



ANNUAL REPORT
2017/2018





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



Minister of Higher Education and Training
Ms Naledi Pandor



Deputy Minister of Higher Education and Training
Mr Buti Manamela

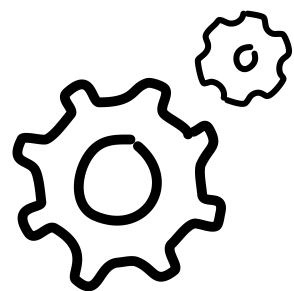


higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



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PART A: GENERAL INFORMATION

Registered name

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

Registration number*

09/FOODBEV1104111

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External auditors

Auditor-General South Africa
300 Middel Street, New Muckleneuk-Pretoria

Internal auditors

Rakoma and Associates Inc.

Bankers

First National Bank

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

LIST OF ABBREVIATIONS/ ACRONYMS

ACEO	Acting Chief Executive Officer
ACFO	Acting Chief Financial Officer
AET	Adult Education and Training
AGSA	Auditor, General of South Africa
APP	Annual Performance Plan
AQP	Assessment Quality Partner
ARC	Audit and Risk Committee
ATR	Training Reports
CBO	Community, based organisation
CPD	Corporate Public Deposit
DHET	Department of Higher Education and Training
ETQA	Education and Training Quality Assurance
EXCO	Executive Committee
FoodBev SETA	Food and Beverage Manufacturing Sector Education and Training Authority
GRAP	Generally Recognised Accounting Practices
HET	Higher Education and Training
HR	Human Resources
ICT	Information and communication technology
IPAP	Industrial Policy Action Plan
IT	Information technology
MOU	Memorandum of Understanding
MTEF	Medium-term expenditure framework
MTSF	Medium-term strategic framework
NDP	National Development Plan
NGO	Non-governmental organisation
NLPE	Non-levy paying entity
NPO	Non-profit organisation
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
OHS	Occupational Health and Safety
PFMA	Public Finance Management Act
PIVOTAL	Professional, Internship, Vocational, Technical, Academic Learning
QCTO	Quality Council for Trades and Occupations
RPL	Recognition of Prior Learning
SAB	South African Breweries
SAQA	South African Qualification Authority
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SLA	Service Level Agreement
SMART	Specific Measurable Achievable Realistic and Time-bound
SMEs	Small and Micro Enterprises
SMMEs	Small, Medium and Micro Enterprises
SSP	Sector Skills Plan
TVET	Technical and Vocational Education Training
WSP	Workplace Skills Plan



BAKING, CEREALS, CONFECTIONARY & SNACKS (BCCS)

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



FOREWORD BY THE CHAIRPERSON

On behalf of the Accounting Authority of the FoodBev SETA, **I wish to thank all stakeholders and partners for choosing FoodBev SETA** as their skills-development partner.

Mr Tom Blessing Mkhwanazi

INTRODUCTION

It is my pleasure to present the FoodBev SETA Annual Report for the period 2017/2018. This report is presented on behalf of the Accounting Authority of the Food and Beverage Manufacturing Sector Education and Training Authority (FoodBev SETA), in my capacity as Chairperson, in accordance with relevant laws and regulations. This Annual Report is an account of the performance of the FoodBev SETA towards the achievements of goals and targets as stipulated in its Annual Performance Plan.

The new Accounting Authority* of FoodBev SETA was appointed on 01 April 2018 to replace the outgoing Accounting Authority that started its tenure in 2011. In my capacity as the Chairperson of the incoming Board, I would like to thank our predecessors for laying a good foundation for us to build upon. I would like to congratulate the previous Accounting Authority for guiding the FoodBev SETA to its first clean audit, and the Acting Chief Executive Officer for guiding the ship steadily on its course.

The Sector Skills Plan plays an important role by keeping close contact with the industry and gathering information about labour market needs. Year on year, it identifies artisanal skill as the major critical skill required in the food and beverage manufacturing sector. In the year under review, there has been an even greater demand for employed people to qualify as artisans; this is shown by the increase in artisan development from 169 in the 2016/2017 financial year to 204 in the 2017/2018 financial year which marks a 17% increase.

* Refers to Board of FoodBev SETA.





FOREWORD BY THE CHAIRPERSON

Over the past years, the food and beverage manufacturing sector has found it difficult to meet transformational targets due to the sensitivity and nature of the business. To mitigate this, FoodBev SETA has set aside additional funds for special projects with the aim of creating a pool of qualified skilled African female workers. FoodBev SETA will continue to play a role in the transformation agenda by making more money available for the training of youth, women and people with disabilities on high-level skills through learnerships and bursaries. In the year under review, FoodBev SETA was able to reach an estimated 6 000 learners through the hosting of about 30 career events across the country. In the new financial year, FoodBev SETA will continue to host career events at schools and engage learners with career guidance about jobs that are in high demand in order to attract an increased pool of new entrants into the sector.

It must be noted that FoodBev SETA has not appointed a permanent Chief Executive Officer since 2014, however, the acting CEO has done a sterling job to the point of steering the organisation to an eighty per cent (80%) performance achievement and a clean audit report in the current year.

The appointment of a permanent CEO will be prioritised by the incoming Accounting Authority, which will work closely with the Department of Higher Education and Training to ensure that this goal is achieved. We believe that the appointment of a CEO will be important in order to build on the success of this year and to provide leadership certainty and stability in the organisation. Operationally, the Accounting Authority will delegate more authority to the CEO in order to increase efficiency and reduce the number of governance meetings. It is important that we all retain focus as we move along through this skills development journey, guided by the relevant corporate governance framework and the National Skills Development Strategy III.

ACKNOWLEDGEMENTS/APPRECIATION

We note with sadness the passing of Mr Lancelot Giba, Accounting Authority member (2011-2017), may his soul rest in peace.

On behalf of the Accounting Authority of FoodBev SETA, I wish to thank all stakeholders and partners for choosing FoodBev SETA as their skills-development partner.

Special thanks go to the officials of the Department of Higher Education and Training, for guiding the Accounting Authority and the SETA. My sincere appreciation goes to the outgoing and the current Accounting Authority members, the Audit and Risk Committee, the ACEO, ACFO, the managers, and all members of staff. Not forgetting our external auditors (Auditor General South Africa) and our internal auditors (Rakoma and Associates), I thank you all.

Their collective effort and support made it possible for FoodBev SETA to achieve the high performance and obtain a clean audit.



Mr B Mkhwanazi

Chairperson of the Accounting Authority
July 2018

REPORT OF THE ACTING CHIEF EXECUTIVE OFFICER

I am pleased to report the **strongest performance that FoodBev SETA has seen in the past six years.**

Not only are we performing better, but our control environment has also improved significantly, both of which are evidenced by the clean audit report.

Ms Nokuthula Selamolela

OVERALL PERFORMANCE

Shortage of skills is one of the biggest challenges that increases unemployment in our country. In addressing this challenge, FoodBev SETA has been hard at work throughout the year implementing various programmes that include, among others; learnerships, bursaries, student placements, TVET capacity building, apprenticeships etc,

FoodBev SETA remains committed to growing the economy, advancing inclusive growth and economic transformation by facilitating partnerships with both private and public sectors in programmes that are geared towards skills development. FoodBev SETA has conducted capacity-building workshops around the country as a means of interacting with our stakeholders, because they are an important aspect of FoodBev SETA operations.

Furthermore, FoodBev SETA has contributed immensely to upskilling unemployed and employed learners who participated in the various learning programmes funded by the SETA. More emphasis was placed on unemployed learners who increased from 1,518 in the previous financial year to 2,152 in the year under review, marking a massive 29% increase. The number of employed learners also increased by 16% from 1,576 to 1,869.

During the year under review, FoodBev SETA successfully implemented an online discretionary grant application system, which will assist in streamlining and simplifying the process of applications and thereby improve the speed of grant disbursements.





REPORT OF THE ACTING CHIEF EXECUTIVE OFFICER

I am pleased to report that there has been an improvement in the alignment and proper cascading of FoodBev SETA Sector Skills Plan to the Strategic Plan and ultimately to the Annual Performance Plan.

There has also been significant improvement in our control environment, as evidenced by the clean audit report and improved overall SETA performance from the previous year. FoodBev SETA continued to support the government's objective to support deserving destitute students by awarding bursaries. In this regard, FoodBev SETA provided bursaries worth over R16m to three rural universities.

FoodBev SETA's focus on research and innovation saw the support for postgraduate learners who are studying towards their doctoral degrees in the value chain increase by 45% from 18 learners in the previous financial year to 33 learners in the year under review. The SETA acknowledges and understands that research will improve the knowledge economy of the sector.

The dire economic crisis experienced by the country at large, which trickles down to the sector, has resulted in job losses in certain sub-sectors. This led to a challenge in placing interns in internship programmes, despite this challenge, FoodBev SETA managed to place 425 learners in the current year as compared to 319 in the prior, which represent a 33% increase.

FoodBev SETA is developing a focused strategy and action plan in order to encourage small businesses to participate more in skills-development initiatives.

RESEARCH CAPACITY

In the year under review, FoodBev SETA had two senior-level resignations in the research unit. This resulted in delays in finalising the research reports that were included in the research agenda as approved by the Accounting Authority. The Accounting Authority approved the enrichment of the profile in order to attract and retain a senior researcher who would play a pivotal role in ensuring that the organisation produces a credible Sector Skills Plan and research papers, and who will assist in knowledge economy and in developing well-informed training programmes and skills in the sector.

QUALITY ASSURANCE

In line with the three component QCTO qualifications, FoodBev SETA has, in the past years, developed and submitted four qualifications that can be broken down into approximately 30 specialisations. Dairyman was the first qualification to be developed and submitted for approval and registration in 2010, while Confectionery Baking, Process Machine Operator and Wine Maker Assistant were developed and submitted in 2016.

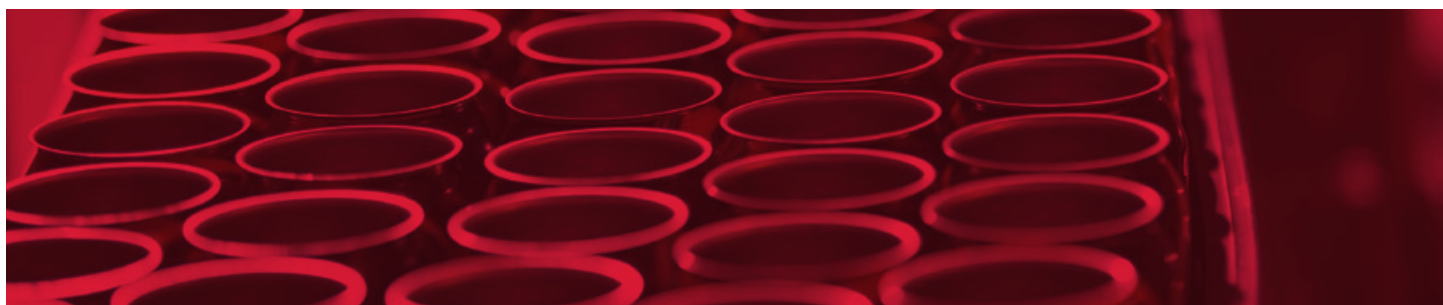
Currently, a Laboratory Analyst qualification is also being developed; this is a brand-new development and has only just started its profiling. All the qualifications submitted have yet to be approved by QCTO and registered by SAQA. The delay has put a strain on training, due to the continued reliance on old qualifications that have not been reviewed as per the standard five-year interval.

As per the QCTO formal circular of 15 December 2017, the delegated function of accrediting training providers will be rescinded on 30 June 2018 and will be handled by QCTO. This means that training providers will apply for accreditation through QCTO and the final accreditation letter will be signed off by the Council.

FoodBev SETA has conducted roadshows in order to update stakeholders and train both existing training providers and prospective training providers. Continuous interfaces with QCTO senior management are expediting the registration of the new qualifications. When all qualifications are approved and registered, FoodBev SETA will conduct roadshows for each qualification, so as to familiarise stakeholders with these and with the new training processes involved.

FoodBev SETA has applied for the Assessment Quality Partner status for all the qualifications; so far, only the Dairyman Assessment Quality Partner status has been granted.

REPORT OF THE ACTING CHIEF EXECUTIVE OFFICER



HUMAN CAPITAL AND LEADERSHIP

The Accounting Authority approved a revised organogram in order to address challenges that were identified after the approval of the previous organogram. The Accounting Authority endorsed the alignment of the structure to the DHET programme structure, while the human resources unit was streamlined in order to focus on core HR functions.

A stakeholder-relations division has been established in order to service our stakeholders with better focus and to establish a closer connection to them.

An Acting CFO was appointed in March 2018, to support the Acting CEO while the permanent appointment of the CEO was awaited. During the year under review, the Chairperson was re-instated, and he resumed his duties in December 2017. This served to strengthen the Accounting Authority, which had been without a permanent Chairperson for an extended period.

GENERAL FINANCIAL OVERVIEW

FoodBev SETA received levy income and interest totalling R384m for the year under review (2017: R387m). This represents a 1% reduction from the prior year, which was as a result of a prior-year extraordinary item, where one of the sector's biggest stakeholders had made a once-off payment emanating from a merger, this then affected the comparison levy income year on year. The increase of the current year (excluding this extraordinary item) is 4.5%. Total expenditure on grants was R266m (2017: R272m), of which R68m was spent on mandatory grants and R198m on discretionary grant payments and project administration costs.

Likewise grant expenditure decreased in the current year compared to the prior, due to once-off payments arising from retrenchments during the merger of one of the employers in the prior year, which inflated the prior-year amounts. Discretionary grants are disbursed in tranches, and subsequent tranches are dependent on the receipt of progress reports or results from employers in line with approved learning programmes.

Non-submission of progress and close-out reports by employers has a negative impact on tranche payments.

In the current year, administration expenditure was R34m (2017: R28m), which represents an 18% increase from the previous year, this is mainly due to the annual increase in employee costs (as part of filling of vacant positions), legal fees (due to various employee disputes), and IT expenses.

NEW OR PROPOSED ACTIVITIES

In response to sectoral and national priorities as indicated in goals 4, 5 and 7, FoodBev SETA will extend the following programmes to unemployed women, youth, and people living with disabilities:

- AET for the unemployed, with a focus on women and people with disabilities;
- Artisan programmes for the employed and unemployed;
- Learnership programmes for employed and unemployed people with disabilities;
- Skills programmes for the unemployed, and
- New venture creation to support new businesses.



REPORT OF THE ACTING CHIEF EXECUTIVE OFFICER

RETENTION OF SURPLUS FUNDS

FoodBev SETA submitted a detailed request to DHET and National Treasury for the retention of its previous year's surplus funds; this request is not yet approved. FoodBev SETA will continue to maintain a strong focus on scarce and critical skills identified in the skills research in the sector, and alignment with the NSDS III strategy.

SUPPLY CHAIN MANAGEMENT

FoodBev SETA has implemented effective, efficient supply-chain systems through policies and procedures that are aligned to PFMA and National Treasury Regulations. The system being used by SCM has ensured improvement in the control environment.

IMPLEMENTATION OF PREVIOUS AUDIT FINDINGS' RECOMMENDATIONS

Management continued with its previous implementation plan of addressing internal and external audit findings. The findings that have not yet been addressed will be addressed in the following year, making use of the organisation's IT unit resources. Management works closely with the internal audit and Audit and Risk Committee in order to ensure that findings are addressed timeously.

EVENTS AFTER BALANCE SHEET DATE

FoodBev SETA welcomed the Executive Authority's appointment of the new Accounting Authority, with effect from 1 April 2018.

ACKNOWLEDGEMENTS

I would like to thank the outgoing FoodBev SETA Accounting Authority, DHET, AGSA and National Treasury for their strategic guidance and leadership, which created an environment that was conducive for management and staff to continue flourishing and going to greater heights.

I wish to recognise and thank all our stakeholders for their continued contributions, and for the trust placed in FoodBev SETA staff and management in the delivery of our mandate.

As the management of FoodBev SETA, we solemnly promise to continue to improve service delivery, while increasing the number of beneficiaries within the sector. I encourage our member companies to continue turning the workplace to a training space.



Ms Nokuthula Selamolela

Acting Chief Executive Officer
July 2018

STATEMENT OF RESPONSIBILITY & CONFIRMATION OF THE ACCURACY OF THE REPORT

TO THE BEST OF MY KNOWLEDGE AND BELIEF, I CONFIRM THE FOLLOWING:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General.

The Annual Report is complete, accurate and free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.

The Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the FoodBev SETA.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information, and the Annual Financial Statements.

The Auditor-General is engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the FoodBev SETA for the financial year ended 31 March 2018.

