved.	Material findings on SCM compliance with legislation.
1.2 Percentage of key positions filled.	**New KPI**	95%	**100%**	Target achieved – no deviation	

Strategic Goal 2: 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. The FP&M SETA is to provide information on steps taken to expose prospective learners to work in the FP&M sector.

Strategic Objective 2: Building career and vocational guidance - 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.					
Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
2.1 A number of career awareness initiatives conducted.	**49**	24	**33**	9	Positive variance: 138% of target achieved. Annual target exceeded. An overwhelming number of invitations were received to attend various events co-ordinated by government departments and other organisations.

Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
2.2 Number of schools where educators are exposed to FP&M sector career opportunities.	**30**	60	**66**	6	Positive variance: 110% of target achieved. Annual target exceeded. Career Events were well attended by schools from the surrounding areas.

1.2 Programme 2: Skills Planning

Strategic Goal 3: 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 and 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 objectives, performance indicators, planned targets, and actual achievements

Strategic Objective 3: 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 scarce and critical skills gaps.					
Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
3.1 Number of agreements entered into for research partnerships.	**1**	2	**2**	Target achieved – no deviation	
3.2 Number of WSPs and ATRs approved for large firms.	**396**	335	**394**	59	Positive variance: 118% of target achieved. Target exceeded due to excellent advocacy, marketing and support of mandatory grant submissions.
3.3 Number of WSPs and ATRs approved for medium firms.	**401**	390	**413**	23	Positive variance: 106% of target achieved. Target exceeded due to excellent advocacy, marketing and support of mandatory grant submissions.
3.4 Number of WSPs and ATRs approved for small levy-paying firms.	**599**	560	**594**	34	Positive variance: 106% of target achieved. Target exceeded due to the deployment of Sector Skills Advisors to assist small firms with mandatory grant submissions.

Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
3.5 An updated OFO-aligned pivotal list submitted to DHET by 31st August 2017.	**An updated OFO-aligned pivotal list submitted**	An updated OFO-aligned pivotal list submitted	**An updated OFO-aligned pivotal list was submitted to DHET by 31st August 2017**	Target achieved – no deviation	
3.6 An impact assessment study on a minimum of two training interventions conducted by 31st March 2018.	**New KPI**	Impact assessment report on a minimum of two training interventions completed by 31st March 2018	**Impact assessment study on a minimum of two training interventions was completed by 31st March 2018**	Target achieved – no deviation	

1.3 Programme 3: Learning Programmes and Projects

Strategic Goal 4: A skilled and capable workforce for the 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 four.

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

Strategic Objective 4: Increase access to occupationally-directed programmes to address scarce and critical skills.					
Performance Indicators	**Actual Achievement 2016/17**	Planned Target 2017/18	**Actual Achievement 2017/18**	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
4.1 Number of learners entered into artisan programmes.	**447 Funded learners: 447**	350	**331 Funded learners: 331**	-19	Negative variance: 95% of target achieved. Delayed activation of approved projects for artisan development from project beneficiaries during the reporting period compromised learner entries.
4.2 Number of learners completed artisan programmes.	**108 Funded learners: 108**	225	**236 Funded learners: 236**	11	Positive variance: 105% of target achieved. The target was exceeded due to improved monitoring and certification processes resulting in a greater number of completions.

Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
4.3 Number of unemployed learners completed artisan programmes placed in employment.	**27 Funded learners: 27**	120	**32 Funded learners: 32**	-88	Negative variance: 27% of target achieved. Employers and institutions did not report much progress with regard to the placement of learners in employment opportunities post completion of artisan programmes. Industry challenges and re-structuring impacted negatively on completion rates and job placement of artisans.
4.4 Number of unemployed learners entered into learnership programmes.	**1,950 Funded learners: 1,950**	1,800	**2,430 Funded learners: 2,430**	630	Positive variance: 135% of target achieved. Additional budget became available during the reporting period due to sweeping of inactive projects, resulting in additional approvals for learnership applications. Exceeded annual target due to excellent response of stakeholder participation in learnership programmes initiatives.
4.5 Number of unemployed learners completed learnership programmes.	**1,283 Funded learners: 1,283**	1,250	**1,577 Funded learners: 1,577**	327	Positive variance: 126% of target achieved. Exceeded annual target due to increased completion rate of unemployed learners, attributed to improved monitoring of projects.
4.6 Number of unemployed learners completed learnership programme placed in employment.	**215 Funded learners: 215**	585	**428 Funded learners: 428**	-157	Negative variance: 73% of target achieved. Employers and institutions did not report much progress with regard to the placement of learners in employment opportunities post completion of learnership programmes. Industry challenges and re-structuring impacted negatively on completion rates and job placement.
4.7 Number of unemployed learners entered into Bursary programmes.	**556 Funded learners: 556**	300	**567 Funded learners: 567**	259	Positive variance: 186% of target achieved. This target was exceeded through the SETA partnership with the National Student Financial Aid Scheme (NSFAS).
4.8 Number of unemployed learners completed Bursary programmes.	**230 Funded learners: 230**	130	**134 Funded learners: 134**	4	Positive variance: 103% of target achieved. This target was mainly addressed through the SETA partnership with the National Student Financial Aid Scheme (NSFAS).

Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
4.9 Number of unemployed learners completed Bursary programme placed in employment.	**Nil**	40	**22 Funded learners: 22**	-18	Negative variance: 55% of target achieved. Employers and institutions did not report much progress with regard to the placement of learners in employment opportunities post completion of bursary programmes. Industry challenges and re-structuring impacted negatively on completion rates and job placement.
4.10 Number of learners entered Post-Graduate Bursary programmes.	**18 Funded learners: 18**	7	**34 Funded learners: 34**	27	Positive variance: 486% of target achieved. This target was exceeded through the SETA partnership with the National Student Financial Aid Scheme (NSFAS), where much more learners could be funded.
4.11 Number of learners completed Post-Graduate Bursary programmes.	**3 Funded learners: 3**	3	**4 Funded learners: 4**	1	Positive variance: 133% of target achieved. Employers were able to report more completions during the reporting period under review.
4.12 Number of partnership agreements established with universities during the year to address scarce and critical skills.	**5**	3	**4**	1	Positive variance: 133% of target achieved. Agreements were entered into with universities, to support mainly work-integrated-learning and lecturer development programmes.
4.13 Number of unemployed learners entered Workplace Experience and/or Internships.	**267 Funded learners: 267**	250	**258 Funded learners: 258**	8	Positive variance: 103% of target achieved. Target exceeded due to additional DG allocations for Workplace Experience / Internship interventions from swept inactive projects.
4.14 Number of unemployed learners completed Workplace Experience and/ or Internships.	**215 Funded learners: 215**	175	**187 Funded learners: 187**	12	Positive variance: 107% of target achieved. Completion target exceeded due to further allocations for Workplace Experience and/ or Internship interventions.
4.15 Number of unemployed learners entered skills programmes.	**2,917 Funded learners: 2,917**	850	**1,906 Funded learners: 1,906**	1,056	Positive variance: 224% of target achieved. An overwhelming number of Discretionary Grand applications from stakeholders were received for skills programme interventions. Additional budget became available during the reporting period due to sweeping of inactive projects, resulting in additional approvals for skills programme applications.

Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
4.16 Number of unemployed learners completed skills programmes.	**1,386 Funded learners: 1,386**	600	**1,520 Funded learners: 1,520**	920	Positive variance: 253% of target achieved. Increased completion rates of unemployed learners on skills programmes is attributed to completion of skills programme interventions from additional allocations.

Strategic Goal 5: 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 objectives, performance indicators, planned targets, and actual achievements

Strategic Objective 5: Addressing the low level of youth and adult foundational skills in the sector to enable additional training. 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 agencies.					
Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
5.1 Number of learners who entered AET programmes.	**807 Funded learners: 807**	630	**645 Funded learners: 645**	15	Positive variance: 102% of target achieved. Target exceeded due to increased allocations to stakeholders and their commitment to complete projects within the required timeframe.
5.2 Number of learners who completed AET programmes.	**427 Funded learners: 427**	440	**572 Funded learners: 572**	172	Positive variance: 143% of target achieved. Strategic AET projects were implemented with employers resulting in higher completion rates.
5.3 Number of collaborative partnership agreements signed with youth development organisations.	**2**	3	**4**	1	Positive variance: 133% of target achieved. Discretionary grant agreements were concluded with youth development organisations to deliver skills development interventions.
5.4 Number of bridging programmes with learners implemented.	**2**	2	**2**	Target achieved – no deviation	

Strategic Goal 6: 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 and competitiveness of FP&M sector workplaces.

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

Strategic Objective 6: Encouraging better use of workplace-based skills development					
Performance Indicators	**Actual Achievement 2016/17**	Planned Target 2017/18	**Actual Achievement 2017/18**	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
6.1 Number of employed learners entered skills programmes.	**1,979 Funded learners: 1,979**	2,050	**2,751 Funded learners: 2,751**	701	Positive variance: 134% of target achieved. Additional budget became available during the reporting period due to sweeping of inactive projects, resulting in additional approvals for skills programme applications.
6.2 Number of employed learners completed skills programmes.	**414 Funded learners: 414**	1,500	**1,497 Funded learners: 1,497**	-3	Negative variance: 99.8% of target achieved. Delayed activation of projects by employers compromised completion rates.
6.3 Number of employed learners entered into learnership programmes.	**852 Funded learners: 852**	800	**941 Funded learners: 941**	141	Positive variance: 118% of target achieved. Additional budget became available during the reporting period due to sweeping of inactive projects, resulting in additional approvals for learnership programme interventions.
6.4 Number of employed learners completed learnership programmes.	**407 Funded learners: 407**	560	**574 Funded learners: 574**	14	Positive variance: 103% of target achieved. Target exceeded due to increased allocations to stakeholders and their commitment to complete projects within the required timeframe.
6.5 Number of employed learners entered Bursary Programmes.	**76 Funded learners: 76**	100	**102 Funded learners: 102**	2	Positive variance: 102% of target achieved. The target was exceeded due to strategic partnerships with employers, who were able to fund more learners with the allocated funding.
6.6 Number of employed learners completed Bursary Programmes.	**21 Funded learners: 21**	40	**47 Funded learners: 47**	7	Positive variance: 118% of target achieved. The target was exceeded due to strategic partnerships with key stakeholders and robust monitoring of implementation of bursaries completion.

Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
6.7 Number of unemployed learners entered Work-Integrated Learning Programmes from TVETs.	**468 Funded learners: 468**	400	**412 Funded learners: 412**	12	Positive variance: 103% 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.
6.8 Number of unemployed learners completed Work-Integrated Learning Programmes from TVETs.	**224 Funded learners: 224**	275	**306 Funded learners: 306**	31	Positive variance: 111% of target achieved. Target exceeded due to increased allocations to stakeholders and their commitment to complete projects within the required timeframe.
6.9 Number of unemployed learners entered Work-Integrated Learning Programmes from HETs.	**252 Funded learners: 252**	200	**234 Funded learners: 234**	34	Positive variance: 117% 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 HET learners in allocated projects.
6.10 Number of unemployed learners completed Work-Integrated Learning Programmes from HETs.	**149 Funded learners: 149**	150	**176 Funded learners: 176**	26	Positive variance: 117% of target achieved. Target exceeded due to increased allocations to stakeholders and their commitment to complete projects within the required timeframe.

Strategic Goal 7: 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. The 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 objectives, performance indicators, planned targets, and actual achievements

Strategic Objective 7: Encouraging and supporting co-operatives, small enterprises, worker-initiated, NGO and community training initiatives.					
Performance Indicators	**Actual Achievement 2016/17**	Planned Target 2017/18	**Actual Achievement 2017/18**	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
7.1 Number of SMME, NGO, worker initiated, co-operative, and community training initiatives supported through capacity building initiatives or funding.	**SMMEs: 55**	20 small enterprises	**22**	2	Positive variance: 110% of target achieved. Additional funding was allocated to small enterprises to deliver skills development interventions.
	NGOs: 6	3 NGOs	**4**	1	Positive variance: 133% of target achieved. Discretionary grant agreements were concluded with NGOs to deliver skills development interventions.
	Trade Unions: 2	2 trade unions and/or worker-initiated interventions funded	**2**	Target achieved – no deviation.	
	Co-operatives: 20	20 Co-operatives	**20**	Target achieved – no deviation.	
	CBOs: 4	3 CBOs	**3**	Target achieved – no deviation.	
	NLPEs: 14	5 NLPEs	**6**	1	Positive variance: 120% of target achieved. Discretionary grant agreements were concluded with NLPEs to deliver skills development interventions.
7.2 Number of rural development projects supported.	**24**	20	**21**	1	Positive variance: 105% target achieved. In order to address the SETA mandate and strategic Government priorities, rural development projects were fully supported.

1.4 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 students.

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

Strategic Objective 8: Promotion of 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 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target to Actual Achievement for 2017/18	Comment on Deviations
8.1 Number of TVET colleges accredited or re-accredited during the year.	**11**	10	**10**	Target achieved – no deviation	
8.2 Number of TVET colleges where Centres of Excellence are established.	**3**	3	**3**	Target achieved – no deviation	
8.3 Number of partnership agreements signed with TVET colleges during the year.	**10**	10	**10**	Target achieved – no deviation	
8.4 Number of learners assessed through RPL.	**108 Funded learners: 108**	133	**163 Funded learners: 163**	30	Positive variance: 123% of target achieved. This target was exceeded due to stakeholders assessing more learners with allocated funding.
8.5 Number of FP&M SETA occupational qualifications registered by QCTO during the year.	**25**	10	**12**	2	Positive variance: 120% of target achieved. Positive variance was due to the fact that there is a close working relationship between FP&M SETA Quality Assurance Division, QCTO and industry stakeholders.
8.6 Number of lecturer development programmes implemented.	**New KPI**	2	**2**	Target achieved – no deviation	

6. ADDITIONAL ACHIEVEMENTS FUNDED BY INDUSTRY

Additional achievements relating to learner registrations and completions that were funded by industry and contributed to the FP&M SETA's overall performance during 2017/18 include:

UNFUNDED LEARNERS PER PROGRAMME	2016/17 Unfunded Learners	2017/18 Unfunded Learners	Overall Performance (Funded and Unfunded Learners)
4.1 Number of learners entered into artisan programmes.	0	19	Total achievement: 350 100% of target achieved.
4.4 Number of unemployed learners entered learnership programmes.	366	226	Total achievement: 2,656 148% of target achieved
4.5 Number of unemployed learners completed learnership programmes.	106	56	Total achievement: 1,633 129% of target achieved.
4.13 Number of unemployed learners entered workplace experience and internships.	37	102	Total achievement: 360 144% of target achieved.
4.15 Number of unemployed learners entered skills programmes.	181	230	Total achievement: 2,136 251% of target achieved.
4.16 Number of unemployed learners completed skills programmes.	57	681	Total achievement: 2,201 367% of target achieved.
5.2 Number of learners who completed AET programmes.	0	24	Total achievement: 596 136% of target achieved.
6.1 Number of employed learners entered skills programmes.	2,128	2,320	Total achievement: 5,071 247% of target achieved.
6.2 Number of employed learners completed skills programmes.	1,466	2,072	Total achievement: 3,569 238% of target achieved.
6.3 Number of employed learners entered learnership programmes	93	125	Total achievement: 1,066 133% of target achieved.
6.4 Number of employed learners completed learnership programmes.	9	63	Total achievement: 637 114% of target achieved.

7. ADDITIONAL ACHIEVEMENTS RECORDED DURING THE YEAR

The following achievements were not included in the 2017/18 SETA performance report, as these related to learner registrations and completions concluded in the previous financial year of 2016/17.

GOALS / OUTCOME / OUTPUTS	TOTAL
4.1 Number of learners entered into artisan programmes.	13
4.4 Number of unemployed learners entered into learnership programmes.	460
4.5 Number of unemployed learners who completed learnership programmes.	41
4.7 Number of unemployed learners entered into bursary programmes.	13
4.8 umber of unemployed learners who completed bursary programmes.	2
4.10 Number of learners entered into Post-Graduate bursary programmes.	10
4.11 Number of learners who completed post-graduate bursary programmes.	9
4.13 Number of unemployed learners entered into workplace experience and internships.	20
4.14 Number of unemployed learners completed workplace experience and internships.	18
4.15 Number of unemployed learners entered into skills programmes.	271
4.16 Number of unemployed learners who completed skills programmes.	164
5.1 Number of learners who entered AET programmes.	51
5.2 Number of learners who completed AET programmes	75
6.1 Number of employed learners entered into skills programmes.	1,038
6.2 Number of employed learners who completed skills programmes.	116
6.3 Number of employed learners entered into learnership programmes.	113
6.4 Number of employed learners who completed learnership programmes.	68
6.5 Number of employed learners entered into bursary programmes.	1
6.6 Number of employed learners who completed bursary programmes.	1
6.7 Number of unemployed learners entered into Work-Integrated Learning Programmes (WIL) from TVET.	16
6.9 Number of unemployed learners entered Work-Integrated Learning Programmes (WIL) from HETs.	30

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 2008*, corporate governance is applied through the precepts of the *Public Finance Management Act (PFMA) 1999*. 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

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

3. EXECUTIVE AUTHORITY

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

- Four (4) SETA Quarterly Monitoring Reports (SQMR) for 2017/18;
- Twelve Monthly SETA Performance Reports for 2017/18;
- FP&M SETA Annual Report 2016/2017;
- FP&M SETA Strategic Plan for 2015/2016 – 2019/20;
- Annual Performance Plan for 2018/19 – 2020/21;
- Service Level Agreement for 2018/19;
- Materiality Framework for 2018/19; and
- Sector Skills Plan for 2018 – 2022 (Annual Update).

4. THE ACCOUNTING AUTHORITY / BOARD

Introduction

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

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

- One (1) independent chairperson;
- Six (6) employer representatives;
- Four (4) labour representatives;
- Two (2) vacancies (labour representative); and
- Two (2) independent members.

During the year under review, 12 members regularly participated in the meetings and activities of the FP&M SETA Board. Vacancies that existed have not been filled as the FP&M SETA had submitted nominations and recommendations to the DHET in order to compose a new Board as from 01 April 2018.

