fp&m seta

Fibre Processing & Manufacturing Sector Education and Training Authority

FUTURE PERFECT **SKILLS DEVELOPMENT**

ANNUAL REPORT 2021/22

STRENGTHENING ECONOMIC RECONSTRUCTION AND RECOVERY PLAN THROUGH SKILLS DEVELOPMENT, EMBRACING TECHNOLOGICAL CHANGES AND INNOVATION FOR EMPLOYABILITY AND ENTREPRENEURSHIP FOR A SUSTAINABLE MANUFACTURING SECTOR.

ANNUAL REPORT OF THE FP&M SETA
FOR THE 2021/2022 FINANCIAL YEAR

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

Honourable Minister Dr Blade Nzimande (MP), Department Higher Education, Science and Innovation and Honourable Deputy Minister Buti Kgwaridi Manamela (MP), it is my pleasure and privilege to present to you the Annual Report of the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA), for the financial year ended 31 March 2022.

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

Dr Felleng Yende
Chief Executive Officer: FP&M SETA

PART A

GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

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2. LIST OF ABBREVIATIONS AND ACRONYMS

AET	Adult Education and Training
AGM	Annual General Meeting
AGSA	Auditor-General of South Africa
AFS	Annual Financial Statements
ALP	Action Learning Programmes
APP	Annual Performance Plan
AQP	Assessment Quality Partner
ATR	Annual Training Report
AVG	Average
BUSA	Business Unity South Africa
CBD	Central Business District
CBO	Community-Based Organisation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIA	Certified Internal Auditor
CIMA	Chartered Institute of Management Accountants
CoE	Centre of Excellence
COSATU	Congress of South African Trade Unions
CoS	Centre of Specialisation
CPD	Corporation for Public Deposits
CSTO	Co-ordinating SETA-TVET Office Model
CTFL	Clothing, Textiles, Footwear and Leather
DAC	Department of Arts and Culture
DAFF	Department of Agriculture, Forestry and Fisheries
DG	Discretionary Grant
DHET	Department of Higher Education and Training
DQP	Development Quality Partner
DUT	Durban University of Technology
ERRP	Economic Recovery and Reconstruction Plan (ERRP)
EISA	External Integrated Summative Assessment
ETD	Education, Training and Development
EXCO	Executive Committee
EXP	Expenditure
FIETA	Forest Industries Education and Training Authority
FP&M	Fibre Processing & Manufacturing
GRAP	Generally Recognised Accounting Practice
HEI	Higher Education Institution
HET	Higher Education and Training
HR	Human Resources
ILDP	International Leadership Development Project
IPAP III	Industrial Policy Action Plan III
ISOE	Institutes of Sectoral and Occupational Excellence
ICT	Information and Communications Technology
IT	Information Technology
KZN	KwaZulu-Natal
LMIP	Labour Market Intelligence Partnership
LMIS	Learner Management Information System
MAPPP	Media, Advertising, Publishing, Printing and Packaging
MIS	Management Information System
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTSF	Medium-Term Strategic Framework
NAMB	National Artisan Moderating Body
NDP	National Development Plan
NEET	Not in Employment, Education or Training
NGO	Non-Governmental Organisation
NLPE	Non-Levy Paying Entity
NPO	Non-Profit Organisation
NQF	National Qualifications Framework
NSA	National Skills Authority
NSDP	National Skills Dvelopment Plan
NSDS	National Skills Development Strategy
NSFAS	National Student Financial Aid Scheme
NC	National Certificate
NCV	National Certificate Vocational
OFO	Organising Framework for Occupations

PASA	Publishers Association of South Africa
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
PIVOTAL	Professional, Vocational, Technical and Academic Learning
PSET	Post-School Education and Training
QAC	Quality Assurance Committee
QCTO	Quality Council for Trade and Occupations
RPL	Recognition of Prior Learning
SAAA	South African Apparel Association
SABC	South African Broadcasting Corporation
SABDC	South African Book Development Council
SACPO	South African College Principals' Association
SACTWU	Southern African Clothing and Textile Workers Union
SADC	South African Development Community
SAGDA	South African Graduates Development Association
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SATU	South African Typographical Union
SCM	Supply Chain Management
SDL	Skills Development Levy
SETA	Sector Education and Training Authority
SLA	Service Level Agreement
SMME	Small, Medium, and Micro Enterprise
SDP	Skills Development Provider
SQMR	SETA Quarterly Monitoring Report
SSA	Sector Skills Adviser
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training
UIF	Unemployment Insurance Fund
W&R SETA	Wholesale and Retail Sector Education and Training Authority
WCM	World-Class Manufacturing
WEF	World Economic Forum
WIL	Work Integrated Learning
WSP	Workplace Skills Plan

3. FOREWORD BY THE CHAIRPERSON

POST-COVID SKILLS DEVELOPMENT AND EMPLOYABILITY

"After climbing a great hill, one finds that there are many more hills to climb," said President Nelson Mandela.

Any optimism must be tempered by the fact that people are still suffering from the impact of the pandemic. Our hearts are with them.

This is my second annual report as chairperson of this phenomenal organisation and I must say these have been extraordinary times in every sense – and we have responded to this with extraordinary commitment.