Yours faithfully



Ms Nokuthula Selamolela
Acting Chief Executive Officer
July 2018



Mr B Mkhwanazi
Chairperson of the Accounting Authority
July 2018

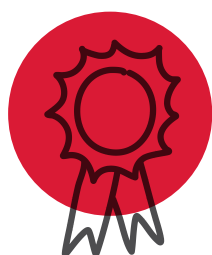


STRATEGIC OVERVIEW



OUR VISION STATEMENT

To have sufficient and appropriate knowledge and skills available in the Food and Beverage Manufacturing Sector.



OUR MISSION STATEMENT

To expand the availability and accessibility of knowledge and skills in the sector, including but not limited to, rural areas;

To establish a credible institutional mechanism that facilitates skills development with greater efficacy;

To remain relevant by providing quality learning standards and qualifications.



OUR VALUES

FoodBev SETA is committed to:

Service excellence: take pride in satisfying stakeholder needs.

Accountability: accept responsibility and delivering on our commitments.

Integrity: we act with integrity in all we do (doing what's right).

Respect: deliver on our commitments with the utmost respect towards our stakeholders.

LEGISLATIVE AND OTHER MANDATES

The FoodBev SETA falls under Schedule 3A of the Public Finance Management Act No.1 of 1999 (as amended). The SETA's mandate is derived from the Constitution of the Republic of South Africa, which gives everyone the right to education.

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

- The Standard Constitution of SETA regulations
- The Skills Development Act No. 97 of 1998 (as amended in 2008)
- The Skills Development Levies Act No. 9 of 1999
- The Sector Education and Training Authorities (SETAs) grant regulations regarding monies received by a SETA and related matters (Grant regulations)
- Regulations regarding the establishment of Sector Education and Training Authorities
- The National Qualifications Framework Act No. 67 of 2008 (as amended in August 2010)
- The Public Finance Management Act No. 1 of 1999 (as amended)
- The National Treasury Regulations governing public entities

OTHER POLICY MANDATES AND FRAMEWORKS

- National Skills Development Strategy III
- National Development Plan
- Medium-Term Expenditure Framework
- Medium-Term Strategic Framework
- Human Resources Development Strategy of South Africa
- National Skills Accord
- Industrial Policy Action Plan
- White Paper for Post-School Education and Training
- SETA Constitution and various internal policies and procedures



LEGISLATIVE AND OTHER MANDATES

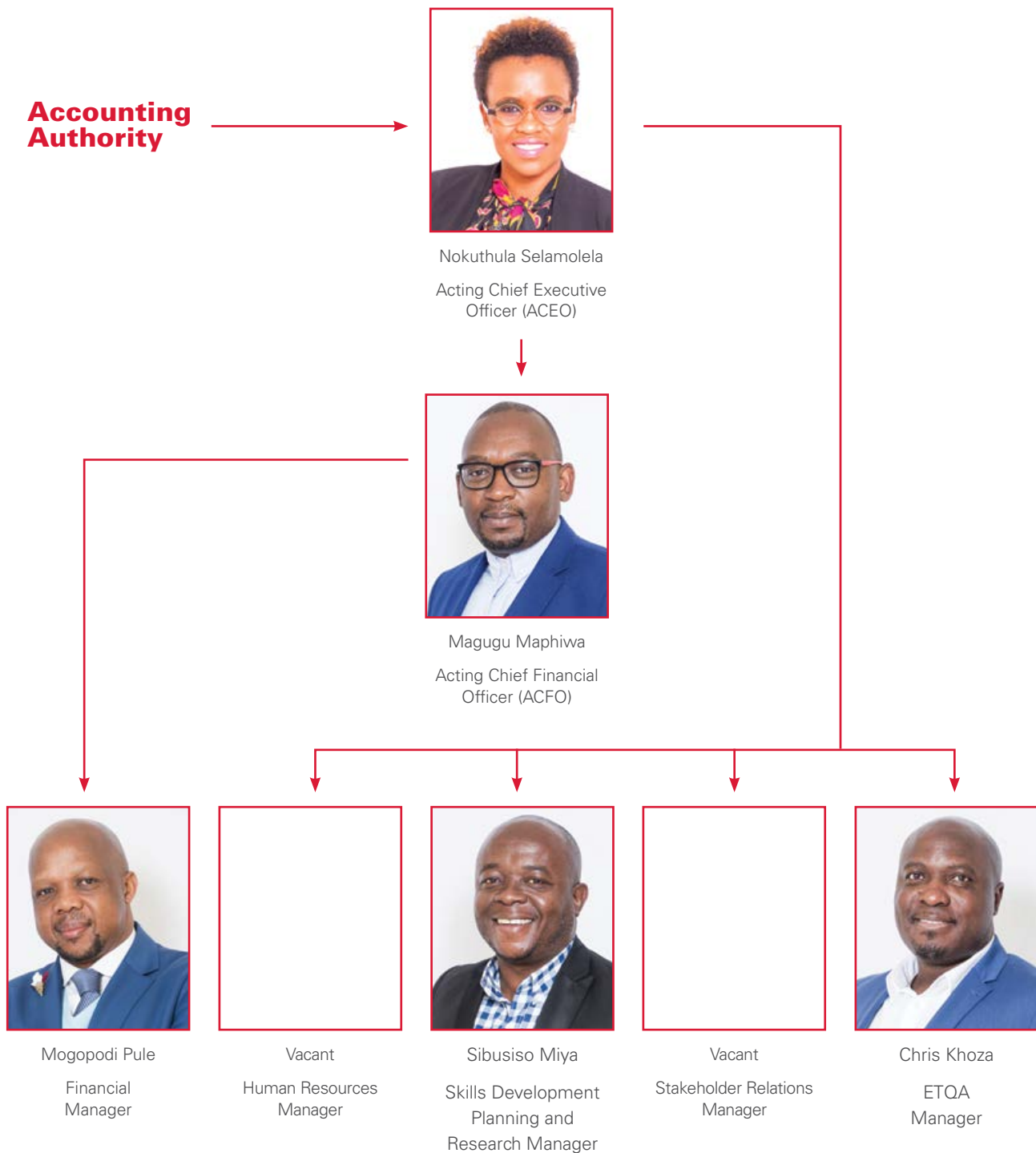
SCOPE OF COVERAGE

SIC CODE / MAIN BUSINESS DESCRIPTION

30100	Production, processing and preservation of meat, fish, fruit, vegetables, oils and fats
30110	Production, processing and preserving of meat, and meat products
30112	Manufacture of prepared and preserved meat, including sausage
30113	Production of lard and other edible fats
30120	Processing and preserving of fish and fish products
30121	Manufacture of canned, preserved and processed fish, crustaceans, and similar foods
30130	Processing and preserving of fruit and vegetables
30131	Manufacture of canned, preserved, processed and dehydrated fruit and vegetables (except soups)
30140	Manufacture of vegetable and animal oils and fats
30141	Manufacture of crude oil and oil seed cake and meal
30142	Manufacture of compound cooking fats, margarine, and edible oils
30200	Manufacture of dairy products
30201	Processing of fresh milk
30202	Manufacture of butter and cheese
30203	Manufacture of ice cream and other edible ice
30204	Manufacture of milk powder, condensed milk, and other edible milk products
30312	Manufacture of breakfast foods
30401	Manufacture of food-preparation products
30410	Manufacture of bakery products
30430	Manufacture of cocoa, chocolate and sugar confectionery
30440	Manufacture of macaroni, noodles and similar farinaceous products
30490	Manufacture of other food products not elsewhere classified
30491	Manufacture of coffee, coffee substitutes, and tea
30492	Manufacture of nut food
30499	Manufacture of spices, condiments, vinegar, yeast, egg products, soups, and other food products
30500	Manufacture of beverages
30510	Distilling, rectifying and blending of spirits, alcohol production from fermented materials, and manufacture of wine
30520	Manufacture of beer and other malt liquors and malt
30521	Breweries (except sorghum)
30522	Sorghum beer breweries
30523	Manufacture of malt
30530	Manufacture of soft drinks, production of mineral waters
30600	Manufacture of tobacco products

HIGH-LEVEL ORGANISATIONAL STRUCTURE

The FoodBev SETA high-level organisational structure is composed as follows:





PART B: PERFORMANCE INFORMATION

PROCESSED AND PRESERVED MEAT, FISH, FRUIT AND VEGETABLES.



Each Chamber has established a Chamber Committee in terms of the FoodBev SETA Constitution and made up of key industry players such as organised labour organisations and organised employer organisations drives activities of each sub-sector.

PERFORMANCE INFORMATION

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA has performed the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the AGSA's report to parliament.

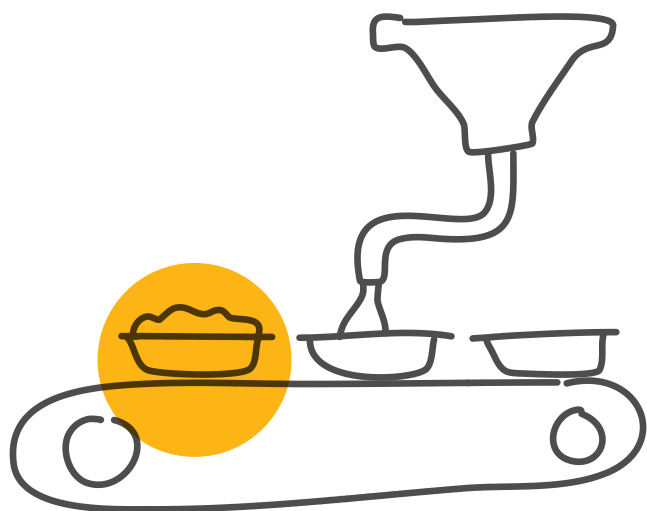
Refer to page 62 of the Report of the Auditors Report, published as Part E: Financial Information.

SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

FoodBev SETA performance for the year under review is based on its set goals as indicated in the SETA Strategy Plan, the Annual Performance Plan (APP), and the Service Level Agreement (SLA). In its APP, FoodBev SETA had set out to deliver under four programmes, 50 performance indicators. Overall, 41 were achieved, one was partially achieved, and eight were not achieved. This translates overall to 82% of targets achieved, 2% partially achieved and 16% not achieved.

The performance of FoodBev SETA in the year under review has surpassed performances of the past six financial years with 2016/2017 being the closest at 72%. The improvement in performance can be attributed to the fostered team work of management and staff under the leadership of the Acting CEO.



The success of most SETA programmes depends on its relationship with various stakeholders and also on the economic climate of most of the stakeholders. Therefore, in order for the Food and Beverage Manufacturing Sector to play its role as the pivot of skills-development in the sector, there is a need to work closely with employers, DHET, higher and further education institutions such as TVET colleges, universities and universities of technology, private training providers, and, of course, other SETAs.

However, in the year under review, most employers in the food-processing industry such as meat, beverage, maize and dairy have been affected by the persistent drought in the Cape. These conditions made it difficult for some of our stakeholders to implement SETA placement programmes.

The completion target for CBOs and NGOs was part of the 16% that was not achieved; this can be attributed to the minimal participation of these entities in the skills-development interventions. A strategy to place special focus on these will be implemented in the coming financial year.

In the year under review FoodBev SETA, like many other SETAs, experienced some challenges associated with staffing, particularly the recruitment of new talent and retention of talent already on board. These problems may partly be associated with the uncertainty of the SETA licence.

Each financial year, it has become more prevalent for host companies to cancel programmes, and this hampers organisational performance. Special projects were implemented in the year under review in order to mitigate the cancellations and to accelerate the achievement of targets. The entry requirement for the FoodBev SETA learnerships is a Grade 12; in other instances, Grade 12 should be supplemented by the addition of fundamentals. However, the food and beverage manufacturing sector has high levels of general workers in the elementary category, some of whom are illiterate or semi-literate and, therefore, do not meet the entry requirements for the learnerships. This situation is exacerbated by the lack of interest by host companies to implement AET programmes in order to afford these employees an opportunity of lifelong learning. Despite these challenges, the FoodBev SETA continued to implement its programmes with determination – innovatively and resolutely.



PERFORMANCE INFORMATION

ORGANISATIONAL ENVIRONMENT

During the 2017/2018 financial year, the organisation commenced with the organisational design process in order to review the organogram, job profiles and salary scales, and to conduct a skills audit. The Accounting Authority approved the revised structure at the end of the financial year. The objective of the organisational review was to ensure proper execution of the mandate of FoodBev SETA and to optimise its functions and resources. In addition, the Accounting Authority approved the revised performance-management policy and an organisational balanced scorecard. The policy will ensure that all employees understand their individual and organisational targets and work towards a common goal, thereby fostering a goal-orientated culture. FoodBev SETA appointed an Acting Chief Financial Officer as the current Chief Financial Officer has been the Acting Chief Executive Officer since December 2014. This appointment will ensure that the executive office is sufficiently staffed to achieve all strategic objectives.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

In the year under review, the Minister of Higher Education and Training gazetted the following regulations, regulation amendments and policies:

- 20 April 2017: National Policy for an Integrated Career Development System for South Africa;
- 29 November 2017: Amendment to regulation (14)2 of the SETA standard Constitution, and
- 12 January 2018: National Skills Development Plan (NSDP).
- In 15 December 2017, QCTO made an announcement in a formal circular that the application for accreditation on the newly registered programmes would be done via their office.

STRATEGIC OUTCOME-ORIENTATED GOALS

GOAL 1

ESTABLISH A CREDIBLE INSTITUTIONAL MECHANISM FOR SKILLS PLANNING

The Sector Skills Plan is a critical instrument for building a connected labour-market information system. It outlines current and future skills needs of the sector. Annually, FoodBev SETA gathers statistics and other relevant information on labour-market skills needs and training provision.

In the year under review, FoodBev SETA implemented the research agenda approved by the Accounting Authority in the previous financial year in preparation for the development of the SSP.

The research agenda included the following topics:

- Sector Skills Plan
- Three research reports, namely:
 - Impact studies: evaluation of apprenticeship programme;
 - Needs analysis RPL for the food and beverage manufacturing sector, and
 - Dipstick study: reasons behind cancellations of discretionary grants.

The first quarter was dedicated to wide consultation with five Chambers and other stakeholders for the development of the Food and Beverage Manufacturing Sector Skills Plan. The SSP was tabled in Parliament and later approved. Further, research was conducted in the second and third quarter. The research reports mentioned above were presented to Chambers in the fourth quarter, and will be reviewed by the incoming Accounting Authority in the following year for approval.

GOAL 2

INCREASE ACCESS TO OCCUPATIONALLY DIRECTED PROGRAMMES

NSDS III identified that South Africa's pool of intermediate skills, especially artisanal skills, was too low to support national and sectorial development. In addition, the institutes of higher learning had not produced enough appropriately skilled and qualified people in disciplines central to social and economic development. Those in employment are not keeping up with the skills needed to remain competitive in an increasingly knowledge-based economy.

In order to address the critical-and scarce-skills needs of the sector, FoodBev SETA allocated R286m (2017: R183m) for discretionary grants to improve access to higher-education institutions, TVET colleges and workplaces. The grant funding opportunities made available during the year under review encouraged employer participation. The FoodBev SETA signed MOUs with HETs and TVET colleges to provide bursaries and workplace training to enable young people to gain exposure to the world of work, and for some attain their qualification that way. In the year under review, FoodBev SETA funded 5,634 learners (employed and unemployed) through learnerships and skills programmes.

PERFORMANCE INFORMATION

Fifty-two (52) employed learners were funded on bursaries in order for them to further their studies, and 33 unemployed learners were funded through the research and innovation programme in order to obtain their master's and doctoral degrees.

Two-hundred-and-four (204) employed learners were registered in apprenticeship programmes, 439 university of technology students were provided with internships, and 528 TVET students were placed in companies as part of conditions of their qualifications. FoodBev SETA set funds aside to put 100 unemployed learners through a recognition-for-prior-learning project. This project is aimed at recognising those unemployed learners who have the required practical training, but left employment for different reasons and require certification in order for them to get back into employment.



PARTNERSHIP

ORGANISATION NAME	PROVINCE	FINANCIAL OBLIGATION	NUMBER OF LEARNERS	TYPE OF INTERVENTION
Tshwane University of Technology	Gauteng	R2.4m	40	Internship
Central University of Technology	Free State	R3m	50	Internship and Work Experience
Cape Peninsula University of Technology	Western Cape	R2.4m	40	Internship and Work Experience
Mogale City Local Municipality	Gauteng	R1.5m	40	Unemployed Learnerships (Baking)
Sol Plaatje University	Northern Cape	R3.7m	11	Bursary
University of Cape Town	Western Cape	R1.7m	20	Bursary
SAB	Gauteng	R5.7m	117	Learnerships and Bursaries

GOAL 3

PROMOTING THE GROWTH OF A PUBLIC TVET COLLEGE SYSTEM THAT IS RESPONSIVE TO SECTOR, LOCAL, REGIONAL AND NATIONAL SKILLS NEEDS AND PRIORITIES.