The Board met five (5) times, of which one meeting was a special meeting during the period under review. The special Board meeting was convened to approve the Annual Financial Statements (AFS) 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 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 and 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 to:

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

- Ensure that the SETA achieves its pre-determined objectives and other targets;
- Provide effective leadership and ensure that the SETA implements the goals of the NSDS III 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 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 2011	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	4 of 5
Frans Barnard	Non-Executive Member	13 August 2013	Not applicable	Master's Degree in Industrial Relations Master HR Professional, South African Board for People Practices (SAPPP)	Strategic HR Management HR Risk Management Talent Management Workforce Planning Learning and Development Industrial Relations HR Technology, Safety and 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	5 of 5
Johann Baard	Non-Executive Member	Awaiting Ministerial confirmation of appointment	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	Board Member Projects, Finance and IT Governance	4 of 5

Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
						Chairman of the Cape Clothing Manufacturers Association Member of BUSA Member of NEDLAC Technical Task Team		
						Chairman of the Cape Clothing Manufacturers Association Member of BUSA Member of NEDLAC Technical Task Team		
Roger Godsmark	Non-Executive Member	01 October 2011	Not applicable	Bachelor of Science (Honours) Agricultural Economics	Economics Finance	N/A	Governance and Strategy Committee Member Audit Committee Member	3 of 5
Susan Khumalo	Non-Executive Member	01 October 2011	Not applicable	Grade 12	Labour relations	N/A	Governance and Strategy Committee Member Finance, Projects and IT Governance Committee Member	0 of 5
Thabo Muthwari	Alternate			Grade 12	Labour relations	N/A	HR and Remuneration Committee Member	0 of 5
Abieda Abrahams	Non-Executive Member	Awaiting Ministerial confirmation of appointment	Not applicable	National Diploma Clothing Management (CPUT) Diploma - ETD- Outcomes Based Assessment: Plan and Conduct Assessment of Learning (UJ) National Diploma - Education Training and Development (UCT)	Training and skills development	Not applicable	Quality Assurance Member Governance and Strategy Committee Member HR and Remuneration Committee Member	5 of 5

Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
				Diploma – Post Graduate Diploma in Labour Law (UWC)				
Thamsanqa Mhlongo	Non-Executive Member	13 August 2013	Not applicable	Grade 12	Labour relations	Wood and Paper Bargaining Council Furntech COSATU Central Executive Committee	HR and Remuneration Committee Member	1 of 5
Devaranie Naidoo	Non-Executive Member	01 October 2011	Not applicable	Grade 10	Labour relations	Clothing Bargaining Council (KZN)	Quality Assurance Committee Finance, Projects and IT Governance Committee Member Finance Projects and IT Governance Member	5 of 5
Michelle Odayan	Non-Executive Member (Ministerial appointee)	01 October 2011	Not applicable	Bachelor of Arts (Law) LLB Advocate of High Court of South Africa	Law Finance Strategy Governance Project Management HR Development Organisational Development Gender Mainstreaming	Court-Consult Africa (PTY) Ltd Indiba-Africa Group (PTY) Ltd MTR Investments (PTY) Ltd Play Africa-Children's Museum NPO & People Opposing Women Abuse (POWA) NPO	Chairperson of The Finance, Projects and IT Governance Committees Board Committee member Attend Audit and Risk Committee meetings as invitee	5 of 5
Mike Truelock	Non-Executive Member	01 October 2011	Not applicable	National Diploma in Organisation and Work Study National Diploma in Personal Management Industrial Relations Diploma Programme Management Development Programme	Organisational Development HR Management 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	4 of 5

Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Brian Wafawarowa	Non-Executive Member	01 October 2011	Not applicable	Bachelor of Arts (Honours) Masters in Literature Executive Masters in Business Administration Masters of Business Leadership	Management Publishing	N/A	Governance and Strategy Committee Finance, Projects and IT Governance Committee Member	1 of 5
Mpuka Radinku	Alternate			Bachelor of Arts (Honours) (University of the Witwatersrand)	Management Publishing	South African Book Development Council Board (Deputy Chairperson) South African Book Fair Board (Executive Director		3 of 5
Steve Thobela	Non-Executive member	Awaiting ministerial approval	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		2 of 5

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	6	5	Sipho Ngidi (Chairman) Mike Truelock Susan Khumalo Michelle Odayan Johann Baard
Audit Risk Committee	4	4	Trevor Boltman (Chairman) Karien de Villiers Roger Godsmark Zakariya Suder
		1	In attendance: Adv. Michelle Odayan
Governance and Strategy Committee	1	7	Sipho Ngidi (Chairman) Abieda Abrahams Johann Baard Roger Godsmark

Committee	Number of meetings held	Number of members	Name of members
			Susan Khumalo Jane Molony Brian Wafawarowa
Finance, Projects and IT Governance Committee	3	6	Adv. Michelle Odayan (Chairperson) Johann Baard Susan Khumalo Devaranie Naidoo Mike Truelock Brian Wafawarowa
HR and Remuneration Committee	3	5	Mike Truelock (Chairman) Johann Baard Frans Barnard Mymoena Williams Abieda Abrahams
Quality Assurance Committee	3	11	Devranie Naidoo (Chairperson) Abieda Abrahams Jai Deepnarain Lance Faul Pamela Naidoo Theresa Otto Frans Barnard Olga Bezuidenhout Mymoena Williams Ken Lead Matsellso Masimula

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 and/or reimbursements:

Name	Representation	Remuneration (R'000)	Other Re-imbursements (R'000)	Total (R'000)
Mr Sipho Ngidi	Board Chairman Governance and Strategy Committee Chairman	207	2	209
Adv. Michelle Odayan	Finance, Projects and IT Governance Chairperson	111	2	113
Mr Trevor Boltman	Audit and Risk Committee Chairman External Independent	118	2	120
TOTAL		**436**	**6**	**442**

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

5. RISK MANAGEMENT

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

- The dedicated Risk Division, headed up by the General Manager: Governance, Risk, Compliance and Legal, implemented its mandate to identify risk and oversee the implementation of risk management strategies and risk mitigating procedures.
- The Risk Management Policy defining the risk appetite and tolerance levels was implemented successfully.
- A comprehensive Risk Register that reflects both strategic, operational and external risks, with clear actions that needed to be taken by assigned risk champions, was updated regularly on the electronic risk monitoring module.
- Risk Assessments 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 2017/18 internal audit plan. Operational areas that were scrutinised included human resources and payroll, project or discretionary grants, supply chain management, IT governance and risk management. An information technology review and audit of pre-determined objectives were 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 four (4) 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	4 of 4
Karien de Villiers	Chartered Accountant Bachelor of Accounting Science (B Compt) (Honours) and CTA	External – Independent	-	February 2014	Not applicable	4 of 4
Roger Godsmark	Bachelor of Science (Honours) Agricultural Economics	External – Employer representative	-	November 2011	Not applicable	3 of 4
Zakariya Suder	Bachelor of Commerce	External – Labour representative	-	January 2012	Not applicable	3 of 4

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. The FP&M SETA has submitted its strategic and annual performance plans, the sector skills plan, and the SETA quarterly management reports timeously.

Internally, the FP&M SETA has undertaken training interventions to strengthen the capacity of staff in order to ensure continued compliance with acceptable practices. FP&M SETA staff have also attended meetings and workshops 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 e-mails and its website. These communication exercises have been designed to equip stakeholders with the necessary information to meet regulatory requirements, and thereby encourage compliance.

8. FRAUD AND CORRUPTION

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

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

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

9. MINIMISING CONFLICTS OF INTEREST

The FP&M SETA has 'Declaration of Interest' practices in place at all levels of the organisation. Staff members are required to disclose their financial interest annually. Additionally, staff in the Supply Chain Management (SCM) Division must 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 employees are key priorities of the FP&M SETA. The FP&M SETA has implemented policies and procedures to ensure the safety of its employees, visitors, and any other person, who may be affected by its activities. Productivity and efficiency of employees are closely related to their emotional and physical wellbeing, and it is therefore of utmost importance to maintain safe working conditions and productivity enhancing environment, compliant with all relevant legislation and approved codes of practice.

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

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

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

12. SOCIAL RESPONSIBILITY

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

As the leading partner in skills development in the fibre processing and manufacturing sector, it is the responsibility of the FP&M SETA to raise awareness amongst its constituent members and skills development partners on 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; approximately 8% of the special projects budget is also directed 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, which ended on 31 March 2018.

Audit Committee Responsibility

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

The Effectiveness of Internal Control

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

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

- Governance;
- Projects and Discretionary Grants including site visits;
- Supply Chain Management;
- Asset management review;
- Quality assurance review;
- Information Technology review
- Audit of Predetermined Objective; and
- Follow up on audit findings raised in the prior financial year.

The following were areas of concern:

- Asset management review indicated that control over assets and the existence and valuation of individual items had to be reviewed, to reflect complete and accurate information. The fixed asset register had to be updated, to reflect the assets under control of the SETA.

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

In-Year Management and Monthly/Quarterly Report

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

Evaluation of Financial Statements

The Audit Committee has reviewed and discussed:

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

Auditor's Report

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

Trevor Boltman

Chairman of the Audit Committee

FP&M SETA

31 July 2018

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

PART D
HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

In order to align the organisational human resources practices to best practice, the SETA made great strides during the year under review.

Overview of HR Matters

The organisation requires competent and dedicated staff, to achieve its mandate and meet expectations from stakeholders. In this regard, 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 87.

HR Priorities for the Year Under Review and the Impact of These Priorities

The FP&M SETA business model with the clustering of projects within its regions was key and has proven to be successful.

Workforce Planning Framework and Key Strategies to Attract and Recruit a Skilled and Capable Workforce

Policy and fair principles inform the recruitment and selection processes of the SETA. The basis at which employees are recruited, selected, promoted, trained and developed relate to the inherent requirements of the job and the ability of the employee to perform the job adequately and satisfactorily. The SETA ensured that key positions were filled throughout the year.

Employee Performance Management Framework

The culture of the FP&M SETA orbits around performance, service delivery excellence and raising the bar. Recognition and reward for excellence was reinforced through the implementation of the performance management policy.

Employee Wellness Programmes

Employees are kept abreast of new developments, organisational requirements and changes through staff and management meetings, posters and workshops. The wellness of employees also plays a key role and the SETA ensures support to all of its employees where required.

Team building initiatives are observed through strategic planning sessions and observation of nationally celebrated days such as Heritage Day. The aim is to build a fully motivated and functional team, to ensure proper understanding of the business model and the processes required to be a credible partner.

Policy Development

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

Highlight Achievements

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

Several employees were enrolled on training interventions, including Sign Language and Quality Management System for the Quality Assurance and Skills Planning Specialists.

The online payslip system was tested and proved to be effective, employees can directly access their individual payslips at any time of need.