A FUTURE OF REVITALISATION AND HOPE

Under the pressure of the pandemic, we endured not only socio-economic emergencies, but also political instability as experienced in the July 2021 unrest in KwaZulu-Natal and Gauteng. Because demand for skills development is so closely linked to human activity, our skills training sector was also impacted.

THE PANDEMIC SHOWED THE SETA AT ITS BEST

Indeed, one thing I have learnt as chairperson is that while strategy setting is important, an organisation such as FP&M SETA must also stand ready to respond to external impacts and crises.

Maintaining strategic focus while responding to a crisis is challenging. Nonetheless, the FP&M SETA's response to the pandemic showed the SETA at its best. Companies, organisations, and all employers face the hardest and most painful test of their capacity to seek and achieve political, economic and social responses to life after COVID.

My gratitude goes to the Chief Executive Officer, Dr Felleng Yende, her management team and all employees for their hard work and commitment over the past year. This enabled the organisation to continue to deliver at the highest level, which included:

- Innovation
- Efficiencies that improved productivity
- Improved financial management that focused on reducing costs
- An efficient business model
- Credible and reputable processes

The proactive and strategic leadership of the CEO cultivates innovative and solutions-based processes.

In the same vein, I wish to congratulate the CEO for obtaining her PhD in Management of Technology and Innovation at a prestigious doctoral graduation ceremony in October 2021. The Board and Management cannot be any prouder. You are an inspiration to us all.

HOW WILL WE RENEW ECONOMIC GROWTH?

The question now must be, how will we renew economic growth to cope with our country's future needs?

While the pandemic has made the task of revitalising our nation more challenging, the upside to this is that it has also made the need for revitalisation more difficult to ignore.

PRESENTING THE 2021/22 ANNUAL REPORT

Despite the COVID-19 challenges, it is a privilege and an honour to present the 2021/22 Annual Report of the Fibre Processing & Manufacturing Sector Education and Training Authority (FP&M SETA) on behalf of the Accounting Authority.

I am proud that Dr Yende's proactive and strategic leadership continues to implement innovative and solutions-based processes.

GOVERNANCE

The FP&M SETA Accounting Authority and its advisory committees have again achieved high levels of participation in executing their fiduciary responsibilities, governing and managing the entity in accordance with applicable legislation, and providing strategic direction and effective leadership.

Equally important is ensuring that the relevant accounting standards are upheld in preparation of our Annual Financial Statements. This enables us to deliver clear and transparent reporting that provides accountability and improves trust and confidence in our performance as a public entity.

GRATITUDE TO BOARD MEMBERS

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

I thank my fellow Board members for their dedicated and committed service, which has enabled the SETA to maintain its reputation as a benchmark organisation for corporate governance.

I am pleased to report that the FP&M SETA Board and its subsidiary committees committed themselves to the highest standards of business integrity, compliance and best practice during the period under review.

In the interests of good governance, Board and committee members are required to sign a Declaration of Conflict of Interest form at every meeting, declaring any potential conflict to the business mandate of FP&M SETA.

Collaborative work between the Department of Higher Education and Training, FP&M SETA Management, and members of the FP&M SETA Board has enabled the Board to translate the wishes of stakeholders into workable policies, communicate them to Management, and ensure that these are complied with.

With the right blend of the different attributes needed in its membership, I am glad to say the Board has delivered on its mandate to make FP&M SETA a top-performing organisation. We have followed appropriate degrees of accountability accorded to a skills development organisation in a democratic society.

The SETA's governance standards compare very well with best practice and guide the organisation in instilling its values in its daily operations. The FP&M Board remains ultimately accountable to ensure that the committees meet their oversight obligations, as reflected in the FP&M SETA Constitution.

Key to the SETA's developmental priorities mandate is the Human Resource Development Strategy; the National Development Plan; the Industrial Policy Action Plan; the outcomes of the Medium-Term Strategic Framework; and in particular, sector development plans.

PERFORMANCE INDICATORS AND TARGETS

It is with pride that I report that FP&M SETA has achieved 95.9% of its performance indicators and targets, as contained in the Annual Performance Plan (APP) 2021/22 for SETA-funded learners. This is an excellent achievement as our workplaces were forced into lockdown with limited learner intake to mitigate the spread of COVID-19.

A lower performance against predetermined performance indicators and related targets highlights the impact COVID-19 had on our operations and ability to deliver on our mandate. The pandemic interrupted teaching and workplace learning which hindered our ability to implement and complete learning interventions planned in the APP 2021/22.

The SETA's performance also demonstrates the FP&M sector's positive contribution to the overarching government programmes.

REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)

We are proud to report that we have obtained another clean audit opinion from the AGSA for the 2021/22 financial year. This marks the sixth clean audit opinion from the AG in the last eight years and the fourth consecutive clean audit opinion. This bodes well for the SETA and we are proud of this achievement.

Given its short history, the number of clean audit opinions by the AGSA since 2013 attest to the monitoring and oversight of processes and a strong control environment by FP&M SETA Management and Board.

The period under review was one of continued consolidation, capacitation and growth, as well as good governance and accountability. Focused attention was given to strengthening the core business to enhance performance and service delivery.