In the year under review, FoodBev SETA entered into various partnerships with companies, TVET colleges, HETs, and municipalities.

The purpose of these partnerships is to:

- Reach and open the sector to as many participants as possible;
- Expose and transfer industry knowledge to students and lecturers at public TVET colleges;
- Enhance delivery of education and training programmes of public TVET colleges in an effort to contribute to the employability of learners through increased relevance of programmes;
- Empower people living with disability through a partnership with SAB, with
- Empower and grow women entrepreneurs through the partnership with the Department of Women.

A number of the employers opened their doors to TVET Colleges for partnerships:

PERFORMANCE INFORMATION

A number of employers opened their doors to TVET colleges for partnerships:

NAME OF TVET COLLEGE	HOSTING COMPANY
Northlink College	Oceana
Capricorn College	SAB
Vhembe College	Limpopo Dairy
Tshwane South College	Wafer King
Vuselela College	United National Breweries

Performance against this objective has been minimal; however, these partnerships have been beneficial for both parties, and feedback provided to FoodBev SETA has been positive, with host companies expressing continued support going forward. Companies have begun to build strong relationships with TVET colleges with regard to workplace-exposure programmes for students, and information sharing related to industry requirements for best chances of employment. Challenges have come from TVET colleges that have not committed to release lecturers for work experience and information sharing. This delayed implementation and may lead to companies requesting other TVETs to be contracted, as full co-operation is required in order to complete the partnership project.

List of all partnership entered in 2017/2018

ORGANISATION NAME	PROVINCE	FINANCIAL OBLIGATION	NUMBER OF LEARNERS	TYPE OF INTERVENTION
Ekurhuleni East TVET College	Gauteng	R2.8m	80	TVET Placement
Ekurhuleni West College	Gauteng	R88k	n/a	TVET Lecturer capacity/ Guest Lecturer
South West Gauteng TVET College	Gauteng	R88k	n/a	TVET Lecturer capacity/ Guest Lecturer
Sedibeng TVET College	Gauteng	R88k	n/a	TVET Lecturer capacity/ Guest Lecturer
Mnambithi TVET College	KwaZulu-Natal	R88k	n/a	TVET Lecturer capacity/ Guest Lecturer
Tshwane South TVET College	Gauteng	R88k	n/a	TVET Lecturer capacity/ Guest Lecturer
Vuselela TVET College	North West	R88k	n/a	TVET Lecturer capacity/ Guest Lecturer
Capricorn TVET College	Limpopo	R88k	n/a	TVET Lecturer capacity/ Guest Lecturer
Northlink TVET College	Western Cape	R88k	n/a	TVET Lecturer capacity/ Guest Lecturer
Vhembe TVET College	Limpopo	R88k	n/a	TVET Lecturer capacity/ Guest Lecturer

PERFORMANCE INFORMATION

GOAL 4

ADDRESSING THE LOW LEVEL OF YOUTH AND ADULT LANGUAGE AND NUMERACY SKILLS TO ENABLE ADDITIONAL TRAINING

The objective of AET is to support employees to participate in AET programmes and increase their levels of literacy and numeracy. Although the programme aims to provide participants with improved prospects of gaining access to the next level of their qualifications and opportunities, there is still stigma attached to the programme. Hence, over the past five years, enrolment on the programme has decreased.

During the reporting period, FoodBev SETA funded 428 learners compared to last year's 260 learners.

GOAL 5

ENCOURAGE BETTER USE OF WORKPLACE-BASED SKILLS DEVELOPMENT

During the last quarter of the year under review, FoodBev SETA conducted training workshops for all Skills Development Facilitators to ensure submission of quality WSPs and ATRs, and facilitated other stakeholders in the areas of accreditation, mandatory grants, discretionary grants and application for special projects that contribute towards the national priorities. SME submission of Annexure II remains a challenge. In order to mitigate the risk of low submissions in the new financial year, FoodBev SETA has identified all small-levy paying companies eligible for submitting WSPs (i.e. Annexure II) but not participating in the WSP submissions.

These companies were invited to the stakeholder-capacity workshops held in February 2018 and March 2018 in preparation for the submission of Annexure II/WSP for the new financial year.

GOAL 6

ENCOURAGING AND SUPPORTING COOPERATIVE, NON-LEVY PAYING SMALL ENTERPRISES, NGOS, AND COMMUNITY-BASED TRAINING INITIATIVES

FoodBev SETA recognises the key role that SMEs, CBOs Co-operatives and NGOs can play to create opportunities for the unemployed and to empower communities through skills development.

In the year under review, FoodBev SETA allocated R2m to training initiatives for support-skills development in these sectors, which resulted in 435 learners enrolled in quality-worker-skills development, education and training programmes.

GOAL 7

INCREASING PUBLIC-SECTOR CAPACITY FOR IMPROVED SERVICE DELIVERY AND SUPPORTING THE BUILDING OF A DEVELOPMENTAL STATE.

This goal relates mostly to the DHET rather than FoodBev SETA and, therefore, was not included as part of the strategic goals.

GOAL 8

BUILDING CAREER AND VOCATIONAL GUIDANCE

Information on career development is readily available through various media channels and life orientation. However, through conducting school talks and exhibitions, FoodBev SETA realises that face-to-face interaction is the better medium in which to communicate the career information required in the sector.

That said, school visits are important for creating a familiar and comfortable environment for interaction and fact finding, and learners were engaged using this mechanism. During the reporting period, FoodBev SETA conducted 30 school visits and exhibitions across all nine provinces.

In November 2017, FoodBev SETA attended the launch of the Career Development Services' workshop, career-help app and website. The framework for the career-development service, which promotes collaboration, was also presented to all delivery partners.



PERFORMANCE INFORMATION

GOAL 9

IMPROVE EFFECTIVENESS AND EFFICIENCY FOR AN OPTIMALLY FUNCTIONING SETA

The purpose of the programme is to provide a budget allocation of 10% of the SETA income to the management and administration of FoodBev SETA.

The programme consists of Strategic Objective 9.1: To improve financial and human resource management of FoodBev SETA, including the information technology environment of the SETA, which is further broken down into five outputs, namely:

- Integration and progressive corporate service offerings that enhance organisational efficiency, productivity, and staff development in line with regulatory requirements;
- Integrated marketing and communication strategy and FoodBev SETA brand-management activities;
- Established effective and efficient internal control processes;
- An integrated ICT system in place; and
- Integrated marketing and communication policy.

Almost all targets were achieved for this indicator, except the second last – an integrated ICT system. In this regard, at the close of the financial year, FoodBev SETA had sourced and evaluated bids for a service provider to assist the SETA with these services. The most significant achievement in terms of this objective was the completion of the first phase of FoodBev SETA's organisation redesign, which resulted in the split of what was known as the Corporate Service Unit into the Human Resources and Stakeholder Management Units. An updated communication policy and strategy was approved to support the SETA targets for the new financial year.

GOAL 10

ESTABLISH AND MAINTAIN EFFECTIVE QUALITY ASSURANCE MECHANISMS

The primary purpose of Education and Training Quality Assurance (ETQA) is to implement QCTO-delegated functions that include, among others, accreditation of training providers, development of occupational qualifications, and monitoring and evaluation of training providers.

The ETQA is also responsible for assisting with completing of funded programmes. The targets for learnerships and skills programmes have been exceeded in the year under review due to accelerated monitoring of host and training providers.

ASSESSMENT QUALITY PARTNER STATUS

FoodBev SETA ETQA has been given the Assessment Quality Partner status for the developed Dairyman qualification yet to be registered by SAQA. This means that FoodBev SETA will be the only entity responsible for the assessment of the learners trained in the Dairyman category.

QUALIFICATION DEVELOPMENT

FoodBev SETA has developed and submitted four (4) qualifications for approval by QCTO and registration by SAQA. The four (4) qualifications are Dairyman, Confectionery Baking, Process Machine Operator and Wine Maker Assistant. The SETA is in the process of realigning the Lab Analyst qualification that will be submitted to QCTO in the first week of August. All the qualifications submitted are yet to be registered by SAQA.

ACCREDITATION

During the year under review, FoodBev SETA ETQA has accredited 21 training Providers. Fourteen of these are owned by historically disadvantaged individuals. Programme approval was given to 18 training providers.

MODERATIONS

Eighty-nine (89) internal moderators have been registered in the FoodBev SETA database in this financial year. About 169 external moderations of learnerships and skills programmes were conducted. A special fund to accelerate close-out reports of old programmes in the Commitment Register was set aside, and this led to a close out of a sizeable number of these old programmes.

CERTIFICATION

The FoodBev SETA ETQA has issued 1,801 certificates in the year under review. Endorsement Letters numbering 1,276 were awarded to learners who had completed a skills programme.

PERFORMANCE INFORMATION

MONITORING AND EVALUATION

The monitoring of host-company-training progress takes place by means of desktop assessments and site visits. In the year under review, about 94 site visits were conducted.

Although the site visit target for 2017/2018 was met and exceeded, the following challenges were encountered in the 2017/2018 financial year:

- Lack of preparation for site visits from some employers;
- Non-response to FoodBev SETA communication regarding learner progress, i.e. learners behind schedule, terminations, etc.; and
- Non-adherence to submission due date for learner progress documentation.

These challenges made it difficult for FoodBev SETA to keep an updated Commitment Register or updated learner records.

This also led to final tranche payments not being paid, as learner documentation was not received timeously.

FoodBev SETA plans to host quarterly stakeholder meetings where these challenges will be addressed and solutions can be achieved.



PERFORMANCE INFORMATION BY PROGRAMME

PERFORMANCE TABLES PER PROGRAMME (ENTERED AND COMPLETED):

The following grid explains deviation in percentages:

- 100%– denotes that the target has been achieved or exceeded by end of financial year.
- 75%– 99%– denotes that the annual target was almost achieved, based on substantial progress made by end of financial year.
- 50%– 74% – denotes that the target has not been achieved, but steps were taken to achieve the target. Non-achievement may be attributed to other factors that might have been beyond the SETA's control.
- 0– 49%– denotes that the target has not been achieved, and mitigating factors will be implemented in the new year to address the shortcomings that have been identified.

PROGRAMME 1: ADMINISTRATION AND SUPPORT

STRATEGIC OUTCOME-ORIENTATED GOAL 9 IMPROVE EFFECTIVENESS AND EFFICIENCY FOR AN OPTIMALLY FUNCTIONING SETA							
Strategic Objective 9.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
To improve financial and human resource management of FoodBev SETA, including the information technology environment of the SETA	Approved HR plan	1	1	0	–1	–	Target not met. FoodBev SETA initiated an organisational design project which was completed at the end of the 2017/2018 financial year
	Approved Marketing and Communication Strategy	0	1	1	–	100	Achieved
	Approved Marketing and Communication Policy	Target was not a reporting indicator in this financial year	1	1	–	100	Achieved

PERFORMANCE INFORMATION BY PROGRAMME

STRATEGIC OUTCOME-ORIENTATED GOAL 9 IMPROVE EFFECTIVENESS AND EFFICIENCY FOR AN OPTIMALLY FUNCTIONING SETA							
Strategic Objective 9.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
To improve financial and human resource management of FoodBev SETA including the information technology environment of the SETA	Approved Strategic Risk Register	1 x approved strategic risk register	1	1	–	100	Achieved
	Approved IT Strategic Plan	1 x approved disaster recovery plan	1	–	–1	–	Review of the IT strategic plan will be done when the IT resource is appointed

PROGRAMME 2: SKILLS PLANNING, DEVELOPMENT AND RESEARCH

STRATEGIC OUTCOME-ORIENTATED GOAL 1 ESTABLISH A CREDIBLE INSTITUTIONAL MECHANISM FOR SKILLS PLANNING							
Strategic Objective 1.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
To have a robust, reliable and well-researched Sector Skills Plan	An approved SSP	1 x updated SSP	1	1	0	100	Achieved
	Number of research reports completed that inform sector planning	Target was not a reporting indicator in this financial year	6	0	–6	–	Target not met due to limited capacity. There were two senior resignations in the unit during the year under review, which resulted in reports being reviewed by stakeholders in Quarter 4

PERFORMANCE INFORMATION BY PROGRAMME

PROGRAMME 2: SKILLS PLANNING, DEVELOPMENT AND RESEARCH

STRATEGIC OUTCOME-ORIENTATED GOAL 2 INCREASING ACCESS TO OCCUPATIONALLY DIRECTED PROGRAMMES							
Strategic Objective 2.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
To support employed and unemployed learners to enter and be certified in various learning programmes that address the scarce and critical skills in the food and beverage manufacturing sector	Number of employed learners registered on learnerships	1 576	1 600	1 869	+269	121	Target has been exceeded due to more companies submitting their WSPs, which resulted in more companies participating in discretionary grants
	Number of unemployed learners registered on learnerships	1 518	1 500	2 152	+652	143	Target has been exceeded due to more companies submitting their WSPs, which resulted in more companies participating in discretionary grants
	Number of employed learners registered on skills programmes	1 079	1 200	1 466	+266	122	Target has been exceeded due to more companies submitting their WSPs, which resulted in more companies participating in discretionary grants

PERFORMANCE INFORMATION BY PROGRAMME

STRATEGIC OUTCOME-ORIENTATED GOAL 2 INCREASING ACCESS TO OCCUPATIONALLY DIRECTED PROGRAMMES							
Strategic Objective 2.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
To support employed and unemployed learners to enter and be certified in various learning programmes that address the scarce and critical skills in the food and beverage manufacturing sector	Number of employed students funded through bursaries in higher education institutions	207	150	197	+47	131	Target has been exceeded due to more companies submitting their WSPs, which resulted in more companies participating in discretionary grants
	Number of students supported through the research and innovation bursary programme	18	30	33	+3	110	Target has been exceeded due to more companies submitting their WSPs, which resulted in more companies participating in discretionary grants
	Number of apprentices registered on apprenticeship programmes	169	181	204	+23	113	Target has been exceeded due to more companies submitting their WSPs, which resulted in more companies participating in discretionary grants

PERFORMANCE INFORMATION BY PROGRAMME

STRATEGIC OUTCOME-ORIENTATED GOAL 2 INCREASING ACCESS TO OCCUPATIONALLY DIRECTED PROGRAMMES							
Strategic Objective 2.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
To support employed and unemployed learners to enter and be certified in various learning programmes that address the scarce and critical skills in the food and beverage manufacturing sector	Number of students from universities of technology registered on internship programme	319	600	425	-175	71	Target was not met, due to non-availability of mentors and resources in companies to effectively implement this programme
	Number of graduates placed in companies to gain work experience	300	400	545	+145	136	Target has been exceeded due to more companies submitting their WSPs, which resulted in more companies participating in discretionary grants
	Number of TVET students placed at workplaces	451	380	503	+123	133	Target has been exceeded due to more companies submitting their WSPs, which resulted in more companies participating in discretionary grants

PERFORMANCE INFORMATION BY PROGRAMME

The numbers in the table below are industry funded, however, the enrolment and registration process is done by FoodBev SETA.