Successful policy reviews were undertaken and revised policies are continuously communicated to staff.

The management of social benefits for employees continued and service providers are appointed to administer employees' retirement funds, group life, ill-health, funeral benefit and medical aid scheme.

Furthermore, the employee wellness programme is in place to assist employees in coping with life-changing experiences, traumatic experience which would help them cope in a workplace, etc. For example: psycho-social, legal and financial, disease management and the online wellness programme.

The SETA has engaged in Gender and Skills Dialogues with industry on issues of Gender and Transformation, to put women at the fore-front of the transformation agenda, including those who are reshaping historical male dominated sectors to better support and enable women to work safely within these sectors.

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. This is with the aim to create a working environment, where every member of the organisation contributes to the organisation's success.

Challenges Faced by the Public Entity

The FP&M SETA has undertaken to dismiss an employee, who had absconded subsequent to a formal disciplinary hearing that was constituted against him for misconduct. Lessons learnt will continuously be observed and communicated, where applicable. Two employees were placed on temporary disability leave during the year under review

Future HR Plans / Goals

The process to review policies in order to keep abreast with changes in the legislation that governs the labour market, remains a priority. In light of this, adequate time is allocated to ensure compliance. Also on the priority list, is maintaining a non-qualification pertaining to the audit and striving towards a clean audit outcome. The options of moving office premises will be embarked on, and the decision was taken to address employees' safe working environments. 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 will be introduced, specifically in the following areas: research; documents and records management; contract management; 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	3,893	12%	2	1,946
Senior Management	4,768	14%	4	1,192
Professional qualified	8,453	26%	11	768
Skilled	11,031	34%	28	394
Semi-skilled	3,323	10%	17	195
Unskilled	315	1%	4	79
Other	1,134	3%	21	54
TOTAL	32,917	100%	87	397

Note: "Other" refers to interns and fixed-term contract employees, leave accrual and workmen's compensation.

Performance Rewards

Programme/Activity/Objective	Performance Rewards (R'000)	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost
Top Management	308	3,893	8%
Senior Management	219	4,768	5%
Professional qualified	554	8,453	7%
Skilled	663	11,031	6%
Semi-skilled	193	3,323	6%
Unskilled	22	315	7%
Other	0	1,134	0%
TOTAL	1,959	32,917	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	3,446	166	5%	1	166
Research, Planning & Reporting	6,057	40	1%	9	5
Projects	9,594	160	2%	22	7
Quality Assurance	3,933	1	0%	3	1
Finance	5,367	17	0%	7	2
Governance/Risk/ Compliance/Legal & M&E	3,386	14	0%	5	3
Other	1,134	58	5%	14	4
TOTAL	32,917	456	1%	61	7

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

Training Expenditure Cost Breakdown

Formal Training	R 166,000
Internal Workshops	R 290,000
TOTAL	R 456,000

Employment and Vacancies

Programme/Activity/ Objective	2016/2017 No. of Employees	2017/2018 Approved Posts	2017/2018 No. of Employees	2017/2018 Vacancies	% of Vacancies
Top Management	2	2	2	0	0%
Senior Management	4	4	4	1	25%
Professional Qualified	11	11	11	0	0%
Skilled	30	29	28	1	3.6%
Semi-skilled	24	19	17	2	11.8%
Unskilled	4	4	4	0	0%
Other	8	*29	*21	7	33.3%
TOTAL	83	98	87	11	12.6%

Explanations

- * Managed to place 17 out of 29 planned internship programmes. These were university graduates and TVET learners
- Reason for variances are as follows:
    - o In the Professional Qualified category: one [1] position had two [2] roles and was consequently split into positions;
    - o In the Skilled category: one [1] position was reviewed and upgraded to Professional Qualified subsequent to a resignation; and
    - o In the Semi-skilled category: additional capacity was required and a fixed-term contract employee was appointed.
- Other positions are strengthened by the appointment of SSAs and or interns (additional capacity) funded through discretionary funding.

Employment Changes

Levels	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	2	0	0	2
Senior Management	3	*1	1	3
Professional qualified	10	**1	0	11
Skilled	28	***1	1	27
Semi-skilled	13	****4	2	15
Unskilled	4	0	0	4
Other	5	*****17	6	14
TOTAL	65	******20	10	76

Note:

- * Internal promotion to Senior Manager position in projects.
- ** Lateral move appointment for an internal candidate.
- *** This appointment was an internal candidate whom was on a fixed-term contract.
- **** Of the four [4], one [1] was an internal promotion from Intern to Administrator.
- ***** Placement of Interns.
- ****** Only 20 counted as appointments; and the other 4 are included under "Employment at beginning of period".

Reasons for Staff Leaving

Reason	Number	% of Total No. of Staff Leaving
Death	0	0%
Resignation	4	40%
Dismissal	1	10%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	5	50%
Other	0	0%
TOTAL	10	100%

Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal Warning	1
Written Warning	4
Final Written warning	1
Dismissal	1
Other	0

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	0	*1	0	1	1	1	1	1
Professional qualified	5	**6	0	0	0	0	0	0
Skilled	5	6	0	0	2	2	2	2
Semi-skilled	2	2	0	2	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Other	7	0	0	0	0	0	0	0
TOTAL	20	16	0	3	3	3	3	3

Note:

- * Recruitment of Senior Manager Quality Assurance.
- ** Recruitment of Grants Accountant.

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	1	1	0	0	0	0
Professional qualified	3	3	0	0	1	1	1	1
Skilled	11	11	0	0	2	2	3	3
Semi-skilled	5	5	2	2	3	3	2	2
Unskilled	4	4	0	0	0	0	0	0
Other	7	0	0	0	0	0	0	0
TOTAL	31	24	3	3	6	6	6	6

Levels	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	*1	*1	0	0
Semi-skilled	0	0	*1	*1
Unskilled	0	0	0	0
TOTAL	1	1	1	1

Note:

- * Disability also suggests partial disability.

PART E
FINANCIAL INFORMATION

1. REPORT OF THE AUDITOR-GENERAL 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 Fibre Processing and Manufacturing Sector Education and Training Authority set out on pages 89 to 133 which comprise the statement of financial position as at 31 March 2018, 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 Fibre Processing and Manufacturing Sector Education and Training Authority as at 31 March 2018, 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 audit report.

4. I am independent of the public 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

7. As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2018.

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 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 FP&M SETA'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 accounting authority either intends to liquidate the public 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) (PM)* 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 public 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 defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programme	Pages in the Annual Performance Report
Programme 3 - Learning Programmes and Projects	53 – 59

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 Programme 3 - Learning Programmes and Projects.

Other Matters

17. I draw attention to the matters below.

Achievement of Planned Targets

18. Refer to the annual performance report on pages 51 to 62; for information on the achievement of planned targets for the year and explanations provided for the under and over achievement of a significant number of targets.

Adjustment of Material Misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 3 - Learning Programmes and Projects. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on Audit of Compliance with Legislation

Introduction and scope

20. 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 public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. The material findings on compliance with specific matters in key legislations are as follows:

Procurement and Contract Management

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

Other information

23. 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.

24. 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.

25. 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.

26. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal Control Deficiencies

27. I considered internal control relevant to my audit of the financial statements, reported performance nformation and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Financial and Performance Management

28. Quotations were awarded to bidders based on preference points that were not allocated in accordance with the requirements of the Preferential Procurement Policy Framework Act as a result of inadequate measures/controls to ensure compliance with applicable legislative requirement.

Auditor General

Auditor-General

Pretoria

31 July 2018

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 public entity'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 public entity's internal control.
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made board of directors, which constitutes the accounting authority.
   - Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. 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 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 a public entity to cease continuing as a going concern.
   - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with Governance

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 2018

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 the FP&M SETA.

The Annual Financial Statements of the FP&M SETA set out on pages 89 to 133 have been approved by the Board on 31 July 2018.

Ms Felleng Yende
Chief Executive Officer

Mr Sipho Ngidi
Board Chairperson

Statement of Financial Position as at 31 March 2018

	Note(s)	2018 R '000	2017 Restated* R '000
Assets			
Current Assets			
Cash and cash equivalents	5	551,161	561,772
Receivables from non-exchange transactions	6	631	794
Receivables from exchange transactions	7	615	858
Inventories	8	52	186
		552,459	563,610
Non-current assets			
Property, plant and equipment	3	492	1,488
Intangible assets	4	72	132
		564	1,620
Total Assets		553,023	565,230
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	11	3,462	1,768
Trade and other payables from non-exchange transactions	10	59,221	34,201
Government grants and Donor funding received in advance	9	9,339	10,190
Provisions	12	9,084	8,373
		81,106	54,532
Total liabilities		81,106	54,532
Net Assets		471,917	510,698
Reserves			
Capital reserve	34	3,759	-
Administration Reserve	34	564	1,620
Discretionary reserve	34	467,594	509,078
Total Net Assets		471,917	510,698

Statement of Financial Performance for the Year Ended 31 March 2018

	Note(s)	2018 R '000	2017 Restated* R '000
Revenue			
Revenue from exchange transactions			
Other revenue	14	4,550	94
Finance income	15	39,415	38,942
Total revenue from exchange transactions		**43,965**	**39,036**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and donor funding	22	-	80
Skills development levy (SDL) revenue	16	340,147	319,966
SDL penalties and interest received	17	7,300	8,512
Total revenue from non-exchange transactions		**347,447**	**328,558**
Total revenue	13	**391,412**	**367,594**
Expenditure			
Employee related costs	18	(22,806)	(21,128)
Depreciation and amortization		(576)	(1,416)
Lease rentals on operating lease		(2,364)	(4,215)
Debt Impairment	19	254	(877)
Employer grants and project expenses	20	(386,623)	(328,905)
Government grants and donor funding	22	-	(80)
General Expenses	21	(17,335)	(13,675)
Total expenditure		**(429,450)**	**(370,296)**
Asset write off		(743)	(18)
Surplus/(deficit) for the year		**(38,781)**	**(2,720)**