The Board remains committed to providing the necessary leadership and support to Management to ensure that the audit findings of the AGSA will be adequately addressed going forward. Furthermore, the Board will ensure that Management develops a robust action plan that will be monitored and audited regularly in the new financial year.

FP&M SETA STRATEGIC PLAN

FP&M SETA Skills Strategy for the Economic Restructuring and Recovery Plan (ERRP) focuses on the extraordinary measures we must take to restore our economy and industrial sectors to inclusive growth. The economic and social disruption caused by the COVID-19 pandemic is devastating. Poverty and inequality have deepened. The pandemic destroyed jobs, placed millions of livelihoods at risk, and our economy contracted sharply.

The 2020-2025 strategy focuses on responding to the accelerated growth of new technologies and changing business processes arising from the Fourth Industrial Revolution (4IR). Innovation in socio-economic, technological and structural transformation are features of the strategy. This includes societal transformation in the ownership, control and management of business through the promotion of entrepreneurship, small, medium, and micro enterprises (SMMEs), and localisation.

At a national level, FP&M SETA is committed to the implementation of the new National Skills Development Plan (NSDP) through the alignment of its sector skills priorities with national priorities and government policies.

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

ONLINE LEARNING AND DIGITAL CONNECTIVITY

The COVID-19 dilemma challenged innovative organisations to develop ways to ensure that teaching and learning continue, even without traditional settings.

It is expected that by the time the situation returns to normal when the virus recedes, digital applications will have become more integrated into our way of life rather than a convenient and occasionally used option.

We understand that good training services, staffed by well-motivated and qualified staff who can be trusted to get on with the job without outside interference, is vital for the well-being of future generations.

The quality of our training is evident in our consistent numbers. Every year, quality employees and learners come out of our training programmes equipped with the necessary tools to pursue their dreams and aspirations.

GROWTH PROSPECTS

The challenges posed by slow economic growth, resulting in large-scale retrenchments, business closures and ultimately fewer workplaces available to train learners, especially during lockdowns, resulted in low and slow skills training throughput rates. This also hampered employer commitment due to the safety, cost and time required to train learners. Rapid technological advances have posed challenges to the relevance of the current curricula at our HEIs and TVETs, with areas of digitalisation, artificial intelligence, robotics and additive manufacturing recognised as curricula shortcomings.

While the COVID-19 pandemic has placed a great strain on many organisations to simply survive in this challenging and complex business environment, we know we can marshal our energies to think ahead, plan for the future, and emerge with a competitive advantage.

Civil society partnerships support skills development for persons with disabilities, addressing youth development and empowering female workers in disadvantaged communities. The relationships that FP&M SETA has forged with employers have been instrumental in these initiatives.

HANDLING OUR CLIENTS' TRAINING NEEDS

We continue to handle our clients' training needs, sharing our knowledge and innovation. Our robust infrastructure and agile working capabilities ensure that we devote our resources to helping our clients and partners navigate the current circumstances.

In my capacity as Chairman, I and my fellow Board members will continue to work to realise the FP&M SETA's priority goals, focusing on:

- Enhancing the role of SETA as a key forum for skills training.
- Helping to adapt the FP&M SETA's process to the requirements of the ever-changing skills development environment across the country.

- Assisting in providing best opportunities for further development of the SETA's training projects.
- Continuing learning – providing opportunities, support and capacities for young people to continue learning through non-traditional channels.
- Being an innovator – providing skills development opportunities for young people to be creative and innovative.

I am pleased to report that during the reporting period, FP&M SETA has been instrumental in addressing national priorities such as artisan development, work integrated learning, and work experience for HET and TVET graduates. The SETA will also continue to support SMMEs and other skills development providers, including public training institutions (TVETs and CETs), to increase the production and distribution of personal protective equipment (PPE).

The role of skills has been identified as key to unlocking the potential of the local manufacturing sector, and advances brought by the 4IR. FP&M SETA will need to focus on skills development interventions that will unlock the potential of world-class manufacturing through future and emerging skills.

THE SKILLS DEVELOPMENT JOURNEY

Over the past eight years, FP&M SETA has proudly walked the skills development journey with dedicated, committed and collaborative stakeholders. Through effective skills development interventions, we have opened the doors to many career opportunities, making a tangible difference to the lives of all South Africans.

STRATEGY AND OPERATIONAL PERFORMANCE

Low skills perpetuate poverty and inequality. That is why the *Skills Development Act* was created to help develop the skills of people in the workplace, enabling them to better their chances of finding work and keeping a job.

Therefore, helping people develop and update their skills makes economic sense. According to the World Bank, to succeed in the 21st century labour market, a comprehensive skillset comprised of cognitive, socio-emotional, technical, and digital skills is needed.

Therefore, FP&M SETA understands that done correctly, skills development can:

- Reduce unemployment and underemployment.
- Increase productivity.
- Improve standards of living.
- Reduce gender inequality by ending discrimination towards women.
- Provide equal opportunities for education and employment.

Our Sector Skills Plan (SSP), based on credible data and empirical research, has allowed FP&M SETA to address – through optimal planning – the sector skills gap.