SECTOR-FUNDED ENTERED ACHIEVEMENTS FOR GOAL 2						
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
Number of employed learners registered on learnerships	0	0	68	+68	100	Achieved through sector funding
Number of unemployed learners registered learnerships	0	0	43	+43	100	Achieved through sector funding
Number of employed learners registered on skills programmes	0	0	36	+36	100	Achieved through sector funding
Number of TVET students placed at workplaces	0	0	3	+3	100	Achieved through sector funding

STRATEGIC OUTCOME-ORIENTATED GOAL 4 ADDRESSING THE LOW LEVEL OF YOUTH AND ADULT LANGUAGE AND NUMERACY SKILLS TO ENABLE ADDITIONAL TRAINING							
Strategic Objective 4.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
To support the AET-training intervention that enables intermediate and high-level learning	Number of employees registered on AET programmes	260	250	428	+178	171	Target has been exceeded due to more companies submitting their WSPs, which resulted in more companies participating in discretionary grants

PERFORMANCE INFORMATION BY PROGRAMME

STRATEGIC OUTCOME-ORIENTATED GOAL 5 ENCOURAGING BETTER USE OF WORKPLACE-BASED SKILLS DEVELOPMENT							
Strategic Objective 5.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
Provision of continuous training to improve overall productivity and performance of the food and beverage manufacturing sector (quality WSPs and ATRs)	Number of companies evaluated and approved for work-based training	Large companies – 185	Large companies – 180	Large companies – 214	+34	119	Target exceeded due to improved advocacy and stakeholder engagement
		Medium companies – 181	Medium companies – 180	Medium companies – 192	+12	107	Target exceeded due to improved advocacy and stakeholder engagement
		Small companies – 220	Small companies – 270	Small companies – 266	-4	99	Target was not met due to low submission rate of WSPs by small companies

STRATEGIC OUTCOME-ORIENTATED GOAL 6 ENCOURAGING AND SUPPORTING CO-OPERATIVES, SMALL ENTERPRISES, WORKER-INITIATED, NGO AND COMMUNITY-TRAINING INITIATIVES							
Strategic Objective 6.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
To increase participation of NLPEs, NGOs, CBOs and co-operatives in the food and beverage sector by facilitating training that will lead to their sustainability	Number of participants from small businesses supported through skills programmes	51	200	387	+187	194	Target exceeded due to improved advocacy and stakeholder engagement

PERFORMANCE INFORMATION BY PROGRAMME

STRATEGIC OUTCOME-ORIENTATED GOAL 6 ENCOURAGING AND SUPPORTING CO-OPERATIVES, SMALL ENTERPRISES, WORKER-INITIATED, NGO AND COMMUNITY-TRAINING INITIATIVES							
Strategic Objective 6.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
To increase participation of NLPs, NGOs, CBOs and co-operatives in the food and beverage sector by facilitating training that will lead to their sustainability	Number of participants from non-profit organisations supported through skills programmes	–	100	38	-62	38	Target was not met due to low uptake of this programme by the non-profit organisations in the sector
	Number of participants from community-based organisations supported through skills programmes	53	60	10	-50	17	Target was not met due to low uptake of this programme by community-based organisation in the sector

STRATEGIC OUTCOME-ORIENTATED GOAL 8 BUILDING CAREER AND VOCATIONAL GUIDANCE							
Strategic Objective 8.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
To create awareness among youth through the conducting of career-guide events that will facilitate entry into careers that are scarce and critical in the food and beverage manufacturing sector	Number of career-orientated events hosted by FoodBev SETA in order to reach youth through career-development awareness programmes and distribution of career guides	25	25	30	+5	120	Target has been exceeded due to FoodBev SETA hosting and participating in more career events than planned, and the availability of funds

PERFORMANCE INFORMATION BY PROGRAMME

COMPLETION TARGET FOR THE ABOVE PROGRAMME 2:

The indicator of performance per programme is based on the number of learners that completed learning programmes (certificated in other instances). The target for completion is usually half of the target number for those entered. It should be noted that learners enrolling in one reporting year might be certificated only in the following year or years. Therefore, the following learner-certification statistics for employed and unemployed learner skills-development projects has been analysed only on 'targets and actuals for certificated learners:

FOODBEV SETA FUNDED COMPLETION ACHIEVEMENTS FOR GOAL 2

STRATEGIC OUTCOME-ORIENTATED GOAL 2						
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
* Number of employed learners certified on learnership	822	800	759	-41	95	Target not met, due to extensions of learning programme end date, as well as terminations
* Number of unemployed learners certified on learnership	953	750	863	+105	115	Target exceeded due to an accelerated moderation drive to finalise exit reports in order to complete and certify learners
* Number of employed learners certified on skills programmes	1 214	600	694	+493	116	Target exceeded due to an accelerated moderation drive to finalise exit reports in order to complete and certify learners
* Number of employed students who completed through bursaries in higher-education institutions in the reporting period	162	80	177	+97	221	Target exceeded due to a combination of current and previous financial year learners completing in the new year
* Number of students who completed through research and innovation bursary programme	0	15	18	+3	120	Target exceeded due to a combination of current and previous financial year learners completing in the new year
* Number of students from universities of technology who completed an internship programme	204	300	302	+2	101	Target exceeded due to a combination of current and previous financial year learners completing in the new financial year, as well as accelerated site visits and closer monitoring of companies
* Number of HET graduates who completed work experience	53	200	205	+5	103	Target exceeded due to a combination of current and previous financial year learners completing in the new financial year, as well as accelerated site visits and closer monitoring of companies

PERFORMANCE INFORMATION BY PROGRAMME

FOODBEV SETA FUNDED COMPLETION ACHIEVEMENTS FOR GOAL 2 (*Continued*)

STRATEGIC OUTCOME-ORIENTATED GOAL 2						
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
* Number of TVET students who completed an experiential training programmes	62	190	275	+85	145	Target exceeded due to a combination of current and previous financial year learners completing in the new financial year, as well as accelerated site visits and closer monitoring of companies
* Number of apprentices certified as artisans	77	80	84	+4	105	Target exceeded as learners from prior years underwent trade tests and succeeded

* The performance indicators were incorrectly captured as entered targets instead of completion targets in the APP.

The numbers in the table below are industry funded, however, the training quality assurance that involves monitoring and evaluation, moderations and certification is done by FoodBev SETA.

SECTOR FUNDED COMPLETION ACHIEVEMENTS FOR GOAL 2						
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
Number of employed learners certified on learnerships	0	0	74	+74	100	Achieved through sector funding
Number of unemployed learners certified learnerships	0	0	105	+105	100	Achieved through sector funding
Number of employed learners certified on skills programmes	0	0	582	+582	100	Achieved through sector funding
Number of employees certified on AET programmes	128	100	208	+108	208	Target exceeded due to a combination of current and previous financial year learners completing in the new financial year, as well as accelerated site visits and closer monitoring of companies

PERFORMANCE INFORMATION BY PROGRAMME

COMPLETION TARGET FOR GOAL 6

STRATEGIC OUTCOME-ORIENTATED GOAL 6						
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
* Number of participants from small businesses who completed skills programmes	–	200	74	-124	37	Target not met. Training commenced in the last quarter, therefore learners will complete in the new financial year.
* Number of participants from non-profit organisations who completed skills programmes	–	100	33	-67	33	Target was not met due to low uptake of this programme by the non-profit organisation in the sector.
* Number of participants from community-based organisations who completed skills programmes	–	60	0	-60	0	Target was not met due to low uptake of this programme by community-based organisation in the sector.

COMPLETION TARGET FOR GOAL 8

STRATEGIC OUTCOME-ORIENTATED GOAL 8						
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
* Number of career events hosted and completed by FoodBev SETA in order to reach youth through career-development awareness programmes and distribution of career guides	25	25	30	+5	120	Target has been exceeded due to FoodBev SETA participating in more career events than planned

* The performance indicators were incorrectly captured as entered targets instead of completion targets in the APP.

PERFORMANCE INFORMATION BY PROGRAMME

PROGRAMME 3: PARTNERSHIPS

PERFORMANCE AGAINST THE TARGET

STRATEGIC OUTCOME-ORIENTATED GOAL 3 PROMOTING THE GROWTH OF A PUBLIC TVET COLLEGE SYSTEM THAT IS RESPONSIVE TO SECTOR, LOCAL, REGIONAL AND NATIONAL SKILLS NEEDS AND PRIORITIES							
Strategic Objective 3.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
Partnerships between the SETA, employers and public TVET colleges are formed to assist TVET colleges with placement and also to increase capacity of lecturers to meet industry needs	Number of TVET partnerships signed for placements	5	6	6	0	100	Achieved
	Number of TVET lecturers placed with employers for capacity building	0	12	12	0	100	Achieved
	Number of partnerships signed with employers for skills- development programmes	5	6	6	0	100	Achieved
	Number of host company guest-lectures conducted	0	6	6	0	100	Achieved
	Number of partnerships with universities signed for skills- development programmes	4	3	3	0	100	Achieved

PERFORMANCE INFORMATION BY PROGRAMME

COMPLETION TARGET FOR GOAL 3:

STRATEGIC OUTCOME-ORIENTATED GOAL 3						
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
Number of TVET partnerships signed	–	6	6	0	100	Achieved
Number of TVET lecturers placed with employers for capacity building	–	12	12	0	100	Achieved
Number of host company guest-lectures conducted	–	6	4	-2	80	Target not met due to conflicting schedules of the TVET colleges and host companies
Number of partnerships signed with employers for skills-development programmes	–	6	6	0	100	Achieved
Number of partnerships with universities signed for skills-development programmes	–	3*	3	0	100	Achieved

* Target was incorrectly captured in the APP as 7 instead of 3, which is in line with entered target.

PERFORMANCE INFORMATION BY PROGRAMME

PROGRAMME 4: QUALITY ASSURANCE

STRATEGIC OUTCOME-ORIENTATED GOAL 3 PROMOTING THE GROWTH OF A PUBLICVET COLLEGE SYSTEM THAT IS RESPONSIVE TO SECTOR, LOCAL, REGIONAL AND NATIONAL SKILLS NEEDS AND PRIORITIES							
Strategic Objective 3.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
To ensure the establishment of necessary capacity for effective quality assurance, monitoring, evaluation and support to the entire skills-development system and all its intervention strategies. To create a clear framework and organisational mechanism that will be used to undertake effective quality management, monitoring, evaluation and support.	Number of companies visited annually in order to conduct training and learning verification	80	80	94	+14	118	Target exceeded due to accelerated site visits and closer monitoring of companies with challenges

STRATEGIC OUTCOME-ORIENTATED GOAL 10 ESTABLISH AND MAINTAIN EFFECTIVE QUALITY ASSURANCE MECHANISMS							
Strategic Objective 10.1	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation	Actual Achievement by %	Comments
Number of companies visited annually in order to conduct training and learning verification	Number of companies visited annually in order to conduct training and learning verification	0	80	94	+14	118	Target exceeded due to accelerated site visits and closer monitoring of companies with challenges

PERFORMANCE INFORMATION BY PROGRAMME

LINKING PERFORMANCE WITH BUDGETS

PROGRAMME/ ACTIVITY/ OBJECTIVE	2016/2017			2017/2018		
	BUDGET	ACTUAL EXPENDITURE	(OVER)UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	39 117	28 454	10 663	42 051	33 666	8 385
Mandatory Grants	63 331	78 398	(15 067)	66 479	67 770	(1 291)
Discretionary Grants	267 854	183 350	84 806	286 432	185 076	101 356
Projects Administration	27 855	11 002	16 551	27 335	13 099	14 236
Total	398 157	301 204	96 953	422 297	299 611	122 686

PERFORMANCE INFORMATION BY PROGRAMME

REVENUE COLLECTION

SOURCES OF REVENUE	2016/2017			2017/2018		
	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER) UNDER COLLECTION	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER) UNDER COLLECTION
	R'000	R'000	R'000	R'000	R'000	R'000
Fines and Penalties	–	10 930	10 930	–	8 083	8 083
Skills Development Levy **	298 030	341 435	434 405	320 411	264 944	(55 467)
Interest received – investment	24 000	35 102	11 102	32 385	41 012	8 627
Transfer from retained income	76 127	–	(76 127)	69 501	69 501	–
Other income	–	–	–	–	383	383
Total	398 157	387 467	(10 690)	422 297	383 923	(38 374)

** The actual amounts collected in the current year compared to the prior year are lower due to the merger of one of the employers in the prior year, which inflated the prior-year collected amounts.

4.1. CAPITAL INVESTMENT

Capital investment consists of only the following:

- Fixed assets required for administration of the FoodBev SETA, and
- All excess funds not immediately required for operations are transferred to the CPD account held with Reserve Bank.

The acquisition, implementation, and management of the above are achieved through the sound policies and procedures of the FoodBev SETA. Where fixed assets are deemed not to result in an inflow of economic benefits to the FoodBev SETA, these are assessed for impairment and donated to different entities upon approval by the Accounting Authority. The asset register is reviewed and updated regularly, and redundant assets are included in the disposal list, while stolen assets are written off. In the year under review, old assets that were not in use were donated to various institutions or sold to employees through an auction process.

During the current year FoodBEV SETA acquired capital assets to the value of R3.5 million and intangible assets of R105 000.



PART C: GOVERNANCE

BEVERAGE MANUFACTURING

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

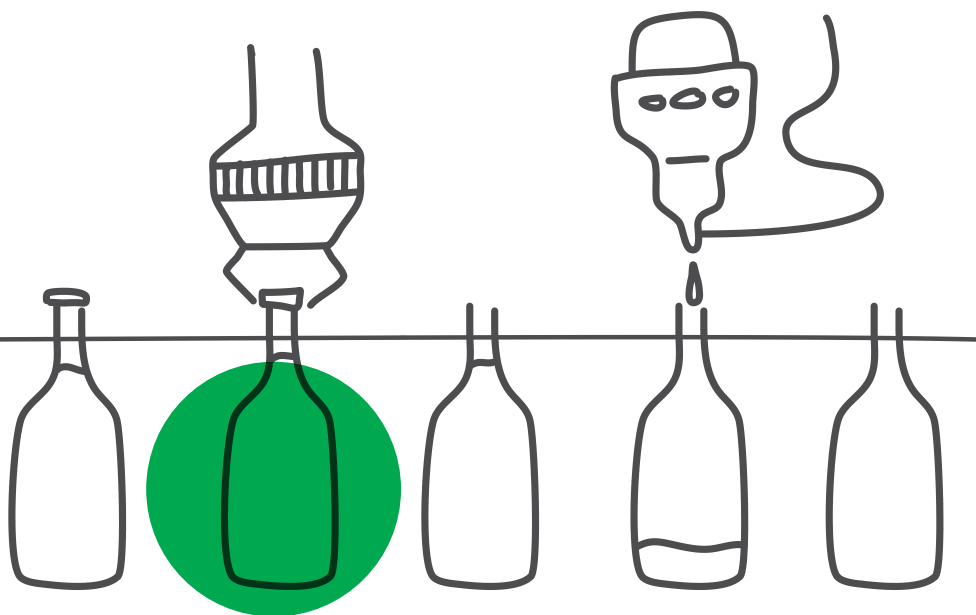


INTRODUCTION

The FoodBev SETA is a public entity established in terms of Schedule 3A of the Public Finance Management Act (PFMA).

FoodBev SETA is one of the 21 Sector Education and Training Authorities (SETAs) established by the Minister of Higher Education and Training through the amended Skills Development Act of 1998.

The FoodBev SETA is governed by its SETA Constitution.





ACCOUNTING AUTHORITY MEMBERS

Organised Employers



Geoff Penny
Baking, Cereals,
Confectionery and
Snacks Chamber



Mary-Lou Harry
Processed Foods and
Preserved Meat, Fish, Fruit
and Vegetables Chamber



Richard Hutton
Dairy Manufacturing
Chamber



Trevor Van Wyk
Beverage Manufacturing
Chamber



Gehardus Hamman
Manufacture of Food
Preparation Products
Chamber

Independent Members



Nthabeleng Zondo
Community Organisation



Mapule Ncanywa
Professional Body



Tom Blessing Mkhwanazi
Chairperson



Organised Labour



Andile Nkosibomvu
FEDCRAW



Carmen De Wee
FAWU



Raymond Mnguni
FAWU



Katishi Masemola
FAWU



Nolubabalo Maqungo
FAWU



Nqobile Tshabangu
NUFBWSAW



GOVERNANCE

2. PORTFOLIO COMMITTEES

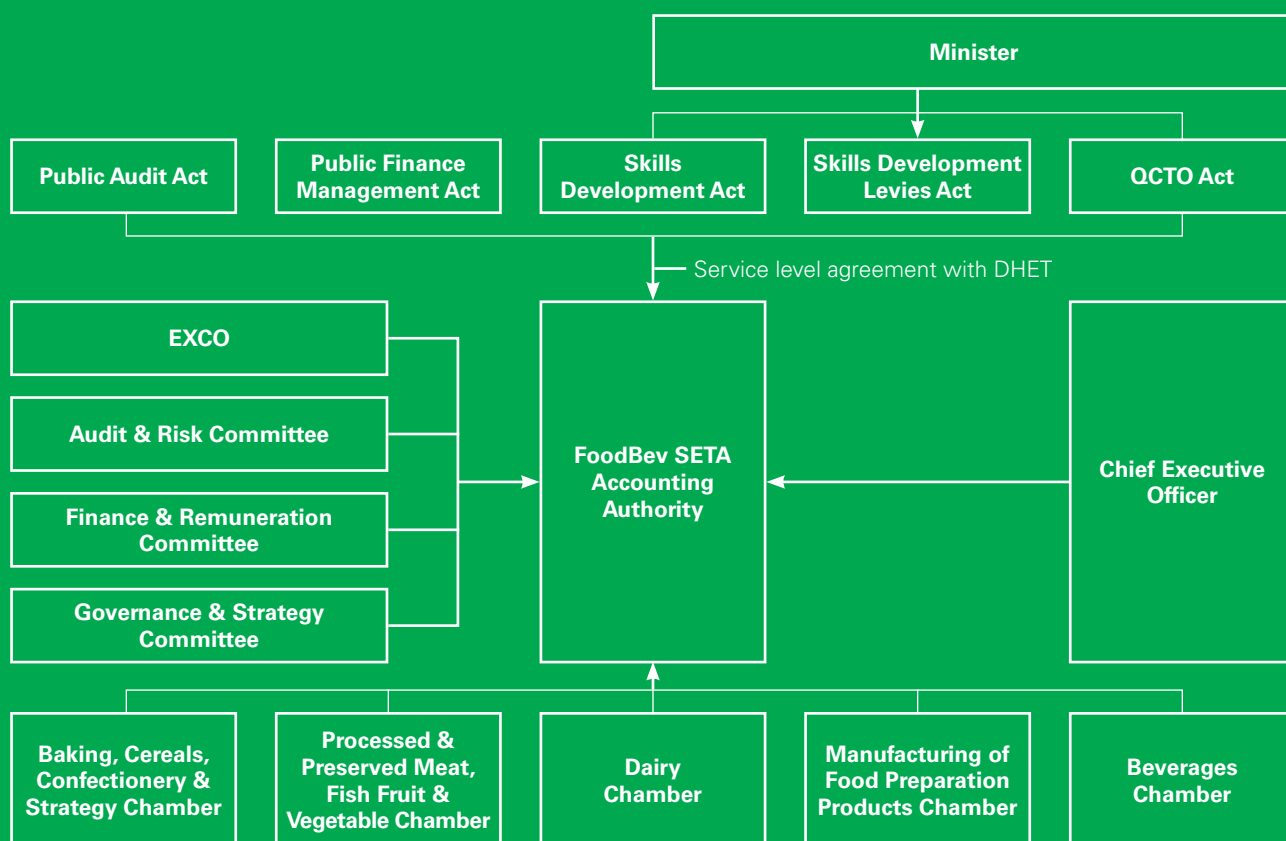
FoodBev SETA hosted Parliament's Higher Education and Training Oversight Committee on 4 August 2017 at the Rivonia office. The purpose of the oversight visit was to assess the Strategic Plan 2017-2018 and Annual Performance Plan 2017-2018 to determine its alignment with government's policy priorities, as well as to PFMA and other legislation.