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
Opening balance as previously reported	-	2,520	-	510,795	513,315	-	513,315
Adjustments							
Prior period error (refer to note 25)	-	-	-	103	103	-	103
Balance at 01 April 2016 as restated*	**-**	**2,520**	**-**	**510,898**	**513,418**	**-**	**513,418**
Changes in net assets							
Allocation of unappropriated surplus	-	766	18,010	(21,496)	(2,720)	2,720	-
Transfer to Discretionary Reserves : Excess Funds	-	(1,666)	(18,010)	19,676	-	-	-
Net income (losses) recognised directly in net assets	-	(900)	-	(1,820)	(2,720)	2,720	-
Surplus for the year	-	-	-	-	-	(2,720)	(2,720)
Total recognised income and expenses for the year	-	(900)	-	(1,820)	(2,720)	-	(2,720)
Total changes	-	(900)	-	(1,820)	(2,720)	-	(2,720)
Restated balance as at 31 March 2017	-	1,620	-	509,078	510,698	-	510,698
Adjustments							
Opening balance as previously reported	-	1,620	-	508,656	510,276	-	510,276
Prior period error cumulative effect	-	-	-	422	422	-	422
Restated* Balance at 01 April 2017 as restated*	**-**	**1,620**	**-**	**509,078**	**510,698**	**-**	**510,698**
Changes in net assets							
Surplus for the year	-	-	-	-	-	(38,781)	(38,781)
Transfer to Capital Reserve	3,759	(3,759)	-	-	-	-	-
Allocation of unappropriated surplus	-	4,904	21,493	(65,178)	(38,781)	38,781	-
Transfer to Discretionary Reserves : Excess Funds	-	(2,201)	(21,493)	23,694	-	-	-
Total changes	3,759	(1,056)	-	(41,484)	(38,781)	-	(38,781)
Balance at 31 March 2018	**3,759**	**564**	**-**	**467,594**	**471,917**	**-**	**471,917**
Note(s)		27		27			

Cash Flow Statement

	Note(s)	2018 R '000	2017 Restated* R '000
Cash flows from operating activities			
Receipts			
Cash receipts from stakeholders		347,836	330,421
Other cash receipts from stakeholders		3,953	94
Interest income		39,415	38,942
		391,204	369,457
Payments			
Grants and project payments		(361,049)	(319,874)
Special projects		-	(80)
Compensation of employees		(22,633)	(21,198)
Payments to suppliers and other		(17,868)	(19,016)
		(401,550)	(360,168)
Net cash flows from operating activities	26	**(10,346)**	**9,289**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(152)	(429)
Purchase of other intangible assets	4	(113)	(107)
Net cash flows from investing activities		**(265)**	**(536)**
Net increase/(decrease) in cash and cash equivalents		**(10,611)**	**8,753**
Cash and cash equivalents at the beginning of the year		561,772	553,019
Cash and cash equivalents at the end of the year	5	**551,161**	**561,772**

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	
	R '000	R '000	R '000	R '000	R '000	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other revenue	-	-	-	4,550	4,550	
Finance Income	25,482	-	25,482	39,415	13,933	37.1
Total revenue from exchange transactions	25,482	-	25,482	43,965	18,483	
Revenue from non-exchange transactions						
Transfer revenue						
SDL revenue	347,025	-	347,025	340,147	(6,878)	37.2
SDL penalties and interest received	5,250	-	5,250	7,300	2,050	37.3
Total revenue from non-exchange transactions	352,275	-	352,275	347,447	(4,828)	
Total revenue	377,757	-	377,757	391,412	13,655	
Expenditure						
Personnel	(23,225)	-	(23,225)	(22,806)	419	37.5
Depreciation and amortisation	(1,477)	-	(1,477)	(576)	901	37.8
Lease rentals on operating lease	(4,710)	-	(4,710)	(2,364)	2,346	37.9
Bad debts written off	-	-	-	254	254	37.10
Employer grant and project expenses	(332,210)	(9,484)	(341,694)	(386,623)	(44,929)	37.4
General expenses	(16,135)	-	(16,135)	(17,335)	(1,200)	37.6
Total expenditure	(377,757)	(9,484)	(387,241)	(429,450)	(42,209)	
Operating deficit	-	(9,484)	(9,484)	(38,038)	(28,554)	
Gain on disposal of assets	-	-	-	(743)	(743)	37.7
Deficit before taxation	-	(9,484)	(9,484)	(38,781)	(29,297)	
Actual amount on comparable basis as presented in the budget and actual comparative statement	-	(9,484)	(9,484)	(38,781)	(29,297)	

ACCOUNTING POLICIES

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.

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, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

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

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

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

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

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

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

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

1.3 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 assets 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 from exchange	Financial asset measured at amortised cost
Receivables from non-exchange	Financial asset measured at amortised cost

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

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

Initial Recognition

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

Initial Measurement of Financial Assets and Financial Liabilities

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

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 assess 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 recognise 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 continue 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).*

Purpose of total SDL payments from employer	% Allocation 17/18	% Allocation 16/17
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%**

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:

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 deficits.

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 knowledge-able, 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 a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/2017 to 31/03/2018.

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 the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

All transactions with related parties are disclosed whether or not they at arms lenght 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 2018 or later periods:

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or (deficit) may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. An entity that prepares and presents the annual financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

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

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

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

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

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

The standard elaborates on the definitions and identification of:

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

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

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

The minister has not yet set the effective date , however FP&M Seta has adopted the standard in 2015/16.

GRAP108: 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 not yet 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: Acounting 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 not yet 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.

Arrangements within the scope of this Standard involve the operator providing a mandated function related to the service concession asset on behalf of the grantor. The operator providing the mandated function can either be a private party or another public sector entity. The effective date of the standard is not yet set by the Minister of Finance.

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 Associates and Joint Ventures
- GRAP 37: Joint Arrangements
- GRAP 38: Disclosure of Interests in Other Entities
- GRAP 110: Living and Non-living Resources
- IGRAP 17: Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
- IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land.
- IGRAP 19: Liabilites to pay levies

3. Property, Plant and Equipment

	2018 R '000			2017 R '000		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture and fittings	1,436	(1,345)	91	3,209	(2,774)	435
Motor vehicles	141	(126)	15	141	(126)	15
Office equipment	842	(658)	184	2,262	(1,745)	517
Computer equipment	1,049	(859)	190	2,348	(1,845)	503
Artwork	279	(267)	12	279	(261)	18
Signage	-	-	-	172	(172)	-
TOTAL	**3,747**	**(3,255)**	**492**	**8,411**	**(6,923)**	**1,488**

Reconciliation of Property, Plant and Equipment – 2018

	Opening balance	Additions	Asset write off	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**

Reconciliation of Property, Plant and Equipment – 2017

	Opening Balance	Additions	Asset write off	Depreciation	Total
Office furniture and fittings	849	27	(15)	(426)	435
Motor vehicles	15	-	-	-	15
Office equipment	803	93	(1)	(378)	517
Computer equipment	549	307	(2)	(351)	503
Artwork	37	-	-	(19)	18
Signage	-	2	-	(2)	-
	2,253	**429**	**(18)**	**(1,176)**	**1,488**

Assets with a cost price of R4,814,193 and accumulated depreciation of R4,070,826 were identified as not working/damaged due to the fire in April 2017 during the asset count that was conducted during the current financial year and a write off amounting to R743,366 was recognised in Statement of Financial Performance .

Refer to Note number 36 for changes in accounting estimates.

4. Intangible Assets

	2018 R '000			2017 R '000		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Value
Computer software	1,101	(1,029)	72	989	(857)	132
Total	**1,101**	**(1,029)**	**72**	**989**	**(857)**	**132**

Reconciliation of Intangible Assets – 2018

	Opening Balance	Additions	Amortisation	Total
Computer software	132	113	(173)	72
	132	**113**	**(173)**	**72**

Reconciliation of Intangible Assets – 2017

	Opening Balance	Additions	Amortisation	Total
Computer software	267	107	(242)	132
	267	**107**	**(242)**	**132**

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2018 R '000	2017 R '000
Petty cash on hand	11	9
Bank balances	29,584	34,564
Donor funds held	10,500	10,115
Short-term deposits	511,066	517,084
	551,161	**561,772**
Current assets	551,161	561,772
	551,161	**561,772**

Short term deposits held with the Corporation of Public Deposits (CPD), is available on demand and is subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, bank balances and deposits held on call with CPD.

Cash and cash equivalents includes donor funds held amounting to R 10,5 million.

6. Receivables from Non-exchange Transactions

	2018 R '000	2017 R '000
Employer receivables due as a result of SARS (overpayments): Gross value	640	658
Inter-SETA receivables	-	141
Other Debtors	128	305
Training Layoff Scheme (TLS) Debtors	726	981
Allowance for doubtful debts provision	**(863)**	**(1,291)**
	631	**794**

6.1 Receivables from Non-Exchange Transactions Impaired

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

	2018 R '000	2017 R '000
Opening balance	(1,441)	(721)
Provision for impairment	-	(1,325)
Amounts written off as uncollectible	324	157
Unused amounts reversed	254	448
	(863)	**(1,441)**

7. Receivables from Exchange Transactions

	2018 R '000	2017 R '000
Deposits	364	338
Prepaid expenses	77	194
Sundry debtors	174	476
Allowance for doubtful debt provision	-	(150)
	615	**858**

8. Inventories

	2018 R '000	2017 R '000
Stationery and other consumables	140	275
	140	275
Inventories (write-downs)	(89)	(89)
	52	**186**

Inventory comprises cartridges, paper, kitchen items and other consumables.