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

We are mindful of the all-important role we play in making a meaningful contribution to building a skilled and capable workforce. We are also aware of the need to ensure that our funding decisions are guided by the need to impact the sustainability and growth of our economic sub-sectors.

In the period under review, we responded to the call for greater efficiencies in the FP&M SETA Discretionary Grant Funding Model, ensuring that it is deployed in a manner that provides a return on investment (ROI) for our stakeholders.

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

ACHIEVEMENT HIGHLIGHTS

It is our impact on the lives of learners that lies at the heart of everything we do. I am delighted to report that an increasing number of learners are registering and completing FP&M SETA occupationally directed qualifications; more specifically in learnerships and apprenticeship programmes.

The completion of such programmes led to direct jobs. During the reporting period, 3 418 learners registered for learnership programmes and 3 279 learners successfully completed learnerships.

Since the establishment of FP&M SETA in 2011, 32 355 learners have registered for learnership programmes. FP&M SETA also recorded achievements with regard to entries and completion rates against its artisan programmes with 414 entries and 369 completions for both funded and unfunded learners. Given the COVID-19 lockdown regulations, it is commendable that FP&M SETA met the targets for these output indicators.

It is encouraging to report that a large number of our employers are adhering to our call to 'make every workplace a training space' by taking on an increasing number of graduates for work experience, internships, and work integrated learning programmes.

During tough economic times, I commend our employers and workplaces for providing our learner graduates with the requisite practical and workplace experience exposure, and for coaching and mentoring these young minds to adapt to the discipline of workplace practice.

Employers must be commended for opening up their workplaces to 2 180 learners who were given the opportunity to register for or complete work experience, internship and work integrated learning (WIL TVET/HET) programmes within the FP&M sector. I am also pleased that we have continued to support our NSFAS partnership, which resulted in a number of our unemployed and financially challenged learners being able to complete their bursary programmes.

BURSARY GRANTS

I am pleased that our strategic partnership with NSFAS continues to prosper. We have committed an additional R3 million towards progressing students in a number of higher education institutions that study qualifications aligned to our skills development scope. Approximately 661 learners benefitted from our bursary grants during the period under review, ensuring that learners were able to graduate with tertiary occupational qualifications.

Employers have also benefitted from their partnership with FP&M SETA, which contributed to employee skills development and motivation. This in turn enabled employees to make a tangible contribution to organisational growth, productivity and prosperity.

FOOTPRINT AT TVET COLLEGES

The public TVET college and university system is central to the government's programme of skilling and reskilling youth and adults. Our strategy aims to purposefully support these institutions by establishing strategic collaborations and partnerships with a number of higher education and training institutions, such as TVET colleges, universities, and universities of technology. This will advance the vision and objectives of the post-school education and training system.

FP&M SETA, as part of the DHET–SETA Directorate, is providing excellent leadership and guidance in establishing a best practice model for the implementation of the Coordinating SETA TVET Office Model (CSTO Offices) for national rollout to all TVET colleges across South Africa.

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

STAKEHOLDER INTERACTION

The FP&M SETA Board highlights the critical role that stakeholder engagement plays in guiding and informing strategic decision-making relating to the implementation of skills development in the sector.

My report recognises that the objectives of the FP&M SETA strategy can only be achieved with the cooperation and coordination of all key stakeholders, including employers in public and private entities, labour, and other stakeholders such as higher education institutions, NGOs, cooperatives and community-based organisations.

Partnerships, cooperation and coordination between entities are critical to achieving higher economic growth and development, increased productivity, and a skilled and capable workforce. Our strategy continues to seek a closer synergy between the world of work and our formal education system.

During the period under review, the total revenue, including income from skills development levies was approximately R363,4 million. I am pleased to report that the FP&M SETA Board has approved approximately R295,5 million towards skills development interventions in the sector during the 2021/22 financial year .

Despite the impact of COVID-19 on the FP&M SETA budget, FP&M SETA improved its capability to manage mandatory and discretionary grant disbursements and has produced a solid foundation for continuous improvement of future skills development.

THANK YOU TO OUR STAKEHOLDERS

We at FP&M SETA understand that as a nation we can climb the "many more hills" through better education and training. More and better education and skills training will lead to more work, better wages, and increased opportunities.

As President Mandela also said, "It always seems impossible until it's done." A revitalised nation can provide the framework within which everyone can build their own wealth with more work, better wages, and constantly improving opportunities and skills.

This can be done. A revitalised South Africa is a prize worth fighting for. Our hard-earned democracy means no one else is going to make us carry out the far-reaching, initially painful tasks of post-COVID-19 revitalisation. Self-reliance means we have to want revitalisation, to hunger for it, and to accomplish it all by ourselves.

Allow me to take this opportunity to sincerely thank our stakeholders and learners for entrusting to me the honourable and noble task of taking the lead in strengthening our organisation for the next year.

FUTURE OUTLOOK

Going forward, key challenges include strengthening our impact on entrepreneurship, SMME development, employment, work placement, and work-readiness of graduates. This will be realised through workplace partnerships, improving learner completion rates and continuous project coordination and further strengthening of alignment to scarce and critical skills.