3. EXECUTIVE AUTHORITY

Executive Authority in the SETA environment rests with the Minister of Higher Education and Training. It is the Minister who appoints members of the Accounting Authority. In addition, the Minister determines its remuneration as per the tariffs of the National Treasury. All compliance documents required by the Executive Authority were submitted on time.

Quarterly reports were submitted to both National Treasury and DHET in accordance with the PFMA and compliance requirements. DHET conducted verification visits at FoodBev SETA, and all issues raised during the visit reports were addressed by close of business.

FOODBEV SETA VALUE CHAIN



GOVERNANCE

4. THE ACCOUNTING AUTHORITY

The Accounting Authority (AA) is responsible for directing, administering and controlling the affairs of the SETA in a transparent, fair and responsible manner. The Accounting Authority is supported by various committees to carry out the oversight role of ensuring that the activities of the entity are managed in the manner that is consistent with the ethical leadership and values of FoodBev SETA. The roles and responsibilities of the Accounting Authority and each Sub-Committee are set out in the Constitution and Delegation of Authority of the SETA.

The main responsibility of the Accounting Authority is to take decisions on any matter related to the performance of its functions in terms of the Skills Development Act, PFMA and make the SETA Constitution. All Accounting Authority members adhere to their fiduciary responsibilities and the need for acting in the best interest of the organisation when making decisions. All Accounting Authority members understand that they are both individually and collectively liable for all decisions made and actions taken by them during their term of office.

4.1 COMPOSITION OF THE ACCOUNTING AUTHORITY:

In the year under review the Accounting Authority was composed of 15 members, including the Chairperson, and was constituted as follows:

- a) Levy-Paying Employers / Organised Employer – six representatives
- b) Representative Trade Unions / Organised Labour – six representatives
- c) Independent – three representatives (including Chairperson)

There were three vacancies that were not filled during the term of the Accounting Authority that served FoodBev SETA from 1 April 2011 to 31 March 2018. Nominations of new Accounting Authority members were received, evaluated and recommended to the Department of Higher Education and Training (DHET) for further evaluation.

The Department of Higher Education and Training communicated all appointments to members before the end of the financial year. The incoming Accounting Authority's term commenced on 1 April 2018 as reported in events after the reporting date.

NEW ACCOUNTING AUTHORITY AS FROM 1 APRIL 2018

Name	Designation (in terms of the Public Entity Accounting Authority structure)	
Blessing Mkhwanazi	New	Independent Chairperson
Geoff Penny	Retained	Accounting Authority member
Trevor Van Wyk	New	Accounting Authority member
Gerhardus Hamman	Retained	Accounting Authority member
Richard Hutton	New	Accounting Authority member
Mary-Lou Harry	New	Accounting Authority member
Mapule Ncanywa	New	Accounting Authority member
Nthabeleng Zondo	New	Accounting Authority member
Raymond Mnguni	Retained	Accounting Authority member
Katishi Masemola	New	Accounting Authority member
Andile Nkosibomvu	Retained	Accounting Authority member
Nqobile Tshabangu	Retained	Accounting Authority member
Nolubabalo Maqungo	New	Accounting Authority member
Carmen De Wee	New	Accounting Authority member

GOVERNANCE

4.2 GOVERNANCE MEETINGS

4.2.1 MONTHLY ACCOUNTING AUTHORITY AND SUB-COMMITTEE MEETINGS

In the year under review, meetings of the Accounting Authority and its Sub-Committee took place every quarter, and special meetings were convened as and when required. EXCO meetings were scheduled monthly (except during months when there was an Accounting Authority meeting or when there were no issues for discussion).

During the year under review, the Accounting Authority held 15 meetings constituted as follows:

- Four quarterly meetings
- Eight special meetings
- A strategy meeting
- Annual general meeting and
- A risk workshop

Committee member	No. of scheduled meetings attended	Constituency represented	Designation	Date joined/resigned
Jan Matsobane Komape	5	Ministerial Appointee	Chairperson	Term ended 4 June 2016 Reinstated 1 December 2017
Thulani Tshabalala	14	Ministerial Appointee	Acting Chairperson	Joined 1 April 2011 Acting Chairperson: Appointed 10 June 2016
Andile Nkosibomvu	15	Organised Labour	Accounting Authority member	Joined 1 April 2011
Dick Khumalo	15	Organised Labour	Accounting Authority member	Joined 1 April 2011
Ezaan de Lange	15	Organised Employer	Accounting Authority member	Joined 10 February 2017
Geoff Penny	14	Organised Employer	Accounting Authority member	Joined 24 April 2014
Gerhardus Hamman	12	Organised Employer	Accounting Authority member	Joined 1 April 2011
Lancelot Giba	4	Organised Labour	Accounting Authority member	Joined 1 April 2011 Passed away July 2017
Leslie Thomas	7	Organised Employer	Accounting Authority member	Joined 24 April 2014
Nqobile Tshabangu	10	Organised Labour	Accounting Authority member	Joined 31 August 2015
Raymond Mnguni	10	Organised Labour	Accounting Authority member	Joined 7 September 2012
Shahrazad Hone	15	Ministerial Appointee	Accounting Authority member	Joined 1 April 2011
Willie Prinsloo	15	Organised Employer	Accounting Authority member	Joined 1 April 2011

GOVERNANCE

4.2.2 SUB-COMMITTEE MEETINGS:

Committee	No. of meetings held	No. of members	Name of members
Executive Committee	7	5	Matsobane Komape (Chairman since December 2017) Thulani Tshabalala (Chairman until December 2017) Geoff Penny Gerhardus Hamman Lancelot Giba Dick Khumalo
Finance and Remuneration Committee	8	4	Leslie Thomas Shahrazad Hone Dick Khumalo Nqobile Tshabangu
Governance and Strategy	3	4	Thulani Tshabalala Ezaan De Lange Andile Nkosibomvu Willie Prinsloo

4.3 REMUNERATION OF ACCOUNTING AUTHORITY AND AUDIT AND RISK COMMITTEE MEMBERS:

4.3.1 REMUNERATION OF ACCOUNTING AUTHORITY

Member	Accounting Authority remuneration fees R'000	Travel R'000	Total R'000
Jan Matsobane Komape	183	7	190
Thulani Tshabalala	277	10	287
Andile Nkosibomvu	329	19	348
Dick Khumalo	417	33	450
Ezaan De Lange	158	4	162
Geoff Penny	241	4	245
Gerhardus Hamman	216	9	225
Lancelot Giba	47	1	48
Leslie Thomas	224	4	228
Nqobile Tshabangu	130	6	136
Raymond Mnguni	233	15	248
Shahrazad Hone	200	53	253
Willie Prinsloo	154	4	158
Total	2,809	169	2,978

4.3.2 REMUNERATION OF AUDIT AND RISK COMMITTEE:

Member	ARC remuneration fees R'000	Travel R'000	Total R'000
P Semanya	104	1	105
T Tshitangano	87	1	88
T Randall	108	3	111
Total	299	5	304

5. RISK MANAGEMENT

The Accounting Authority has delegated the oversight of quality, integrity and reliability of the organisation's risk-management function to the Audit and Risk Committee. Strategic risks are confirmed, amended and added during risk workshops by the Accounting Authority and management. The identified risks and current controls are rated in terms of impact, likelihood, and perceived control effectiveness. The Audit and Risk Committee is responsible for overseeing the process of risk management and the system of internal control, which is reviewed regularly for effectiveness and for establishing appropriate risk and control policies that are communicated throughout the FoodBev SETA. Management updates the risk register quarterly.

The following risk-management strategies have been put in place at FoodBev SETA:

- Management have implemented a risk-monitoring tool through a consolidated risk register that incorporates a review of strategic risks, operational risks, audit findings, and any emerging risks, and incorporates clear action plans that need to be taken by management. This is reported to ARC on a quarterly basis
- There is an internal Risk Management Committee which monitors the implementation of risk strategies, and this committee reports to the ARC
- A risk-assessment workshop was held to identify emerging risks and to compile mitigating measures to address the identified risks
- Management developed draft risk-management policies that clearly define risk appetite and tolerance levels
- Whistleblowing services worked effectively throughout the year, and any issues raised were reported and discussed at every ARC meeting.

GOVERNANCE

6. INTERNAL CONTROL UNIT

The implementation of internal controls is ultimately the responsibility of the Accounting Authority. However, this is delegated to the Chief Executive Officer, who exercises an oversight role through management, internal auditors and the Audit and Risk Committee (ARC) to ensure the effectiveness of the internal controls.

Reporting at FoodBev SETA is structured so that key issues are escalated through the management team, and ultimately to the Accounting Authority where appropriate. The Accounting Authority has delegated to the Audit and Risk Committee responsibility for reviewing, in detail, the effectiveness of the SETA's system of internal controls. After completing these reviews, the committee reports its findings to the Accounting Authority so that it can take a view on reported findings. The committee has noted and reported all key matters to the Accounting Authority.

One of the main features of the control environment is people who are key in ensuring segregation of incompatible functions, and the general running of the SETA positions that remained unfilled or are being run by people in an acting capacity. This has some impact on the control environment and has been highlighted as such to the external auditors. This remains a concern to the ARC.

6.1 IT GOVERNANCE

The SETA has made appropriate investments to ensure its information technology (IT) systems and governance processes comply with required practice. Specific development during the financial year included the following:

- The IT strategy was approved by the Accounting Authority and is in the process of being aligned to business strategy and objectives by focusing on the smooth running of the systems to support operations
- The information security management system was strengthened to ensure the integrity, confidentiality and availability of information
- An online discretionary grant application system was implemented
- A tender was issued in order to appoint an ICT management services support entity that will assist FoodBev SETA with capacitating the ICT unit.

7. COMPLIANCE WITH LAWS AND REGULATIONS

FoodBev SETA complies with all legislations and regulations governing Schedule 3A public entities. These include, among others:

- The Constitution
- Skills Development Act as amended
- Skills Development Levies Act as amended
- Public Finance Management Act
- Treasury Regulations
- National Skills Development Strategy III
- Labour Law Act
- Basic Conditions of Employment Act

Management reports to ARC on a quarterly basis on the regulation and compliance universe in order to ensure that there is consistent compliance to all laws and regulations that govern the organisation. FoodBev SETA staff attended meetings and workshops co-ordinated by DHET, the QCTO and SAQA and National Treasury in order to receive information on the latest operational and reporting requirements. They also attended training conducted by these entities in order to become familiar with the latest developments. FoodBev SETA has communicated new developments and changes pertaining to skills-development legislation to the broader stakeholder base. This has been done through stakeholder workshops, bulk emails and the website.

8. FRAUD AND CORRUPTION

FoodBev SETA has a draft Fraud Prevention Policy and fraud-prevention plan. An anonymous fraud hotline (whistle blowing) is available to all staff and outside parties. In the year under review, we received information about several incidents relating to student stipends, all of which were resolved satisfactorily. In the year under review, FoodBev SETA received 107 calls through the fraud hotline: 87 of these calls were wrong numbers, two were prank calls, eight were dropped calls, and six were enquiries. Two calls were investigated:

- Several TVET colleges had delayed paying learners' stipends to the internship learners:
 - The matter was investigated. The investigation found that the learner's programme had not been fully registered with FoodBev SETA due to documentation being incomplete. Once all the learners were registered, all money due was paid to the workplaces in order for them to pay the learner stipends.
- Unfair business practice:
 - This matter related to another SETA and was therefore referred to the relevant SETA for further investigation.

9. MINIMISING CONFLICT OF INTEREST

All staff of FoodBev SETA sign a declaration of interest annually and declare if they engage in any remunerative work that could be in conflict with the organisation. Additionally, all members serving on the bid committees also declare their interest every time before reviewing and evaluating any tenders.

GOVERNANCE

10. CODE OF CONDUCT

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

Employees of the SETA are committed to conducting themselves in accordance with the highest standards of integrity and ethics and in compliance with relevant legislation related to objectivity, independence, and avoidance of any conflicts of interest. Compliance with the Code is expected to enhance professionalism and helps to ensure service confidence in the sector. Any transgression to the Code is addressed by management and the Accounting Authority. Members of supply chain management sign the SCM Code of Conduct every year.

11. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

FoodBev SETA augmented its staff in order to facilitate delivery. This resulted in the restructuring of the office space in order to accommodate the increase in staff complement and comply with health and safety regulations. FoodBev SETA has adopted an Occupational Health and Safety (OHS) Policy in which management and employees recognise and accept legislative responsibilities and are committed to establishing and maintaining an environment in which employees continuously improve safety and health.

The organisation is committed to ensuring that the requirements of the Occupational Health and Safety Act, No. 85 of 1993, and Regulations are fully met. The following structures have been established in terms of the OHS Policy:

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

FoodBev SETA has adopted an HIV/Aids policy intended to promote awareness among employees and prevent discrimination of those infected and/or affected by HIV/Aids. Due consideration is given to the environment in all decision-making. To fully ensure that the Health and Safety representatives are enabled to conduct their functions, fire-fighting and first-aid training was conducted during the financial year. Further training is anticipated in the next financial year.

12. SOCIAL RESPONSIBILITY

In the year under review, FoodBev SETA supported 10 Grade 7 learners from Thabo Public School, Botshabelo, Free State, with school uniform and school supplies to the value of R2 000 per learner. This was a gesture to encourage high performance of learners.



AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2018

The Audit and Risk Committee is an independent committee constituted to review the control, governance and risk management of the organisation in terms of regulation 27(1) and section 51(1) (a) (ii) of the Public Finance Management Act 1999 (PFMA), as amended. The committee has adopted a formal charter that has been approved by the Accounting Authority and has executed its duties in the year under review, in line with the charter. The committee comprises of Mr Phut Semanya (independent chairperson), Ms Tracy Randall (independent member), Mr Tom Tshitangano (independent member), Mr Leslie Thomas (non-executive director) and Mr Andile Nkosibomvu (non-executive director).

The Audit and Risk Committee was in place for the period 2017/2018. The Audit and Risk Committee meets at least four (4) times per annum and has the authority to convene additional meetings as and when necessary. There were four (4) normal and three (3) special meetings held during the financial year ended 2017/2018. Critical issues were discussed, and minutes recorded, and these were made available to the Executive Authority on a quarterly basis.

Attendance of Audit and Risk Committee meetings by members:

Committee member name	No. of quarterly meetings attended	No. of special meetings attended	Constituency represented
Andile Nkosibomvu	3	3	Accounting Authority member
Leslie Thomas	1	3	Accounting Authority member
Phuti Semanya	4	3	Independent Chairperson
Tom Tshitangano	4	3	Independent member
Tracy Randall	4	2	Independent member

During the 2017/2018 financial year, the Audit and Risk Committee:

- Reviewed the effectiveness of internal control systems by approving the internal audit plan and internal audit charter and reviewed quarterly internal audit reports submitted;
- Assessed the adequacy, reliability and accuracy of financial information provided by management;
- Reviewed the effectiveness of the internal audit function through assessment of the quality of reports submitted to the committee;
- Reviewed the AGSA's management report and management's response thereto;
- Reviewed the SETA's processes for compliance, legal and regulatory provisions;
- Reviewed the performance information contained in this Annual Report;
- Reviewed and, where appropriate, recommended changes to the Annual Financial Statements and confirmed that accounting policies used are appropriate for the year ended 31 March 2018;
- Provided a channel of communication between the Accounting Authority and management, internal auditors, and external auditors;
- Ensured that a combined assurance model was applied to provide a co-ordinated approach to all assurance activities and ensured that it was appropriate to address all significant risks faced by the organisation; and
- Reviewed the risk register, risk policies and strategies.