Inventories Reconciliation

	2018 R '000	2017 R '000
Opening carrying amount	275	152
Purchases	115	313
Amount utilised	(250)	(190)
	140	275

9. Government Grants and Donor Funding Received in Advance

FP&M SETA received conditional grants as follows:

Unspent conditional grants and receipts comprises of:

	2018 R '000	2017 R '000
Unspent conditional grants and receipts		
Department of Arts and Culture	1,989	1,989
Create SA	3,354	3,354
W&R SETA and CTFL SETA Collaboration Project	-	851
TLS: DHET	3,996	3,996
	9,339	10,190

Movement During the Year

	2018 R '000	2017 R '000
Balance at the beginning of the year	10,190	10,821
Amounts reversed during the year	(851)	(551)
Income recognition during the year	-	(80)
	9,339	10,190
Non-current liabilities	-	-
Current liabilities	9,339	10,190
	9,339	10,190

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:

	2018 R '000	2017 R '000
Mandatory grant payables	37	834
Discretionary grant payables	1,579	513
Discretionary grant accruals	52,456	27,963
Accrual for mandatory grants	5,149	4,890
	59,221	34,200

11. Trade and Other Payables from Exchange Transactions

	2018 R '000	2017 R '000
Trade payables	332	317
Accrued expense: Administrative expenses	3,124	1,418
Accrued expense: Salary deductions payable	6	-
Accrued expense: Operating lease straight lining	-	33
	3,462	1,768

12. Provisions

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

Reconciliation of provisions: 2017	Performance bonus	Levies from exempt companies*	Total
Opening balance	2,139	5,669	7,808
Amount utilised in profit and loss	(1,503)	(992)	(2,495)
Additions	1,635	1,425	3,060
	2,271	6,102	8,373

13. Revenue

	2018 R '000	2017 R '000
Other revenue	4,550	94
Interest received - investment	39,415	38,942
Government grants & subsidies	-	80
SDL revenue	340,147	319,966
SDL penalties and interest	7,300	8,512
	391,412	**367,594**

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

	2018 R '000	2017 R '000
Other revenue	4,550	94
Interest received - investment	39,415	38,942
	43,965	**39,036**

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

	2018 R '000	2017 R '000
Taxation revenue		
Transfer revenue		
Government grants & subsidies	-	80
SDL revenue	340,147	319,966
SDL penalties and interest	7,300	8,512
	347,447	**328,558**

14. Other Income

	2018 R '000	2017 R '000
Testing certificates - non-exchange	194	81
Insurance refund - exchange	3,759	13
W&R SETA	597	-
	4,550	**94**

15. Finance Income

	2018 R '000	2017 R '000
Interest revenue		
Interest from deposits and bank	39,415	38,942

16. Levies

	2018 R '000	2017 R '000
Administration - SDL received from SARS	44,702	42,064
Administration - Inter SETA transfer in	13	31
Employer grants - SDL grants received from SARS	85,114	79,685
Employer grants - Inter SETA transfer in	24	12
Discretionary grants - SDL received from SARS	210,235	198,029
Discretionary grants - Inter SETA transfers in	59	145
	340,147	319,966

17. SDL Penalties and Interest Received

	2018 R '000	2017 R '000
SDL interest income	3,284	4,574
SDL penalties income	4,016	3,938
	7,300	8,512

18. Employee Related Costs

	2018 R '000	2017 R '000
Basic	18,595	17,536
Bonus	1,464	1,634
Medical aid - company contributions	978	925
UIF	69	74
Workmen's compensation	43	49
SDL	201	191
Leave pay provision charge	237	(149)
Short term benefit	286	284
Other short-term costs	4	4
Cellphone allowances	103	89
Overtime payments	3	12
Acting allowances	31	19
Car allowance	458	460
Termination benefits	334	-
	22,806	21,128

Note: Project payroll costs of R 10,1 million is disclosed in Note 20.1.

19. Debt Impairment

	2018 R '000	2017 R '000
Allowance for credit losses/bad debts	(254)	877

20. Employer Grant and Project Expenses

	2018 R '000	2017 R '000
Discretionary Grant Expenses		
Non-pivotal skills administrative project costs (20.1)	12,448	10,121
Non-pivotal skills project expenses	81,743	98,777
Project expenses on non-window funded projects (20.2)	6,130	7,001
Pivotal skills administrative expenses	2,040	2,590
Pivotal skills project expenses	220,617	148,729
	322,978	267,218
Mandatory grant expenditure		
Mandatory grant to employers	63,645	61,687
Employer grant and project expenses for the period	386,623	328,905

20.1 Non-Pivotal Skills Administrative Project Costs

	2018 R '000	2017 R '000
Basic salaries (Note 1)	7,600	6,735
Leave accrual	136	19
Medical aid	429	393
Bonus accrual	669	-
UIF	37	41
SDL	87	80
Short Term Benefits	912	686
Cellphone allowances	43	29
Overtime	-	6
Acting Allowance	15	48
Car Allowance	183	165
Project Monitoring: Travel and Subsistence	359	596
QA monitoring visits: Verification SSA costs	483	437
QA monitoring visits: Verification travel and subsistence	122	26
Meetings / Workshops / Conferences (Note 2)	1,154	516
Resources	219	143
Consultants	-	201
	12,448	10,121

1. GM Projects position was vacant for 6 months and also 8% annual escalation on salaries as well as an allocation of marketing salaries in the current year.
2. Travel costs incurred for Richmond-Indaleni meetings and launch.

20.2 Project Expenses on Non-window Funded Projects

	2018 R '000	2017 R '000
Basic salaries	-	628
Medical aid	-	36
UIF	-	3
SDL	-	6
Short Term Benefits	-	58
Overtime	-	1
DG Marketing	4,743	4,146
SSP	476	1,041
WSP	203	328
DG funding promotions	708	754
	6,130	7,001

In the current year, the marketing payroll costs were budgeted for under the project administration costs and allocated accordingly.

21. General Expenses

	2018 R '000	2017 R '000
Internal audit fees	1,109	1,257
Advertising	65	54
Auditors remuneration	2,425	1,781
Bank charges	53	47
Cleaning	32	64
Audit committee fees	111	112
Computer expenses	15	23
Legal fees	718	50
Board fees	350	455
Disaster recovery costs	1,837	-
Insurance	173	151
Repairs and Maintenance	8	63
Fuel and oil	20	22
Consultant fees	463	669
Offsite disaster recovery costs	204	154
Postage and courier	178	159
Printing costs	922	344
Management information systems	2,325	2,151
Stationery	191	108
Security	36	50
Staff welfare	2	7
Subscriptions and membership fees	1,021	678
Telephone and fax	811	779
Staff training and development costs	166	216
Travel - local	1,107	1,032
Electricity	427	883
QCTO expenses	1,829	1,804
Catering and refreshments	282	299
Stock write-off provision	-	89
Office expenses	455	174
	17,335	**13,675**

Disaster recovery costs arose after the fire incident last year. We incurred costs for temporary office space while we were looking at new office space.

Legal fees increased due to fees paid to attorneys for IR processes. Printing costs increased due to increase in costs for the Annual Report.

Subscriptions and membership fees increased due to an upgraded solution for internet connectivitiy. Electricity decreased as the Braampark office was not occupied since 18 April 2017.

Office expenses increased due to additional costs incurred as a result of the fire at the Braampark office for removal of furniture and costs incurred for tagging of assets.

Off-site disaster recovery costs of R154,000 have been reclassifed from lease rentals in the prior year.

22. Government Grants and Subsidies

	2018 R '000	2017 R '000
Operating grants		
Create SA: NSF	-	80
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	3,434
Conditions met - transferred to revenue	-	(80)
	3,354	**3,354**
TLS - UIF		
Balance unspent at beginning of year	-	551
Other	-	(551)
	-	-
W&R SETA AND CTFL SETA JOINT COLLABORATION PROJECT		
Balance unspent at beginning of year	851	851
Other	(851)	-
	-	851
DHET		
Balance unspent at beginning of year	3,996	3,996

23. Lease Rental on Operating Lease

The operating leases relates to building premises used as office accommodation in our two regional offices and head office. The current leases for office space expired on 31 March 2018 for three sites. New contracts were signed effective 01 April 2018 for Cape Town office and Head office.