APPRECIATION

Despite the many challenges encountered by FP&M SETA during the COVID-19 lockdown period, the FP&M SETA Board applauds the CEO, Dr Felleng Yende, and her staff for sustaining the organisation's high performance.

Our country is facing numerous economic and social challenges. Generating employment, promoting entrepreneurship and reducing poverty is a top priority in country's socio-economic development agenda.

Success will depend on what we do. According to Statistics SA, our youth have fewer prospects of finding gainful employment because they lack specific skills. With effective government policies for their education and training, they can become a powerful force for economic development.

We know that the necessary jobs for new entrants into the labour market cannot be created only by skills development. The employability of the workforce is crucially linked to the level of vocational and technical competence.

Therefore, the training of the unemployed and of unskilled or semi-skilled owners of small businesses should form part of the strategy for post-COVID economic growth.

I would also like to express my gratitude to the trade unions, employers and skills development providers for their contribution to the SETA's skills development initiatives. Your willingness to create opportunities for learners is greatly appreciated.

The SETA's work is not possible without strong and effective leadership, reliable support services and effective quality assurance services. While the SETA faced extraordinary challenges during the year under review, its commitment to achieve its goals remained undiminished. On behalf of the Board, my heartfelt thanks go to FP&M SETA's Management and staff for all the incredible work that they did to ensure that the SETA's work continued. It is this commitment that will help the SETA weather the storm of the current socio-economic challenges. I also thank the FP&M SETA partners whose contribution helped us realise our vision despite the obstacles we faced.

My heartfelt gratitude and appreciation goes to the Board members for diligently exercising their oversight role.

I also thank our Honourable Minister of Higher Education, Science and Innovation, Dr Blade Nzimande, for his exceptional leadership, and the DHET for their support. The role played by the AGSA and Internal Audit Committee is valued as these institutions provide much-needed assurance to the integrity of FP&M SETA's work.

FP&M SETA is committed to ensuring that the learning needs of all young people and adults are met through equitable access to appropriate learning and life skills programmes.

Take care and stay safe.

Advocate Michelle Odayan
Chairperson

FP&M SETA
31 May 2022

4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

STRENGTHENING POST-COVID ECONOMIC RECONSTRUCTION AND RECOVERY THROUGH SKILLS TRAINING FOR EMPLOYABILITY IN A SUSTAINABLE MANUFACTURING SECTOR

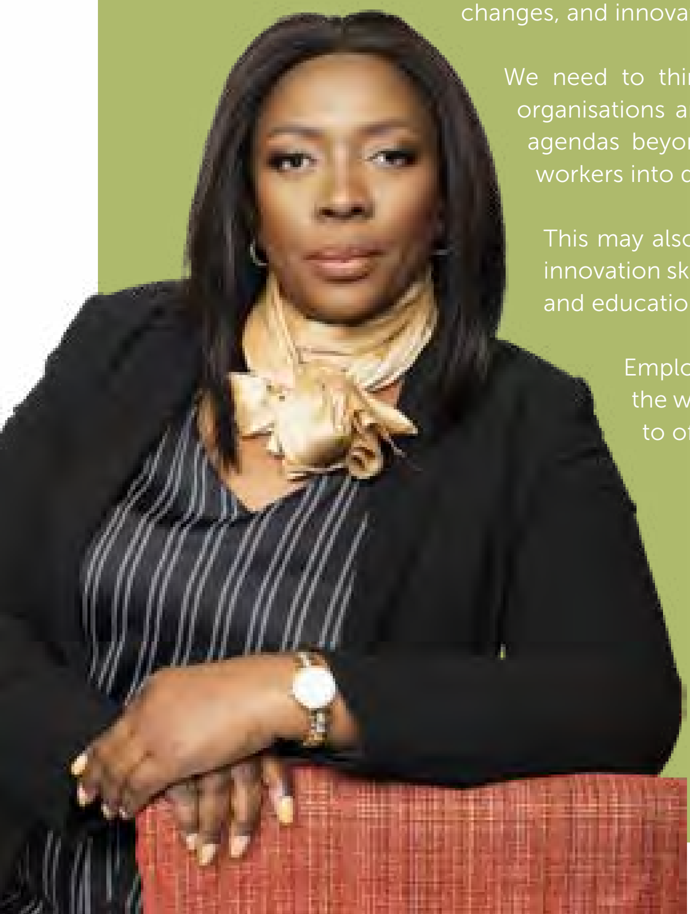
"The secret of change is to focus all of your energy, not on fighting the old, but on building the new." Socrates (Greek philosopher)

Socrates' words reflect the changes ushered in by the economic crisis that requires so many in South Africa to gain new skills or enhance existing ones.

The challenges presented by the pandemic were immense, but at the end of the year under review, so too were the rewards of knowing that everything possible had been done to maintain the momentum of skills development and avoid disappointing hopeful and deserving beneficiaries countrywide. The COVID-19 experience taught us valuable lessons and indispensable coping skills.

CRITICAL ENABLER: SKILLED TALENT

As we at FP&M SETA try to predict the future, the conversation inevitably shifts towards the most critical enabler of all: skilled talent to strengthen the ERRP through skills, embracing technological changes, and innovation for employability in the sustainable manufacturing sector.