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee ensured that the organisation's internal audit function was independent and had the necessary resources and authority to discharge its duties.

Having considered, analysed and reviewed the information provided by management, internal audit, external auditors and risk committee of management, the Audit and Risk Committee confirms that:

- The internal controls of the organisation were effective in most material aspects throughout the period under review;
- Appropriate policies supported by reasonable and prudent judgement and statements were applied;
- The adequacy and effectiveness of controls are in place to safeguard the assets;
- The financial statements comply, in all material respects, with the relevant provisions of the PFMA;
- The skills, independence, audit plan reporting, and overall performance of the external auditors was acceptable; and
- There are adequate skills, knowledge and experience in the finance function of the organisation.

The Audit and Risk Committee notes paragraph 18 of the external auditor's report relating to material misstatements and perceived inadequate management review. The committee is satisfied that management was reviewing the financial information reports every month.

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




Mr Phuti Semenya (CA) SA

Chairperson of the Audit and Risk Committee




PART D: HUMAN RESOURCE MANAGEMENT

DAIRY MANUFACTURING



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



INTRODUCTION

1.1 OVERVIEW OF HUMAN RESOURCES

Human Resources management remains an integral part in achieving FoodBev SETA's mandate and ensuring that all stakeholders are provided with exceptional service by our employees. FoodBev SETA has invested in a number of key initiatives during the reporting period to ensure that the organisation is structured, and performance is managed, effectively.

1.2 HR PRIORITIES AND THE IMPACT OF THESE PRIORITIES

During the year under review, FoodBev SETA embarked on the following key initiatives to improve the human capital offering to our stakeholders:

1.2.1 ORGANISATIONAL DESIGN

The objective of the project was:

- To assess the current approved organisational structure, taking into account the mandate and strategy of the organisation;
- To identify options and make recommendations designed to improve the efficiency and effectiveness of the organisational structure;
- To benchmark the structure and remuneration packages against comparable organisations to identify best practices and make recommendations on whether best practice can and should be integrated into the organisational structure;
- To review and identify whether staffing levels were appropriate to meet workloads in each division;
- To develop job and competency profiles for all jobs and evaluate all jobs using a recognised system; and
- To conduct a skills audit in order to ensure that there is a skills match of job to incumbent.

The first phase of this project was completed successfully, and the Accounting Authority approved the new structure. The second phase is currently being implemented and will be finalised in the new financial year.

1.2.2 DEVELOPMENT OF A PERFORMANCE-MANAGEMENT SYSTEM

The objectives of the project were:

- To revise performance-management policy
- To develop an organisational balanced scorecard
- To develop SMART performance agreements that will be aligned to the organisational scorecard.

The first phase of the project was completed successfully and the Accounting Authority approved the new performance-management system. The second phase will be finalised in the new financial year.

1.3 WORKFORCE PLANNING FRAMEWORK AND KEY STRATEGIES TO ATTRACT AND RECRUIT A SKILLED AND CAPABLE WORKFORCE

The recruitment and selection process remains one of the most important functions and has a positive impact on how we interact with our stakeholders and continue to accomplish our organisational mandate. The FoodBev SETA continues to attract the best talent by using our recruitment tools, a structured and comprehensive interview process, and assessment batteries that are aligned with the key requirement of each role profile.

During the period under review, the FoodBev SETA organisational design-project commenced, with this resulting in a review of all job profiles. This meant that all approved vacancies were put on hold pending the analysis of job profiles and structure. Some key vacancies were, however, advertised during the job-profiling process, using the newly updated and approved job profiles. The new structure was approved by the Accounting Authority at the end of the financial year and will be implemented in the new financial year. An HR plan will be developed for the next financial year that will be utilised to inform the organogram and recruitment processes. HR will embark on a recruitment drive to ensure that the organisation is capable of fulfilling its mandate and operational targets. The recruitment policy and process will be reviewed to ensure that it is aligned and capable of meeting the organisation's recruitment needs.



HUMAN RESOURCE MANAGEMENT

1.4 EMPLOYEE PERFORMANCE-MANAGEMENT FRAMEWORK

The FoodBev SETA understands the importance of stakeholder satisfaction and continuously strives to improve the service offering of the organisation. An effective performance-management system ensures that the organisation evaluates and measures individual performance and optimises productivity within the organisation. During the period under review, the FoodBev SETA initiated a performance-management project that was completed successfully and will be implemented in the following financial year. The new performance-management system will continue to add value to the employee lifespan with the FoodBev SETA and ensure that exceptional service is provided to stakeholders.

1.5 INTERNSHIPS

The FoodBev SETA continues to provide work-experience opportunities to South African youth. At the end of the reporting period, FoodBev SETA had 10 interns; six of these interns have been placed at TVET colleges and four have been placed within the internal FoodBev SETA departments. This provides the interns with practical experience and increases their chances of employment.

1.6 POLICY DEVELOPMENT

To ensure optimum human capital management, the leave policy and the performance-management policy were reviewed and approved. In addition, a long-service-awards policy was developed and approved by the Accounting Authority. The FoodBev SETA has further taken initiatives to review additional HR policies to ensure alignment with the organisational mandate.

1.7 CHALLENGES FACED BY FOODBEB SETA

The SETA licence continues to present a threat to the recruitment and selection process and employee retention. The current licence was extended to 30 March 2020. The Human Resources department anticipates an increase in staff turnover and a possible challenge in attracting key talent due to the uncertainty of the future of the SETA.

1.8 FUTURE HUMAN RESOURCES PLANS

- To develop a talent-management process to retain key talent;
- To develop a recruitment strategy and policy in order to attract and retain top talent in the organisation;
- To finalise a skills audit to ensure that there's an employee-to-job match;
- To enter into partnership with institutes of higher learning in order to empower organisational employees through various management development training interventions; and
- To initiate an Inter-SETA transfer in order for the organisation to be aligned with the correct SETA that will assist in facilitating skills development of the employees.

HUMAN RESOURCE OVERSIGHT STATISTICS

PERSONNEL COST BY SALARY BAND

Level	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees 31 March	Personnel cost per employee (R'000)
Top management	2 160	13%	1	2 160
Senior management	3 555	21%	3	1 185
Professional qualified	4 247	25%	8	530
Skilled	2 985	18%	8	373
Semi-skilled	3 408	20%	17	200
Unskilled	133	1%	1	133
Temporary	288	2%	5	58
Total	16 766	100%	43	4 639

PERFORMANCE REWARDS

Level	Performance rewards (R'000)	Personnel expenditure (R'000)	Performance awards as a % of personnel cost
Top management	138	2 160	6%
Senior management	218	3 555	6%
Professional qualified	252	4 247	6%
Skilled	168	2 985	6%
Semi-Skilled	199	3 408	6%
Unskilled	17	133	13%
Total	992	16 488	6%

REASONS FOR STAFF LEAVING

Reason	Number	% of total no. of staff leaving
Death	1	16.67%
Resignation	3	50%
Dismissal	1	16.67%
Retirement	0	0%
Ill-health	0	0%
Expiry of contract	0	0%
Other	1	16.67%
Total	6	100%

Three employees resigned for career-progression reasons, one employee sadly passed away, there was one retrenchment and one dismissal. Percentage of total number of staff leaving was derived by dividing the number of staff who left per reason category by the total number of staff that left as at the end of the reporting period.

HUMAN RESOURCE MANAGEMENT

EMPLOYMENT AND VACANCIES AS AT 31 MARCH 2018 PER OCCUPATIONAL LEVEL *

Level	Number of employees 31 March 2017	Approved posts 31 March 2018	Number of employees 31 March 2018	Vacancies 31 March 2018	Vacancy rate %
Top management	1	2	1	1	50%
Senior management	4	5	3	2	40%
Professional qualified	7	9	8	1	11%
Skilled	10	12	8	4	33%
Semi-skilled	18	20	17	3	15%
Unskilled	2	2	1	1	50%
Total	42	50	38	12	24%

- The Accounting Authority had approved an organisational design project that commenced during the financial year. This meant that most of the vacancies were placed on hold or delayed, pending the finalisation of the organogram and job profiles.

* Excludes temporary staff.

EMPLOYMENT CHANGES*

Occupational levels	Employment at the beginning of the period	External appointments 2017/2018	Internal appointments 2017/2018	Terminations 2017/2018	Employment at end of the period	Turnover rate %
Top management	1	0	0	0	1	0%
Senior management	4	0	0	1	3	25%
Professional qualified	6	0	1	0	7	0%
Skilled	11	0	1	4	8	33%
Semi-skilled	18	1	0	1	17	5%
Unskilled	2	0	0	1	1	50%
Total	42	1	2	7	38	16%

* Turnover rate % has been arrived at by taking the 'Terminations 2017/2018' column divided by the 'Employment at the beginning of the period' plus all appointments for the year.

HUMAN RESOURCE MANAGEMENT

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

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

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	1	0	0	0	0	0	1
Senior management	3	0	0	0	0	0	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management	3	0	0	1	4	0	0	0	0	0	8
Skilled technical and academically qualified workers	3	0	0	0	4	0	0	0	0	1	8
Semi-skilled and discretionary decision-making	6	0	0	0	11	0	0	0	0	0	17
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	1	1
Total permanent	15	0	0	1	20	0	0	0	0	2	38
Temporary employees	2	0	0	0	2	0	0	0	1	0	5
Grand total	17	0	0	1	22	0	0	0	1	2	43



PART E: ANNUAL FINANCIAL STATEMENTS

MANUFACTURE OF FOOD PREPARATION PRODUCTS

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



Food and Beverage Manufacturing Sector Education and Training
Authority Annual Financial Statements for the year ended
31 March 2018



Index

The reports and statements set out below comprise the annual financial statements.

Report of the Auditor-General to Parliament	62
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The financial statements set out on pages 66 to 108 have been prepared on the going-concern basis.



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON FOODBEV SETA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Food and Beverage Manufacturing Sector Education and Training Authority set out on pages **66 to 108**, which comprise 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 Food and Beverage 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 (GRAP) and the requirements of the Public Finance Management Act of South Africa (PFMA) and the Skills Development Act of South Africa, (SDA).

BASIS FOR OPINION

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

EMPHASIS OF MATTER

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

RESTATEMENT OF CORRESPONDING FIGURES

7. As disclosed in note 30 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 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 FoodBev SETA's ability to continue as a going concern, disclosing, as applicable, matters relating to a going concern and using the going-concern basis of accounting unless the Accounting Authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON FOODBEV SETA

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 (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the entity for the year ended 31 March 2018:

Programme 2: Skills Planning, Development and Research – pages 25-34

Programme Pages in the Annual Performance Report – pages 24-39

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 2: Skills Planning, Development and Research.

OTHER MATTERS

17. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

18. Refer to the annual performance report on **pages 17 to 39** for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a significant number of targets.



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON FOODBEV SETA

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 2 – Skills Planning, Development and Research. 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 THE 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 entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
21. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

22. The Accounting Authority is responsible for the other information. The other information comprises the information included in the Annual Report, which includes the Chief Executive Officer's report and the Audit Committee 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.
23. 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.

24. 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.
25. 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

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

Auditor-General

Pretoria
31 July 2018



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 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 entity's internal control;
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Foodbev SETA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing as a going concern; and
 - 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.



STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2018

		2017/2018 R '000	Restated* 2016/2017 R '000
	Note(s)		
Revenue			
Non-Exchange Revenue			
Skills Development Levy: income	3	334 445	341 435
Fines, penalties and forfeits	4	8 083	10 930
Other income	6	383	–
Total Revenue from Non-Exchange Transactions		342 911	352 365
Exchange Revenue			
Interest received – investment	5	41 012	35 102
Total Revenue		383 923	387 467
Expenditure			
Employee-related costs	8	(11 359)	(9 387)
Depreciation and amortisation		(1 173)	(458)
Lease rentals on operating lease	9	(2 645)	(2 629)
Debt impairment		(91)	(207)
Employer grant and project expenses	7	(265 945)	(272 353)
Other administration expenses	8	(18 398)	(15 772)
Total Expenditure		(299 611)	(300 806)
Surplus for the Year		84 312	86 660

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2017

	Note(s)	2017/2018 R '000	Restated* 2016/2017 R '000
Assets			
Current Assets			
Trade and other receivables from non-exchange transactions	12	1 723	1 337
Trade and other receivables from exchange transactions	13	444	484
Inventory	14	40	54
Cash and cash equivalents	15	618 235	545 330
		620 442	547 205
Non-Current Assets			
Property, plant and equipment	10	3 162	766
Intangible assets	11	244	306
		3 406	1 072
Total Assets		623 848	548 277
Liabilities			
Current Liabilities			
Trade and other payables from non-exchange transactions	16	8 170	14 475
Trade and other payables from exchange transactions	17	3 384	7 078
Provisions	18	5 646	4 388
		17 200	25 941
Non-Current Liabilities			
Total Liabilities		17 200	25 941
Net Assets		606 648	522 336
Reserves			
Administration reserve		3 406	1 072
Discretionary grant reserve		603 242	521 264
Total Net Assets		606 648	522 336



STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2018

	Administration reserve R '000	Discretionary grant reserve R '000	Employer grant reserve R '000	Accumulated surplus R '000	Total net assets R '000
Balance at 01 April 2016	1 270	434 406	–	–	435 676
Changes in Net Assets					
Surplus for the year	–	–	–	86 660	86 660
Allocation of unappropriated surplus	16 348	63 408	6 904	(86 660)	–
Excess reserves transferred to discretionary reserve	(16 546)	23 450	(6 904)	–	–
Balance at 01 April 2017	1 072	521 264	–	–	522 336
Changes in Net Assets					
Surplus for the year	–	–	–	84 312	84 312
Allocation of unappropriated surplus	10 273	57 995	16 044	(84 312)	–
Excess reserves transferred to discretionary reserve	(7 939)	23 983	(16 044)	–	–
Balance at 31 March 2018	3 406	603 242	–	–	606 648

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Note(s)	2017/2018 R '000	Restated* 2016/2017 R '000
Cash flows from operating activities			
Cash Receipts from Stakeholders			
Levies, interest and penalties received		342 541	352 317
Interest income		41 012	35 102
		383 553	387 419
Cash Paid to Stakeholders, Suppliers and Employees			
Grants and project payments		(263 882)	(257 968)
Compensation of employees		(18 446)	(16 879)
Payments to suppliers and other		(24 713)	(14 113)
		(307 041)	(288 960)
Net Cash Flows from Operating Activities	20	76 512	98 459
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(3 526)	(158)
Profit from disposal of assets	10	24	–
Purchase of other intangible assets	11	(105)	(102)
Net Cash Flows from Investing Activities		(3 607)	(260)
Net Increase/(Decrease) in Cash and Cash Equivalents			
Cash and cash equivalents at the beginning of the year		545 330	447 131
Cash and Cash Equivalents at the End of the Year	15	618 235	545 330



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Other income	–	–	–	383	383	31.1
Fines and penalties	–	–	–	8 083	8 083	31.2
Skills Development Levy: income	320 411	–	320 411	264 944	(55 467)	31.3
Interest received: investment	15 000	17 385	32 385	41 012	8 627	31.4
Retained funds	–	69 501	69 501	69 501	–	31.5
Total Revenue	335 411	86 886	422 297	383 923	(38 374)	

Expenses

Administration expenses	(42 051)	–	(42 051)	(33 666)	8 385	31.6
Employer grant and project expenses	(293 360)	(86 886)	(380 246)	(265 945)	114 301	31.7
Total Expenditure	(335 411)	(86 886)	(422 297)	(299 611)	122 686	
Surplus for the Year	–	–	–	84 312	84 312	

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

1.1 BASIS OF PREPARATION

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

1.2 FUNCTIONAL AND PRESENTATION CURRENCY

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

1.3 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable and willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

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



ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

1.4 REVENUE RECOGNITION

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

LEVY INCOME

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, registered member companies (employers) of the FoodBev SETA pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS). Companies with an annual payroll of less than R500 000 are exempted in accordance with section 4 (b) of, as amended, effective 1 August 2005.

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

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

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

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

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

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

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

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

INTEREST AND PENALTIES

Interest and penalties on the skills development levy are recognised when they accrue based on the amount received or allocation made by DHET.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

GOVERNMENT GRANTS AND OTHER DONOR FUNDING

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

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

1.5 EXCHANGE REVENUE

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

INVESTMENT INCOME

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

1.6 GRANTS AND PROJECT EXPENDITURE

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 time frame and before the cut-off date and the application has been approved as the payment then becomes probable. The grant is equivalent to 20% of the total levies paid by the employer during the corresponding financial period.