Reconciliation of future minimum lease payments:

Reconciliation of future minimum lease payments	2018 R '000	2017 R '000
Not later than one year	2,231	1,060
Later than one and not later than 5 years	2,404	-
	-	-
	4,635	1,060

24. Related Parties

Relationships

Company Name	Member Name
Aranda Textile Mills	Frans Barnard (Authority Member)
Aranda Learnership College	Frans Barnard (Authority Member)
Pearson Holdings	Brian Mafawarowa (Authority Member)
DHET	Shareholder
Other SETAs	Parent entity is DHET

Related Party Balances

Amounts included in Government grants and donor funding regarding related parties

	2018 R '000	2017 R '000
UIF	726	1,175
W&R SETA	-	254
Department of Arts and Culture	(1,364)	(1,989)
UIF	-	(551)
DHET	(3,996)	(3,996)
W&R SETA	-	(851)
	(4,634)	(5,958)

Impact on Statement of Financial Performance

	2018 R '000	2017 R '000
W&R SETA - Debtor provision reversed	254	-
W&R SETA - Other Revenue	597	-
Trade and other receivables - non-exchange - interseta		
W&R SETA	-	141
	-	-
	851	141

Related Party Transactions

Administration fees paid to (received from) related parties

	2018 R '000	2017 R '000
eThekwini Municipality	(62)	(59)
Telkom	(577)	(519)

Related party	Nature of relationship	Transaction type	Amount SFP 2018*	Amount receivable/ (payable) 2018	Amount SFP 2017*	Amount receivable/ (payable) 2017
Pearson Holdings SA (PTY) Ltd	Brian Wafawarowa (Authority Member)	Mandatory grants	263	-	73	-
Pearson Holdings SA (PTY) Ltd	Brian Wafawarowa (Authority Member)	Discretionary grants	-	(156)	48	-
Aranda Textile Mills (PTY) Ltd	Frans Barnard (Authority Member)	Discretionary grants	1,202	-	4,046	-
Aranda Textile Mills (PTY) Ltd	Frans Barnard (Authority Member)	Mandatory grants	92	(7)	91	(7)
Aranda Learnership College (PTY) Ltd	Frans Barnard (Authority Member)	Discretionary grants	2,900	(205)	4,828	-
Aranda Learnership College (PTY) Ltd	Frans Barnard (Authority Member)	Mandatory grants	3	(1)	3	-
Subtotal	-	-	4,460	(369)	9,089	(7)
Aranda Textile Mills (PTY) Ltd	Frans Barnard (Authority Member)	Levies	(340)	-	(338)	-
Pearson Holdings SA (PTY) Ltd	Brian Wafawarowa (Authority Member)	Levies	(924)	-	(193)	-
Aranda Learnership College (PTY) Ltd	Frans Barnard (Authority Member)	Levies	(10)	-	(12)	-
			3,186	(369)	8,546	(7)

*SFP 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 and Committee Remuneration 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
K De Villiers	18	2	20
M Odayan	25	-	25
	454	**8**	**462**

Board and Committee Remuneration 2017	Attendance Fee	Expenses	Total
Board			
S Ngidi (Chairman)	279	8	287
M Odayan	107	1	108
T Boltman	59	2	61
Audit Committee			
T Boltman	52	1	53
K De Villiers	21	2	23
M Odayan	30	-	30
T Zororo	5	-	5
	553	**14**	**567**

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 (Note 2)	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 (Note 1)	711	-	124	11	64	334	1,244
	6,242	**526**	**1,006**	**410**	**64**	**413**	**8,661**

Note 1: Reported under other benefits is an amount paid to the GM: Quality Assurance as an arbitration settlement award.

Note 2: GM: Projects was appointed from 1 June 2017.

Executive Management 2017	Basic Salary	Bonuses and performance related payments	Other short- term employee benefits	Post-employment benefits	Leave pay	Total
Name						
CEO	1,759	267	176	243	-	2,445
GM: Governance, Compliance, Risk and Legal	922	169	14	65	-	1,170
GM: Projects (Note 1)	414	72	6	59	26	577
GM: Research, Planning and Reporting	881	210	13	69	-	1,173
CFO	645	43	59	-	-	747
GM: Quality Assurance	792	136	11	20	-	959
	5,413	897	279	456	26	7,071

Note 1: GM: Projects resigned on 30 September 2016.

25. Prior Period Errors

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

1. Admin and discretionary accruals were understated in the prior year. Comparatives have been restated.
2. A debtor amounting to R102,536 was supposed to be raised in the prior years on the UIF TLS programme. The effect of this correction is that debtors will increase by R102,536 and reserves will increase by same amount. The related provision amounting to R448,465 on the initial debtor was also reversed to align to the current debtor.

	2018 R '000	2017 R '000
Statement of financial position		
Administration accruals	-	(138)
Discretionary grant accruals	-	9
Debtors non - exchange	-	103
Discretionary reserves	-	(103)
Provision for bad debt	-	448
	-	319

	2018 R '000	2017 R '000
Statement of Financial Performance		
General expenses	-	138
Discretionary expenses	-	(9)
Bad debts	-	(448)
	-	(319)

26. Cash (used in) Generated from Operations

	2018 R '000	2017 R '000
Deficit	(38,781)	(2,720)
Adjustments for:		
Depreciation and amortisation	576	1,416
Gain on sale of assets and liabilities	743	18
Debt impairment	(254)	877
Movements in provisions	711	565
Changes in working capital:		
Inventories	134	(33)
Receivables from exchange transactions	394	152
Sundry debtors	254	(877)
Other receivables from non-exchange transactions	14	4,036
Trade and other payables from exchange transactions	1,694	(1,293)
Trade and other payables (non exchange)	25,020	7,779
Government grants and Donor funding received in advance	(851)	(631)
	(10,346)	**9,289**

27. Allocation of Net Surplus

2017/18	Administration reserve	Employer reserve mandatory grants	Discretionary reserve	DG: Special projects	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
Total income	48,474	85,138	257,800	-	391,412
Total expenses					
Administration expenses	(43,570)	-	-	-	(43,570)
Employer grants and project expenses	-	(63,645)	(322,978)	-	(386,623)
	4,904	**21,493**	**(65,178)**	**-**	**(38,781)**

2016/17	Administration reserve	Employer reserve mandatory grants	Discretionary reserve	DG: Special projects	Total per statement of performance
Total income					
Government grants and donor Funding	-	-	-	80	80
SDL revenue	42,095	79,697	198,174	-	319,966
SDL penalties and interest received	-	-	8,512	-	8,512
Other revenue	-	-	94	-	94
Finance income	-	-	38,942	-	38,942
Subtotal	42,095	79,697	245,722	80	367,594
Total expenses					
Administration expenses	(41,329)	-	-	-	(41,329)
Expenditure on conditional grants	-	-	-	(80)	(80)
Employer grants and project expenses	-	(61,687)	(267,218)	-	(328,905)
	766	**18,010**	**(21,496)**	-	**(2,720)**

28. Surplus Funds Transferable to National Treasury

	2018 R '000	2017 R '000
Transfers of excess funds from:		
Discretionary Grant Reserve	467,594	509,078
Administration Grant Reserve	564	1,620
Capital Reserve	3,759	-
Application for approval	(471,917)	(510,698)
	-	-
Surplus funds due to National Treasury		
Cash and cash equivalents	551,161	561,772
Receivables from non-exchange transactions	631	794
Receivables from exchange transactions	615	858
less current liabilities	(81,106)	(54,532)
less closing balance of commitments	(446,555)	(498,986)
	24,746	**9,906**
Reserves before NSF	-	9,906
5% Retention of total discretionary reserves	-	(25,424)
	-	**(15,518)**

According to Circular 15/2017 from the Department of Higher Education the NSF contingent liablity no longer exists.

29. Financial Instruments Disclosure

Categories of financial instruments 2018

	2018 R '000	2017 R '000
Financial assets	At amortised cost	At amortised cost
Trade and other receivables from exchange transactions	615	858
Trade and other receivables from non-exchange transactions	631	794
Cash and cash equivalents	551,161	561,772
	552,407	**563,424**
Financial liabilities		
Trade and other payables from exchange transactions	(3,642)	(1,768)
Trade and other payable (non-exchange)	(59,221)	(34,201)
	(62,863)	**(35,969)**

	2018 R '000	2017 R '000
Financial instruments in statement of financial performance 2018	At amortised cost	At amortised cost
Interest income (calculated using effective interest method) for financial instruments at amortised cost	39,415	38,942

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.

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	(3,462)	(3,462)	(3,462)	-	-
Trade and other payables: Non-exchange	(59,221)	(59,221)	(59,221)	-	-
	(62,683)	**(62,683)**	**(62,683)**	-	-

2016/17	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	(1,768)	(1,768)	(1,768)	-	-
Trade and other payables: Non-exchange	(34,201)	(34,201)	(34,201)	-	-
	(35,969)	**(35,969)**	**(35,969)**	-	-

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	2018 R '000	2017 R '000
Receivables from exchange transaction	615	858
Cash and Cash equivalents	551,161	561,772
Receivables from non - exchange transaction	631	794

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**

2016/17 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	475	-	14	-	519	1,008
Cash and cash equivalents	561,772	-	-	-	-	561,772
Receivables from non-exchange transactions	804	-	-	-	1,281	2,085
Gross before impairment	563,051	-	14	-	1,800	564,865
Impairment loss	-	-	-	-	(1,441)	(1,441)
	563,051	**-**	**14**	**-**	**359**	**563,424**

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:

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	-	-%	(3,462)
- Trade and other payables (non-exchange)	-	-%	(59,221)
	551,161	**7.33%**	**(61,437)**

2016/17	Interest bearing amount	Effective interest rate	Non-interest-bearing amount
Financial assets			
- Receivables from exchange transactions	-	-%	858
- Cash and cash equivalents	561,772	7.36%	-
- Receivables from non-exchange transactions	-	-%	794
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	-%	(1,768)
- Trade and other payables (non-exchange)	-	-%	(34,201)
	561,772	**7.36%**	**(34,317)**

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 has approved the SETA licence until 31 March 2020.

32. Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure

	2018 R '000	2017 R '000
Opening Balance	36	218
Amount written off	(36)	(182)
	-	36

On investigation it was found that no one employee could be held liable by law. Certain employees were given counselling and a warning was issued to them. Others are no longer in the employment of the SETA. It is on this basis that the amount of the R36,000 was condoned.

Details	Disciplinary or other actions taken	2017/18	2016/17
SARS penalty for PAYE	This amount was considered irrecoverable and therefore written off	-	3
Cancelled tender advertisement	Upon investigation it was decided to write off the amount in 2017/18	-	36
		-	39

33. Irregular Expenditure

	2017/18 R '000	2016/17 R '000
Opening Balance	-	7,034
Add: Irregular Expenditure - current year	1,248	1,204
Prior year adjustment	-	68
Less: Amounts condoned	(1,109)	(8,306)
	139	-

Details of Irregular Expenditure Not Recoverable

	2018 R '000	2017 R '000
SCM non-compliance: 3 quotes not requested	-	-
SCM non-compliance: Evaluation/ functionality criteria not included in the specification document	1,109	1,257
SCM non-compliance: Deviation from competitive bidding process in contravention of National Treasury Regulations	-	-
Grant Regulation non - compliance: Approval of WSP not in line with grant regulation	-	15
SCM non-compliance: BEE scores were incorrectly allocated	139	-
	1,248	**1,272**

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

Amounts prior to 2016/17 have been removed for improved disclosure

34. Contingencies

Surplus funds

We have, on 31 May 2018, 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.