We need to think about work and careers at a time when companies and organisations are evolving and many are accelerating reskilling and upskilling agendas beyond hard-to-find jobs in order to ensure a fluid movement of workers into different roles.

This may also mean that companies and organisations are fertile ground for innovation skills development, supported by technological reskilling platforms and educational institutions.

Employee training and reskilling are hardly new ideas. What is new is the way we all view the world of work and what every organisation has to offer after COVID-19.

While the current crisis and economic downturn has placed a great strain on all of us to survive in these complex business times, we must marshal our energies to think ahead and plan for the future, in order to emerge with a great competitive advantage.

Authors Christopher Worley and Claudy Jules identified some of those challenges as "redeploying talent, establishing remote workforces, building needed capabilities, propping up distressed supply chains, contributing to humanitarian efforts, choosing among firing/ furloughing/ retaining employees, and planning for reopening amid uncertainty."

Since today's pandemic environment will continue to disrupt and accelerate the way we do just about everything in a post-pandemic society, we need to be agile while making meaningful investments in human capital to build an agile, skilled, and flexible workforce.

At FP&M SETA we are defining agile skills training for strengthening ERRP through skills, embracing technological changes and innovation for employability in a sustainable manufacturing sector.

The dynamic challenges facing higher education institutions, including SETAs today, involve planning for a post-COVID-19 environment; navigating change management; promoting diversity, equity, and inclusion; identifying appropriate skills needs, retention, and reskilling to name a few.

SKILLS OF THE FUTURE

I came across the following 14 skills in various academic journals and the World Economic Forum reports that can be key to opening job market's door and helping people find their place in society:

- Persuasive leadership skills
- Novel and adaptive thinking
- Critical thinking
- Communication skills
- Emotional intelligence
- Creativity and innovation
- Flexibility and adaptability
- Tech savviness and new-media literacy
- Computational thinking
- Cybersecurity
- Futures literacy
- Data literacy
- Digital and coding skills
- Cross-cultural competence

DIGITAL AND CODING SKILLS

This pandemic has affected all industries, and as a SETA, we faced our own challenges, around how we innovatively make quality education and training available to our stakeholders. The unexpected spin-off of the pandemic is that it catapulted us into embracing 4IR and future thinking. We learnt very quickly to operate and deliver services through online and digital systems.

All companies are now digitally based in some way, so the opportunities to put digital skills, including coding, web development, and digital marketing to work are countless.

Therefore, people with digital skills are going to be on the must-hire list.

TO THE FUTURE

The late President Nelson Mandela said at his inauguration on 10 May 1994, "The task at hand will not be easy, but you have mandated us to change South Africa from a land in which the majority lived with little hope, to one in which they can live and work with dignity, with a sense of self-esteem and confidence in the future."

Before I report on FP&M SETA's performance in the past financial year, let me emphasise that our task at hand as analysed at the start of my report means we are planning for a post-COVID-19 environment by equipping workers with appropriate skills needed for a post-COVID era.

It is my pleasure to present the Fibre Processing and Manufacturing SETA Annual Report for the 2021/22 financial year. FP&M SETA is tasked with driving the development of quality skills in the FP&M manufacturing sector of South Africa, including clothing, textiles, footwear, leather, general goods, pulp & paper, furniture, wood products, printing, packaging, print media, publishing industrial sectors.

Despite the formidable challenges that the pandemic presented, we remained focused and resolute in our commitment to excellence, transformation and ensuring that South Africa has the relevant skills base to compete internationally.

STRATEGIC PARTNERSHIPS

The COVID-19 pandemic wreaked havoc on the South African economy, and communities across the country have been hit hard by job losses. The pandemic disrupted every aspect of life, and government and private sector organisations were not spared.

Government cannot win this battle alone and Honourable President Cyril Ramaphosa's ERRP is providing a clear framework for how SETAs can contribute to reviving the economy of South Africa.

As a result of COVID-19, FP&M SETA's future planning in the next 5-year cycle will aim at economic reconstruction and recovery focusing on employability and entrepreneurship. To this end the SETA will foster collaborative strategic partnerships to bring much-needed skills into the sector with structures within TVET colleges, employers, professional bodies, trade unions, government entities, and other SETAs.

SKILLS STRATEGY

The reporting period commenced with the second year of implementation of the NSDP and the SETA strategy focusing on greater cooperation between education and training institutions and the workplace. The overall goal of the skills development system is to create 'decent work' by effectively connecting education to technical training to labour market entry to workplaces and to lifelong learning.

We partnered with many organisations, institutions, government departments and community stakeholders to build a truly integrated, high-quality post-school education and training platform, all contributing to sector growth.

Figures aside, education and skills will always remain at the heart of FP&M SETA's skills strategy and we must act now, and act together.