DISCRETIONARY GRANTS & PROJECT EXPENDITURE

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

Project expenditure comprises:

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

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



ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

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

GRANT PAYMENTS

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act, have been adhered to by the employer and it is probable that the FoodBev SETA will make the relevant payments. The measurement of the obligation is based on the levies received.

PROJECTS

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

COMMITMENTS

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

1.7 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

- The PFMA
- The Skills Development Act

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

Irregular and fruitless and wasteful expenditure are recognised against the respective class of expense and disclosed in a note in the financial statements when it has been identified. Where instances of irregular expenditure are identified, the incident is investigated, assessed whether it should be condoned in terms of Practice Note 4 of 2998/2009 issued by National Treasury, and where appropriate recovered from the party/parties involved.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

Where instances of possible fruitless and wasteful expenditure are identified, the incident is investigated and where appropriate recovered from the party involved.

1.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Item	Depreciation method	Average useful life
Office furniture and fittings	Straight line	8–11 years
Office equipment	Straight line	7–11 years
Computer equipment	Straight line	5–9 years
Leasehold improvements	Straight line	1–3 years

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



ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

DERECOGNITION

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

1.9 INTANGIBLE ASSETS

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

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

Item	Depreciation method	Average useful life
Licences	Straight line	12 months
Computer software	Straight line	5–12 years

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

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

1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment is the loss in the future economic benefits or service potential of an asset over and above the systematic recognition of the loss through depreciation or amortisation. All FoodBev SETA assets are non-cash generating.

Non-financial assets are annually assessed by considering internal and external factors where there is an indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated at the higher of fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

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

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

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

1.11 LEASES

FINANCE LEASES – LESSEE

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

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

OPERATING LEASES – LESSEE

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

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

1.12 PROVISIONS AND CONTINGENCIES

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

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

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

1.13 EMPLOYEE BENEFITS

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

LEAVE

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

MEDICAL BENEFITS

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



ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

PROVIDENT FUND BENEFITS

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

PERFORMANCE BONUS

The performance bonus is recognised when the entity has a constructive obligation to pay bonuses and when a reliable estimate can be made.

1.14 FINANCIAL INSTRUMENTS

INITIAL RECOGNITION

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

INITIAL MEASUREMENT

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

FINANCIAL ASSETS

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

TRADE AND OTHER RECEIVABLES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash-on-hand, investments and deposits held by FoodBev SETA, CPD and domestic banks. Cash and cash equivalents are measured at amortised costs. Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are held with registered banking institutions with a period maturity of three months or less and that are subject to insignificant risk of change.

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

FINANCIAL LIABILITIES

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

DERECOGNITION

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

FAIR VALUE CONSIDERATIONS

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

OFFSETTING FINANCIAL INSTRUMENTS

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

1.15 NET ASSETS

Net principal is subclassified in the Statement of Financial Position between the following reserves:

ADMINISTRATION RESERVE

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

EMPLOYER GRANT RESERVE

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

DISCRETIONARY GRANT RESERVE

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

ACCUMULATED SURPLUS/DEFICIT

This is a reserve arising out of operations and is reallocated at the end of the year to other reserves. Net assets is subclassified in the Statement of Financial Position between the following reserves:

This subclassification is based on the restrictions placed on the distribution of funds received in accordance with the Regulations issued in terms of the Skills Development Act. Accrual basis accounting is used to calculate reserves and thus reserves are not an indication of cash used or available at the end of the year.

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



ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

	2017/2018	2016/2017
Administration costs of the SETA	10.50 %	10.50 %
Employer grant fund levy	20.00 %	20.00 %
Discretionary grants and projects	49.50 %	49.50 %
Total	80.00 %	80.00 %

Interest and penalties received from SARS as well as interest received on investments are utilised for discretionary grants and projects.

The amount retained in the admin reserves equates to the net book value of non-current assets.

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

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

1.16 INVENTORY

Inventory consists of consumables on hand at reporting date and is measured at the lower of cost and net replacement value. Cost is determined on a first-in, first-out basis.

Current replacement cost is the cost that the entity would incur to acquire the asset at reporting date.

1.17 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.

1.18 RELATED-PARTY TRANSACTIONS

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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

A 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.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, management in their dealings with the entity.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

The entity is exempt from disclosure requirements in relation to related-party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances, and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

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

1.19 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 event 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).

FoodBev SETA will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurs.

FoodBev SETA 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.

1.20 COMPARATIVE FIGURES

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

1.21 BUDGET INFORMATION

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

The annual financial statements and the budget are prepared on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts. Comparative information is not required.

A comparative budget is not required. The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the FoodBev SETA. As a result of the adoption of accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the Statement of Comparison of Budget and Actual Amounts.

Explanatory comments are provided in the notes to the AFS, first, the reasons for overall growth or decline in the budget are stated, and second, the details of overspending or underspending on line items.

The approved budget covers the fiscal period from 1 April 2017 to 31 March 2018.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. ALLOCATION OF SURPLUS FOR THE YEAR TO RESERVES

2018	Total per statement of financial performance	Administration reserve	Employer grants reserve	Discretionary reserve		
		Administration	Mandatory skills planning grant	Discretionary grants	Special projects gov. grants	Total discretionary
Skills development levy: income						
Admin levy income (10.5%)	43 841	43 841	–	–	–	–
Grant levy income (69.5%)	290 604	–	83 814	206 790	–	206 790
Skills Development Levy: penalties and interest	8 083	–	–	8 083	–	8 083
Investment income	41 012	–	–	41 012	–	41 012
Other income	383	–	–	383	–	383
Total Revenue	383 923	43 841	83 814	256 268	–	256 268
Administration expenses	(33 666)	(33 666)	–	–	–	–
Employer grants and project expenses	(265 945)	–	(67 770)	(198 175)	–	(198 175)
Total Expenses	(299 611)	(33 666)	(67 770)	(198 175)	–	(198 175)
Net Surplus per Statement of Financial Performance Allocated	84 312	10 174	16 044	58 093	–	58 093

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. ALLOCATION OF SURPLUS FOR THE YEAR TO RESERVES *continued*

2017	Total per statement of financial performance	Administration reserve	Employer grants reserve	Discretionary reserve		
		Administration	Mandatory skills planning grant	Discretionary grants	Special projects gov. grants	Total discretionary
Development Levy: income						
Admin levy income (10.5%)	44 698	44 698	–	–	–	–
Grant levy income (69.5%)	296 737	–	85 302	211 435	–	211 435
Skills Development Levy: penalties and interest	10 930	–	–	10 930	–	10 930
Investment income	35 102	–	–	35 102	–	35 102
Other income	–	–	–	–	–	–
Total Revenue	387 467	44 698	85 302	257 467	–	257 467
Administration expenses	(28 454)	(28 454)	–	–	–	–
Employer grants and project expenses	(272 353)	–	(73 398)	(193 955)	–	(193 955)
Total Expenses	(300 807)	(28 454)	(78 398)	(193 955)	–	(193 955)
Net Surplus per Statement of Financial Performance Allocated	86 660	16 224	6 904	63 512	–	63 512

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. SKILLS DEVELOPMENT LEVY INCOME

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

	2017/2018 R '000	Restated* 2016/2017 R '000
Levy income: Administration		
Levies received from SARS	43 841	44 697
Inter-SETA transfers in	–	1
Total Levy Income: Administration	43 841	44 698
Levy income transfer: Employer Grants		
Levies received	83 814	85 301
Inter-SETA transfers in	–	1
Levy Income Transfer: Employer Grants	83 814	85 302
Levy income transfer: Discretionary Grants		
Levies received	207 054	210 845
Inter-SETA transfers in	–	2
Exempt employer: transfer to/from discretionary	(264)	588
Total Levy Income Transfer: Discretionary Grants	206 790	211 435
	334 445	341 435

4. SKILLS DEVELOPMENT LEVY: INTEREST AND PENALTIES

Interest	3 479	4 960
Penalties	4 604	5 970
	8 083	10 930

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

5. INVESTMENT INCOME

Interest Revenue		
Interest received	41 012	35 102

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

6. OTHER INCOME

	2017/2018 R '000	Restated* 2016/2017 R '000
Discretionary grant recoveries	349	–
Disposal of assets	24	–
Bad debts recovered	10	–
	383	–

7. EMPLOYER GRANT AND PROJECT EXPENSES

Mandatory Grants

Disbursed	67 770	78 398
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Discretionary Grants

Disbursed	185 076	182 953
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Project Expenditure

Disbursed	13 099	11 002
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265 945 **272 353**

Project expenditure consists of:

Employee costs – Projects	7 400	7 492
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Direct project administration expenses:

Advertising	676	–
Catering and refreshments	12	115
Legal fees	1	210
Courier and postage	265	21
External moderation	2 293	1 596
Printing	45	–
Travel & accommodation	1 218	1 369
Research	159	–
Scarce skills	186	108
QCTO qualification	120	–
TVET capacity building	153	91
World Skills conference	571	–

13 099 **11 002**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

8. OTHER ADMINISTRATION EXPENSES

	2017/2018 R '000	Restated* 2016/2017 R '000
Advertising	207	436
Assessment rates & municipal charges	186	179
Auditor's remuneration	1 964	1 827
Bank charges	61	51
Cleaning	71	80
Catering and refreshments	105	94
Consulting and professional fees	518	229
Consumables	154	147
Conferences and seminars	381	593
IT expenses	3 946	2 999
Insurance	101	91
Legal fees	1 422	383
Workshop	–	77
Marketing	179	265
Postage and courier	214	226
Printing and stationery	195	150
Repairs and maintenance	117	28
Licence fees	23	1
Security	329	318
Staff welfare	125	55
Telephone and fax	66	39
Training	419	219
Travel – local	1 365	1 180
Travel – overseas	–	351
Electricity	244	268
Accounting Authority remuneration	2 810	2 641
Audit Committee remuneration	298	296
Internal audit fees	606	571
Quality Control for Trade and Occupations	1 807	1 555
Recruitment costs	39	210
Ministerial initiative	304	213
Whistle blowing	17	–
Loss on disposal of assets	125	–
	18 398	15 772
Adjustments to prior year reported administration expenses		
Employee related costs – Administration	–	9 387
Depreciation and amortisation	–	458
Lease rentals on operating lease	–	2 630
Debt impairment	–	207
Other administration expenses	–	15 772
Total as Reported in 2016/2017	–	28 454

For fair presentation, changes were made in the current year that necessitated the changes in the presentation of administration expenses in the Statement of Financial Performance. The above table indicates the affected reported figures for 2016/2017 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

8. OTHER ADMINISTRATION EXPENSES *continued*

	2017/2018 R '000	2016/2017 R '000
Cost of employment		
Salaries and Wages		
Salaries	17 744	15 564
Social Contributions		
Pension contributions: defined-contribution plans	1 439	1 315
	19 183	16 879
Allocation of cost of employment		
Employee-related costs – Admin	11 359	9 387
Employee-related costs – Project	7 824	7 492
	19 183	16 879
Number of employees as at 31 March 2018	43	42

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

9. LEASE RENTALS ON OPERATING LEASE

Leases		
Operating lease - Building	2 050	2 072
Operating lease - Equipments	595	557
Total	2 645	2 629

10. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost/ valuation R'000	Accumulated depreciation and accumulated impairment	Carrying value R'000	Cost/ valuation R'000	Accumulated depreciation and accumulated impairment	Carrying value R'000
Office furniture and fittings	2 175	(273)	1 902	914	(808)	106
Office equipment	831	(568)	263	894	(704)	190
Computer equipment	1 746	(1 473)	273	1 842	(1 372)	470
Leasehold improvements	1 286	(561)	724	–	–	–
Total	6 038	(2 875)	3 162	3 650	(2 884)	766

Reconciliation of property, plant and equipment – 2018

	Opening balance R'000	Additions R'000	Disposals	Current depreciation R'000	Accumulated depreciation for disposals	Total R'000
Office furniture and fittings	106	2 020	(759)	(169)	704	1 902
Office equipment	190	221	(284)	(83)	219	263
Computer equipment	470	–	(36)	(192)	31	273
Leasehold improvements	–	1 286	–	(562)	–	724
	766	3 527	(1 079)	(1 006)	954	3 162

Reconciliation of property, plant and equipment – 2017

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Office furniture and fittings	161	–	(55)	106
Office equipment	274	–	(84)	190
Computer equipment	463	158	(151)	470
	898	158	(290)	766

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

11. INTANGIBLE ASSETS

	2018			2017		
	Cost/ valuation R'000	Accumulated depreciation and accumulated impairment	Carrying value R'000	Cost/ valuation R'000	Accumulated depreciation and accumulated impairment	Carrying value R'000
Licences	280	(182)	98	175	(93)	82
Computer software	1 993	(1 848)	146	1 993	(1 769)	224
Total	2 273	(2 030)	244	2 168	(1 862)	306

Reconciliation of intangible assets – 2018

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Licences	82	105	(89)	98
Computer software	224	–	(78)	146
	306	(105)	(167)	244

Reconciliation of intangible assets – 2017

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Licences	67	102	(87)	82
Computer software	305	–	(81)	224
	372	102	(168)	306



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

12. TRADE & OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2017/2018 R '000	2016/2017 R '000
Levies	1 520	1 256
Recoveries	203	81
	1 723	1 337

13. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2017/2018 R '000	2016/2017 R '000
Sundry debtors	–	40
Deposits – Growthpoint	444	444
	444	484

14. INVENTORY

	2017/2018 R '000	2016/2017 R '000
Consumable stores	40	54

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

15. CASH AND CASH EQUIVALENTS

	2017/2018 R '000	2016/2017 R '000
Cash on hand	2	3
Cash – bank deposit (short-term deposit)	10 081	8 161
Cash at bank and in hand	10 083	8 164
Investment funds	608 152	537 166
Cash Equivalents at End of Year	618 235	545 330

As required by Treasury Regulation 31.3.3, National Treasury approved the banks where the bank accounts are held.

The weighted average interest rate on short-term bank deposits was 6.3% (2017: 6.5%). The weighted average interest rate on funds held at South African Reserve Bank, Corporation for Public Deposit was 7.1% (2017: 7.3%). First National Bank has a B rating for short-term deposits and a BB rating for long-term deposits as rated by Standard and Poor. There is no rating for Corporation for Public Deposits.

16. TRADE & OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2017/2018 R '000	2016/2017 R '000
Skills development grants – discretionary payable	2 257	6 046
Skills development grants – mandatory payable	214	418
Skills development grants – mandatory accruals	5 699	8 011
	8 170	14 475

17. TRADE & OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Note/s	2017/2018 R '000	2016/2017 R '000
Accrued expenses – payables	1 232	4 303
Trade creditors	830	1 543
Accrued leave pay	1 053	898
Operating lease liability*	105	180
Accounting Authority fees and PAYE	164	154
	3 384	7 078

* Other creditors have been split into operating lease liability and Accounting Authority fees and PAYE.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

18. PROVISIONS

	2017/2018 R '000	2016/2017 R '000
Exempt-employers provision	3 951	2 839
Bonus provision	1 695	1 549
	5 646	4 388

Exempt-employers provision

The amount of R3,951m (2017: R2,839m) relates to levies incorrectly contributed by employers, and paid over to SARS and DHET, after being exempted from contributing skills development levies.

In terms of the skills development circular no. 09/2013, FoodBev SETA transfers all monies received from levy-exempt companies to discretionary grant income after the expiry of 5 years from date of receipt of funds. SARS collects the levies on behalf of DHET; the responsibility to refund the employers remain with SARS.

Bonus provision

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

Reconciliation of provisions – 2018

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Exempt-employers provision	2 839	848	–	264	3 951
Bonus provision	1 549	1 695	(995)	(554)	1 695
Total	4 388	2 543	(995)	(290)	5 646

Reconciliation of provisions – 2017

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Exempt-employers provision	2 796	631	–	(588)	2 839
Bonus provision	1 747	1 549	(910)	(837)	1 549
Total	4 543	2 180	(910)	(1 425)	4 388

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

19. DISPOSAL OF A SIGNIFICANT ASSET(S)/OR A GROUP OF ASSETS AND LIABILITIES/OR A COMPONENT OF THE ENTITY

The Accounting Authority approved the disposal of old furniture and fittings and some of the office equipment of FoodBev SETA (Refer to Note 10). This was done following National Treasury Regulations and PFMA.

20. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET SURPLUS

	2017/2018 R '000	Restated* 2016/2017 R '000
Surplus	84 312	86 660
Adjustments for:		
Depreciation	1 005	290
Amortisation	168	168
Loss on disposal of assets	101	–
Movements in provisions	1 258	(155)
Changes in Working Capital:		
Inventory	14	1
Receivables from exchange transactions	40	(25)
Other receivables from non-exchange transactions	(387)	(308)
Prepayments	–	285
Payables from exchange transactions	(3 694)	4 495
Payable from non-exchange transactions	(6 305)	7 445
Prior period error	–	(397)
	76 512	98 459



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

21. CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities

21.1

There is a possible litigation of about R1.5m against FoodBev SETA that was brought by training providers (Moriipe Holdings and Nkqubela Consulting); the amounts being claimed have not been provided for. The litigation was brought about by the training providers who trained SMEs but were not paid. FoodBev SETA's attorneys filed on 26 June 2017 a defence on the matter on behalf of the entity and no response was received from Moriipe. The matter for Nkqubela is set down for hearing on 26 November 2018. It is not yet clear what the potential outcome of these two cases will be.

21.2

There were three cases lodged at the CCMA against FoodBev SETA by ex-employees whose employment contracts were terminated. Case 1 was dismissed by CCMA and the ex-employee is appealing the judgment at the Labour Court and this matter has not yet sat at the Labour Court. Case 2 was referred to arbitration by the CCMA. Case 3: The conciliation process did not reach an agreement and FoodBev SETA is waiting for the ex-employee to apply for arbitration

21.3

There is a possible payment to be made to the previous Accounting Authority Chairperson for being unfairly removed from the Accounting Authority, for the period of June 2016 to November 2017. The amount he would have earned in fees for that period is about R350 000. The amount is based on the actual meetings he would have attended had he not been removed.

Contingent asset

21.4

Case 3 in note 21.2 was dismissed by Labour Court with costs. The lawyers are still negotiating on the settlement amount.

22. EVENTS AFTER THE REPORTING DATE

22.1

The term for the FoodBev SETA Accounting Authority expired on 31 March 2018. The new Accounting Authority was appointed with effect from 1 April 2018.

22.2

Case 2 that was referred to arbitration in note 21.2, has subsequently been finalised after year end. The settlement was reached in order to avoid legal costs that would have cost more for FoodBev SETA and the settlement amount agreed upon was R402 335.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

23. COMMITMENTS

Discretionary Grant Reserve

Of the balance of R603m available in the Discretionary Grant Reserve at the end of March 2018, R493m has been approved and allocated for future projects and skills priorities as set out below:

Description of grant R'000	Audited opening balance	Terminations / adjustments	Approved by accounting authority and contracted 2017/18	Utilised prior years	Utilised current project 2017/18	Total commitments
Unemployed learnerships	100 139	7 382	80 218	25 900	18 126	128 948
Employed learnerships	64 936	9 993	37 000	11 396	7 056	73 490
Skills programme	6 447	1 105	6 671	1 330	1 418	9 264
Work experience/internship	46 496	2 323	58 050	17 105	22 926	62 192
Candidacy programme	360	–	–	120	–	240
Unemployed bursaries	97 877	–	–	34 939	–	62 794
Research & development	–	200	2 500	640	621	1 184
Employed & MDP bursaries	17 951	9 435	9 850	4 024	1 811	12 531
Adult Education Training	3 483	301	1 970	459	683	4 009
Apprenticeship S13	10 998	(5)	–	3 732	–	7 272
Apprenticeship S28	680	(82)	–	62	–	700
Artisans	43 699	5 205	35 550	4 618	2 063	67 363
SMEs (LP, NLP, NGOs, CBOs)	3 200	2 169	1 975	503	411	2 092
Trade unions	7 205	(1 701)	–	6 143	–	2 763
TVET placements	29 225	2 815	17 963	5 155	8 105	31 114
TVET work readiness	44	9	–	35	–	–
TVET GCRA bursaries	3 460	–	–	–	–	3 460
NSFAS Project (MOUs)	6 110	–	–	3 529	–	2 581
Special project	–	–	21 556	–	1 849	19 707
Maluti, Tshwane South and Ekurhuleni SETA offices	576	–	–	36	–	540
TVET lecture capacity	352	–	616	96	184	688
Total	443 238	39 149	273 919	119 822	65 253	492 932

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

23. COMMITMENTS *continued*

	2017/2018 R '000	2016/2017 R '000
Total discretionary grants approved and contracted	492 932	443 238
Total discretionary grants approved but not contracted	88 822	6 303
Total	581 754	449 541
Percentage of Reserves	82%	85%

The FoodBev SETA has committed 82% of reserves in 2017/2018, however, the funding of such commitments flows between one and five years. The FoodBev SETA has sufficient funds to meet all its commitments. The Grant Regulation requires SETAs to commit at least 95% of its reserves each financial year.

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

Furthermore, companies which appeared in the commitment register with outstanding grants from prior years were contacted in an effort to confirm whether training was completed or still in progress or terminated, this resulted in terminations that totalled R39m.

	2017/2018 R '000	2016/2017 R '000
Operating commitments		
Approved and contracted	673	1 107
Capital commitments		
Office refurbishment	–	1 140
Procurement of office furniture and fittings	–	2 048
	–	3 188
Total Commitments	582 427	453 836

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

24. OPERATING LEASE LIABILITY

	2017/2018 R '000	2016/2017 R '000
Opening balance	180	73
Actual paid	(2 129)	(1 947)
Amortised rental over lease period	2 054	2 054
	105	180
24.1. Total future minimum rental payments due		
Not later than one year	1 331	2 172
Later than one year and not later than five years	–	1 331
	1 331	3 503

The rental relates to the office building leased from Growthpoint properties which entered into on 01 November 2015 for a three-year period ending on 31 October 2018. The lease payments escalate at 9% per annum on 01 November of each year. The lease of the office premises was smoothed over the lease term to equalise the future escalations in the lease payments.

24.2. Total future minimum rental payments due

Not later than one year	91	274
Later than one year and not later than five years*	–	–

The contract for rental of the photocopiers with Konica Minolta ended on 31 March 2018. An extension was granted up to 30 June 2018. The Service Level Agreement agreed initially by both parties still stands. There are no escalations in the lease payments.

* There was a prior year error of R457k for the photocopiers' minimum rental payments. The minimum rental payment due later than one year and not later than two years was disclosed as R457k instead of zero.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

25. Material losses through criminal conduct, irregular, fruitless and wasteful expenditure

	2017/2018 R '000	2016/2017 R '000
Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure relating to previous year	–	86
Fruitless and wasteful expenditure relating to current year	–	14
Less condoned/written off	–	(100)
	–	–
Irregular expenditure		
Reconciliation of Irregular Expenditure		
Opening balance	1 668	76 645
Irregular expenditure – identified in the current year	–	367
Irregular expenditure – identified in the current year relating to prior years	592	1 668
Less: amounts condoned	(2 260)	(77 012)
Irregular Expenditure	–	1 668

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

26. Accounting Authority and management remuneration in R'000s

Executive and management

2017/2018	Basic R '000	Travel allowance R '000	Acting allowance R '000	Pension fund R '000	Bonus R '000	Total R '000
N Selamolela Acting CEO	1 252	302	129	218	138	2 039
F Ngwendu*	1 003	61	–	125	–	1 189
C Khoza	935	72	–	142	90	1 239
M Pule	918	120	–	105	89	1 232
S Miya	829	120	–	95	40	1 084
M Maphiwa Acting CFO**	121	–	–	–	–	121
	5 058	675	129	685	357	6 904

* Terminated – February 2018

** Appointed – March 2018

2016/2017	Basic R '000	Travel allowance R '000	Acting allowance R '000	Pension fund R '000	Bonus R '000	Total R '000
N Selamolela CFO/Acting CEO	1 124	302	112	181	214	1 933
F Ngwendu	891	72	–	123	116	1 202
C Khoza	854	72	20	111	119	1 176
M Pule	826	120	20	84	124	1 174
*A Basson – 3 months	218	25	–	6	–	249
**S Miya – 6 months	383	60	–	40	–	483
	4 296	651	152	545	573	6 217

* Resigned June 2016

** Appointed October 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

26. Accounting Authority and management remuneration *(Continued)*

Non-executive

2017/2018	Accounting Authority fees R '000	Reimbursed travel R '000	Total R '000
J Komape (Chairperson) (Re-instated December 2017)	183	7	190
T Tshabalala	277	10	287
A Nkosibomvu	329	19	348
D Khumalo	417	33	450
G Hamman	216	9	225
G Penny	241	4	245
L Giba	47	1	48
L Thomas	224	4	228
R Mnguni	233	15	248
S Hone	200	53	253
N Tshabangu	130	6	136
W Prinsloo	154	4	158
E De Lange	158	4	162
	2 809	169	2 978

Audit Committee

	Members' fees	Reimbursed travel	Total
P Semanya	104	1	105
T Tshitangano	87	1	88
T Randall	108	3	111
	299	5	304

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

26. Accounting Authority and management remuneration *(Continued)*

Non-executive

2016/2017	Accounting Authority fees R '000	Reimbursed travel R '000	Total R '000
J Komape (Chairperson: Suspended June 2016)	94	3	97
E De Lange (Appointed February 2017)	27	1	28
L Giba	279	4	283
G Hamman	179	7	186
S Hone	181	55	236
D Khumalo	227	24	251
E Manoto (Retired April 2016)	8	2	10
R Mnguni	225	15	240
A Nkosibomvu	261	15	276
G Penny	225	6	231
W Prinsloo	149	3	152
K Smith (Resigned February 2017)	23	4	27
L Thomas	235	5	240
T Tshabalala	360	14	374
N Tshabangu	168	13	181
	2 641	171	2 812

Audit Committee

	Members' fees	Reimbursed travel	Total
T Sihlaba	63	2	65
J Meissner	21	1	22
S Majola	28	1	29
F Makaula	21	1	22
P Semanya	70	1	71
T Tshitangano	48	–	48
T Randall	44	2	46
	295	8	303

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

27. Financial instruments

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

Interest rate risk

The FoodBev SETA manages its interest risk by effectively investing surplus funds in short-term deposits and call accounts with different accredited financial institutions according to the FoodBev SETA investment policy. Any movement in the interest rates will affect interest income. Interest income is utilised for additional discretionary grants and therefore will not affect the operations of the FoodBev SETA adversely. The FoodBev SETA's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are as follows:

	Floating rate		Fixed rate			Non-interest bearing		
	Amount R '000	Effective interest rate % R '000	Amount	Weighted average effective interest rate R '000	Weighted average period for which the rate is fixed in years R '000	Amount	Weighted average period until maturity in years R '000	Total R '000
Year ended 31 March 2017								
Assets								
Cash	618 235	7%	–	–	–	–	–	618 235
Loans and accounts receivable	–	–	–	–	–	2 166	–	2 166
Total Financial Assets	618 235		–	–	–	2 166	–	620 401
Liabilities								
Borrowings	–		–	–	–	17 626	–	17 626
Loans and accounts payable	–		–	–	–	–	–	–
Total Financial Liabilities	–		–	–	–	17 626	–	17 626
Year ended 31 March 2017								
Total financial assets	545 330	7%	–	–	–	1 821	–	547 151
Total financial liabilities	–		–	–	–	(25 941)	–	(25 941)
	545 330		–	–	–	(24 120)	–	521 210

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

27. Financial instruments (Continued)

Credit risk

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

The ageing of trade and other receivables from non-exchange transactions

	2018		2017	
	Gross R '000	Impairment R '000	Gross R '000	Impairment R '000
Past due 0–30 days	1 723	–	1 256	–
Past due 31–120 days	–	–	323	(242)
Total	1 723	–	1 579	(242)

Cash and cash equivalents

	2018		2017	
	Gross R '000	Impairment R '000	Gross R '000	Impairment R '000
Not past due	618 235	–	545 330	–

Liquidity risk

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

	Carrying amount R '000	Contractual cash flows R '000	6 months or less R '000	6–12 months R '000
2018				
Trade and other payables from exchange transactions	3 384	3 384	3 384	–
2017				
Trade and other payables from exchange transactions	7 078	7 078	7 078	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

28. Related parties

Transactions with other SETAs

Inter-Seta transactions and balances arise due to the movement of employers from one SETA to another. During the current year there were no Inter-SETA transfers.

2018				2017			
Transfers in R '000	Transfers out R '000	Receivables R '000	Payables R '000	Transfers in R '000	Transfers out R '000	Receivables R '000	Payables R '000
MerSETA	–	–	–	–	4	–	–
Total	–	–	–	–	4	–	–

Transactions with employers of the members of the Accounting Authority

The transactions below arise due to the nature of the Accounting Authority members' employment and the fact that the employers contribute skills development Levies to the FoodBev SETA. The transactions listed below are for the payment of mandatory and discretionary grants.

Employer	Accounting Authority member R '000	Mandatory grant R '000	Discretionary grant R '000	Total R '000	Levies received R '000
Rhodes Food Group	Gerhardus Hamman	1 153	1 949	3 102	4 280
Distell	Leslie Thomas	3 022	6 489	9 511	11 281
SAB – Isando	Ezaan De Lange	5 988	13 522	19 510	20 266
Total		10 163	21 960	32 123	35 827

Transactions with other national public entities

	2017/2018 R '000	2016/2017 R '000
Quality Council for Trades and Occupations (QCTO)	1 807	1 555

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

29. Going concern

We draw attention to the fact that at 31 March 2018, the entity had an accumulated surplus of R84 312 and that the FoodBev SETA's total assets exceeded its liabilities by R606 648.

The annual 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.

30. Prior period errors

During the previous year's audit process, the Auditor-General identified certain accounts payable which were overstated. This error was only corrected in the current year by reinstating the comparative year's reported amount.

The comparative amount has been restated as follows:

	2017/2018 R '000	2016/2017 R '000
Statement of Financial Position		
Accounts payable reduction	–	(397)
Net effect on Statement of Financial Position	–	(397)
Statement of Financial Performance		
Decrease in employer grant and project expenditure	–	397
Net effect on accumulated surplus for the year	–	397
Net effect on accumulated surplus opening balance	–	397



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

31. Budget differences

Material differences between budget and actual amounts

31.1 Other income

Other income is made up of grant recoveries from employers who did not implement learning programmes and proceeds from sale of disposed assets. FoodBev SETA does not budget for other income.

31.2 Fines and penalties

FoodBev SETA does not budget for fines and penalties since these are incidental transactions.

31.3 Skills Development Levy: income

Despite the higher than inflation increases given by employers, the levies received were still less than the budget amount.

31.4 Interest received – investments

Interest income is higher than the budgeted amount and this is due to the high cash reserves held at approved banking institutions. Interest is budgeted conservatively.

31.5 Retained funds

These funds were utilised to fund special projects which were approved by National Treasury and the Accounting Authority. All these amounts were fully utilised in the current year.

31.6 Administration expenses

Administration expenses are limited to 10% of the levies received and FoodBev SETA administration expenditure remained within the legislated limit. FoodBev SETA implemented cost-saving measures that resulted in savings. There were a number of vacant positions not filled in the financial year under review. The review of the organogram resulted in several posts not being filled. The review was approved towards the end of the financial year and will only be implemented in the next financial year.

31.7 Employer grants and project expenses

The variance is a result of non-submission of complete and accurate documents in order to effect payments. An online system is being implemented, which will assist with the issue of missing submissions. This is envisaged to assist with reducing delays of payments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

32. Critical accounting judgement and key sources of estimation

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

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

Key sources estimation uncertainty

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

Estimation of useful lives and residual value

Management considers the impact of technology, condition of the asset, if there are any approved plans by the Accounting Authority to dispose of the asset. The old furniture and fittings were disposed. The estimation of residual values of assets is based on management's judgement of whether the asset will be sold or will be used to the end of their useful lives and in what condition the assets will be at the time. Management are of the opinion that all other assets of the SETA that will not be disposed have a useful life that is equal to the economic life of the assets. Management, therefore considers the residual value to not be materially significant.

The assets that were disposed had an economic life of up to 31 March 2018.

Impairment of assets

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

Provisions

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

Segment reporting

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

33. New accounting pronouncements

Standards issued but not effective

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

GRAP 20 IMPACT	Related parties Minimum impact as the FoodBev SETA is already applying the equivalent IPSAS
GRAP 32 IMPACT	Service concession arrangements No impact – no service concession arrangements have been entered into by the FoodBev SETA
GRAP 108 IMPACT	Statutory receivables Measurement of statutory receivables may have an impact but principally based on GRAP 104
GRAP 109 IMPACT	Accounting by principals and agents Possible impact due to SARS collecting on behalf of the SETAs
GRAP 17 IMPACT	Service concession arrangements where a grantor controls a significant residual interest in an asset No impact – no arrangements
DIRECTIVE 12 IMPACT	The selection of an appropriate reporting framework by public entities FoodBev SETA applies the standard of GRAP and is thus exempt from this directive



FoodBev SETA

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