	2018 R '000	2017 R '000
Administrative reserve	564	1,620
Discretionary reserve	467,594	509,078
Capital reserve	3,759	-
	471,917	**510,698**

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 2018 FP&M SETA had a surplus of R 24,7 million to surrender to National Treasury. Refer to Note 28 for the detailed calculation of the surplus.

35. Commitments

Of the balance of R 467,5 million available in the discretionary reserves at the end of March 2018, R 446.5 million (refer to pages 128 & 129) has been approved and contractually committed. Amounts for expenses that have already been contracted or incurred and therefore included in grant expenses in the statement of financial performance, are also indicated. A request for the accumulation of these funds has been submitted to National Treasury on 31 of May 2018. At the time of compiling the annual financial statements, no reply had been received.

Commitment Note 2017/18

Interventions	Opening balance as per audited AFS	Cumulative restatements	Restated Balance	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 Buildng 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

Commitment Note 2016/17

Interventions	Opening balance as per audited AFS	Opening Balance adjustment	Restated Opening Balance 1 April 2016	Additions	Expenditure	Adjustments	Cancellations	Project Savings	Accruals	Closing Balance
AET	3,920,100.00	201,000.00	4,121,100.00	2,508,000.00	(2,380,500.00)		(873,000.00)	(471,000.00)		2,904,600.00
Apprenticeships	148,592,145.50	260,000.00	148,852,145.50	50,710,000.00	(27,438,968.25)	174,000.00	(21,131,700.00)	(2,404,000.00)		148,761,477.25
Bursaries	71,542,923.72	1,570,000.00	73,112,923.72	37,608,600.00	(22,947,060.39)	177,000.00	(5,000,166.00)	(487,122.43)		82,464,174.90
FET Infrastructure Project (2013\2014)	-		-	-	-		-	-		-
FET Infrastructure Project (2014\2015)	-		-	-	-		-	-		-
Learnerships	76,400,228.30	479,800.00	76,880,028.30	80,030,000.00	(59,654,800.00)	773,000.00	(5,739,896.30)	(4,544,100.00)		87,744,232.00
Prior SETAS	4,174,500.00		4,174,500.00	-	(1,051,250.00)		(3,123,250.00)	-		-
Qualifications Development	38,775,000.00	(400,000.00)	38,375,000.00	8,800,000.00	(9,300,000.00)		-	-		37,875,000.00
Skills Programmes	22,327,574.40	(172,800.00)	22,154,774.40	31,824,400.00	(25,505,560.00)	(14,400.00)	(4,168,240.00)	(1,126,154.40)		23,164,820.00
Special Project	98,634,184.35		98,634,184.35	49,010,430.00	(66,651,686.89)	100,000.00	(3,172,910.65)	(3,147,380.60)		74,772,636.21
Training Layoff Scheme	3,288,256.78		3,288,256.78	-	-		(3,288,256.78)	-		-
TVET	5,735,200.00		5,735,200.00	-	(2,558,900.00)		(42,000.00)	-		3,134,300.00
Work Integrated Learning	10,063,100.00		10,063,100.00	19,893,000.00	(11,302,976.92)		(871,500.00)	(129,000.00)		17,652,623.08
Workplace Experience / Internship	21,525,000.00	15,000.00	21,540,000.00	16,960,000.00	(18,873,500.00)	930,000.00	(2,507,300.00)	(467,500.00)		17,581,700.00
	504,978,213.05	1,953,000.00	506,931,213.05	297,344,430.00	(247,665,202.45)	2,139,600.00	(49,918,219.73)	(12,776,257.43)		496,055,563.44
DG Administration										-
Project Administration			18,428,000.00		(12,688,297.93)					5,739,702.07
Capacity Buildng and Stakeholder relations			5,750,000.00		(4,858,464.59)			(891,535.41)		-
DG Funding promotion			1,000,000.00		(629,354.19)			(370,645.81)		-
WSP promotion			1,500,000.00		(328,851.04)			(1,171,148.96)		-
SSP			1,500,000.00		(1,035,094.19)			(464,905.81)		-
Total	504,978,213.05	1,953,000.00	535,109,213.05	297,344,430.00	(267,205,264.39)	4,279,200.00	(49,918,219.73)	(15,674,493.42)		501,795,265.51

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 R253,775 and the depreciation expense for future periods is expected to increase by the same amount.

37. Budget Differences

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

37.1 Interest Income (favourable)

Finance income realized higher than budget to higher cash average cash balances that were invested during the year. Furthermore the effective interest rate was higher in the current year. There is also an element on underbudgeting.

37.2 SDL Income (un-favourable)

The variance is due to less levies received in the year.

37.3 SDL Penalties and Interest Received

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

37.4 Employer Grant and Project Expenses

This variance is expenditure on prior year committments.

37.5 Personnel Expenses

This variance is due to vacant positions during the year.

37.6 General Expenses

Variance due to disaster costs and legal fees incurred.

37.7 This is the excess of insurance proceeds over the provision for asset write off resulting from damage after fire.

37.8 Depreciation not provided on damaged assets since the fire.

37.9 Savings due to the Braampark lease being discontinued since the fire.

37.10 This relates to a debtors provision that has been reversed.

2018	Administration	Mandatory	Discretionary	Unallocated	Total
Revenue					
Revenue from non-exchange transactions					
SDL: Income	44,715	85,138	210,294	-	340,147
SDL: Penalties and interest	-	-	7,300	-	7,300
Revenue from exchange transactions					
Other income	3,759	-	791	-	4,550
Investment income	-	-	39,415	-	39,415
Total segment revenue	**48,474**	**85,138**	**257,800**	**-**	**391,412**
Entity's revenue					391,412
Expenditure					
Employee cost	22,806	-	10,111	-	32,917
Depreciation and amortisation	576	-	-	-	576
Other administration expenses	20,188	-	-	-	20,188
Employer grant and project expenditure	-	63,645	312,867	-	376,512
Total segment expenditure	**43,570**	**63,645**	**322,978**	**-**	**430,193**
Total segmental surplus/(deficit)					(38,781)
Assets					
Non-current assets	564	-	-	-	564
Consumables	52	-	-	-	52
Account receivables from exchange transactions	615	-	-	-	615
Account receivables from non-exchange transactions	-	631	-	-	631
Cash and cash equivalents (unallocated asset)	-	-	-	551,161	551,161
Total segment assets	**1,231**	**631**	**-**	**551,161**	**553,023**
Total assets as per statement of financial Position					**553,023**
Liabilities					
Trade and other payables from non-exchange	-	5,186	54,035	-	59,221
Trade and other payables from exchange transactions	3,462	-	-	-	3,462
Provisions	2,444	-	6,640	-	9,084
Government grants and donor funding received in advance	-	-	-	9,339	9,339
Total segment liabilities	**5,906**	**5,186**	**60,675**	**9,339**	**81,106**
Total liabilities as per statement of financial position					**81,106**

2017	Administration	Mandatory	Discretionary	Unallocated	Total
Revenue					
Revenue from non-exchange transactions					
SDL: Income	42,095	79,697	198,174	-	319,966
SDL: Penalties and interest	-	-	8,512	-	8,512
Government grants and donor funding	-	-	-	80	80
Revenue from exchange transactions					
Other income	-	-	94	-	94
Investment income	-	-	38,942	-	38,942
Total segment revenue	**42,095**	**79,697**	**245,722**	**80**	**367,594**
Entity's revenue					**367,594**
Expenditure					
Employee cost	21,128	-	8,934	-	30,062
Depreciation and amortisation	1,416	-	-	-	1,416
Other administration expenses	18,785	-	-	-	18,785
Employer grant expenses	-	61,687	-	-	61,687
Government grants and donor funding	-	-	258,284	80	258,364
Total segment expenditure	**41,329**	**61,687**	**267,218**	**80**	**370,314**
Total segmental surplus/(deficit)					**(2,720)**
Assets					
Non-current assets	1,620	-	-	-	1,620
Inventory	186	-	-	-	186
Account receivables from exchange transactions	858	-	-	-	858
Account receivables from non-exchange transactions	25	648	121	-	794
Cash and cash equivalents (unallocated asset)	-	-	-	561,772	561,772
Total segment assets	**2,689**	**648**	**121**	**561,772**	**565,230**
Total assets as per statement of financial position					**565,230**
Liabilities					
Trade and other payables from non-exchange	-	5,724	28,477	-	34,201
Trade and other payables from exchange transactions	1,768	-	-	-	1,768
Provisions	2,271	-	6,102	-	8,373
Government grants and donor funding received in advance	-	-	-	10,190	10,190
Total segment liabilities	**4,039**	**5,724**	**34,579**	**10,190**	**54,532**
Total liabilities as per statement of financial position					**54,532**

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

Employee costs amounting to R8,9million have been seperately disclosed in 2016/17.

2016/17 comparatives have been restated in the segment report.

38. Segment Information

Segment Surplus or Deficit, Assets and Liabilities

FP&M SETA reports to management on the basis of three functional segments namely; administration, mandatory and discretionary. Management uses these segments in determining strategic objectives and allocating resources.

The reporting of these segments is also appropriate for external reporting purposes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The geographical segments have not been disclosed as the necessary information required is not readily available and the cost to develop would be excessive.

NOTES

NOTES

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