ECONOMIC STIMULUS FOR SMME AND FP&M COMPANIES

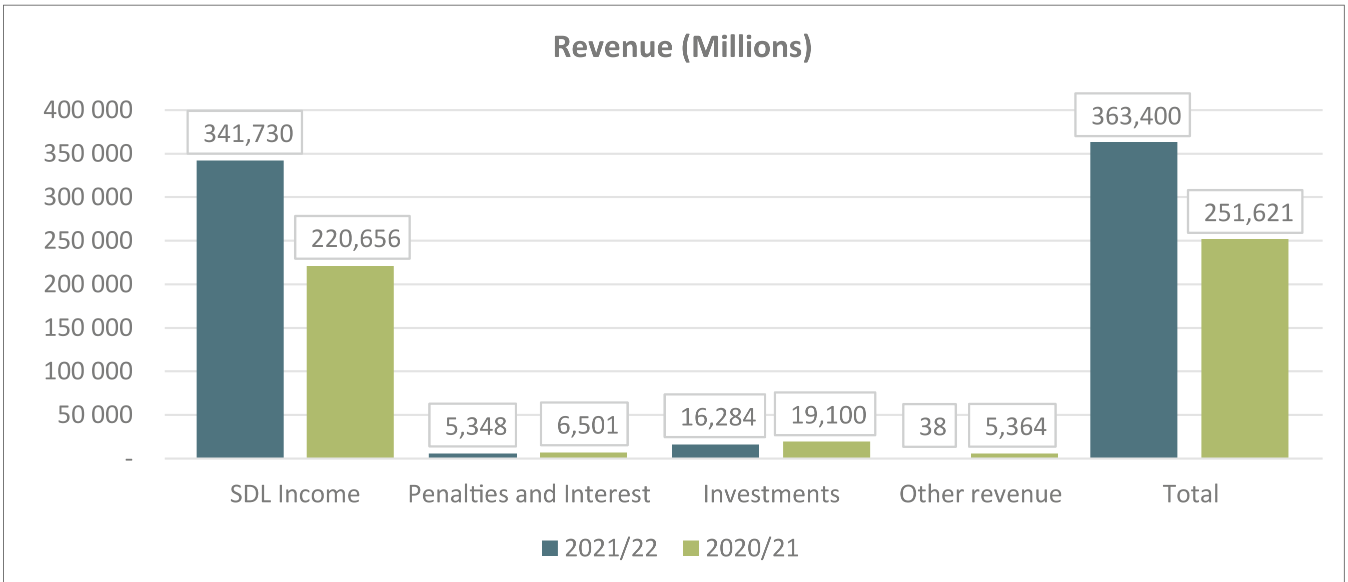
The SETA supported a number of SMMEs and other skills development providers, including public training institutions such as TVETs, to manufacturing masks through its garment construction projects.

Many unemployed learners completed their training in garment construction and coffin-making and were absorbed into employment, while others were assisted in establishing cooperatives and provided with SMME starter packs.

GENERAL FINANCIAL REVIEW OF THE PUBLIC ENTITY

FP&M SETA's financial performance has improved steadily, with significant strides being made to ensure adequate financial and administrative controls to deliver prudent financial management, with strict adherence to Generally Accepted Accounting Practices and National Treasury regulations.

REVENUE TRENDS



Revenue received in 2021/22 was reported at R363,4 million (2020/21: R251,6 million).

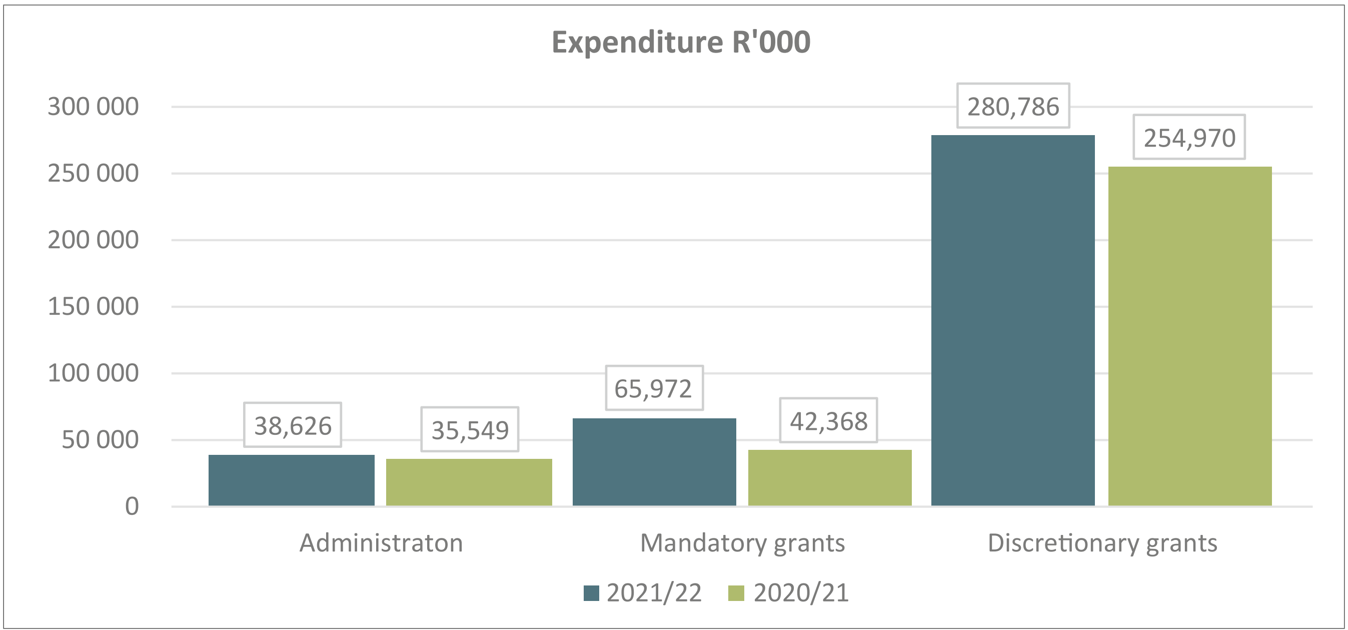
SDL income amounted to R347 million (2020/21: R227 million) and was allocated in line with the SETA Grant Regulations, which came into effect on 01 April 2013:

- Administration expenditure – R38,6 million (2020/21: R35,6 million)
- Mandatory grants expenditure – R65,9 million (2020/21: R42,3 million)
- Discretionary grants expenditure – R280,7 million (2020/21: R254,9 million)
- Penalties and interest income received for late payments made to SARS amounted to R5,3 million (2020/21: R6,5 million)
- Donor funding, for which the conditions were met, amounted to nil (2020/21: nil).
- Other revenue amounted to R38,000 (2020/21: R5,3 million).
- Investment income earned totalled R16,2 million (2020/21: R19,1 million).

INVESTMENT STRATEGY

FP&M SETA invested excess funds with the Corporation of Public Deposits (CPD) as per Section 31.3.3 of Treasury Regulations. The average interest rate for the year totalled 3.78%.

SPENDING TRENDS OF THE FP&M SETA



ADMINISTRATION EXPENSE

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

The total administrative expenditure totalled R38,6 million (2019/20: R35,6 million). Administration expenditure was contained within the 10,5% threshold for administrative expenditure as a result of stringent financial management and the implementation of cost-saving measures.

MANDATORY AND DISCRETIONARY GRANT EXPENSES

The mandatory grant expenses totalled R65,9 million (2020/21: R42,3 million).

Disbursements totalled R65 million (2020/21: R43 million). Discretionary grant and special projects expenses totalled R280,7 million (2020/21: R254,9 million).

COMMITTED FUNDS

At the end of March 2022, discretionary reserves totalled R368,7 million, of which R368,5 million was contractually committed. R219,000 was uncommitted at year-end and approval to retain these funds has been submitted to National Treasury.

CAPACITY CONSTRAINTS AND CHALLENGES

The SETA's levy budget has not increased drastically due to the effects of COVID-19. The shortfall on the levy budget projections for 2021/22 amounted to 1%. Due to prudent financial management, the SETA managed to contain spending and remain within the 10.5% administration threshold.

NEW OR PROPOSED ACTIVITIES

Discretionary Grant applications for the implementation of new projects have been received from stakeholders in the FP&M sector and have been approved by the FP&M SETA Board. Discretionary allocations will address the predetermined targets set out in the 2021/22 APP, which are aligned to the NSDP.

REQUEST FOR THE ROLLOVER OF FUNDS

A request to rollover funding was submitted to National Treasury on 31 July 2022. FP&M SETA applied to retain discretionary grant reserves to the amount of R368,7 million. The response from National Treasury is pending.

SUPPLY CHAIN MANAGEMENT

FP&M SETA met all the prescribed SCM legislative requirements; aligned to National Treasury regulations. I am pleased to report that the SCM division has controls in place to ensure zero tolerance on non-compliance, fraud and corruption concerning the procurement of all goods and services for the organisation.

The SCM Policy was amended in line with National Treasury's latest legislation and instructions.

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

- Appointment of a Service Provider for office premises.
- A request by the SETA to National Treasury for an extension of the following contract was approved: SoluGrowth (Pty) Ltd – implementation and maintenance of an Integrated Management Information System.

AUDIT REPORT MATTERS IN THIS FINANCIAL YEAR (2021/22)

FP&M SETA received its sixth clean audit opinion in the 2021/22 financial year, which is a testament to our pursuit of total compliance, good corporate governance and service delivery excellence.

Key noteworthy audit success areas for this financial year (2021/22):

The audit outcomes for the Fibre Processing & Manufacturing Sector Education and Training Authority (FPM&SETA) have remained the same compared to the prior year as an unqualified audit opinion with no findings on compliance was also expressed in the current year.

AGSA commended the public entity for submitting financial statements that are free from material misstatements.

Audit Outcomes on Performance Information as reflected in the Final Management Report of the AGSA
1. In AGSA's opinion, the reported performance information for Learning programmes and projects was found to be useful and reliable, and in accordance with the applicable criteria as developed from the performance management and reporting framework.
2. Overall presentation of the performance information in the annual performance report is comparable and understandable.
3. No material findings were identified.

Remarks on the Audited Financial Statements as reflected in the Final Management Report of the Auditor-General
1. AGSA did not identify any instances of material non-compliance with selected specific requirements of applicable legislation.
2. The Accounting Authority has maintained effective, efficient financial and risk management systems, transparent financial and risk management systems and internal control.
3. No fraud factors were identified during the current year audit.
4. Irregular expenditure - R76 785 (29%) of irregular expenditure incurred in the current financial year resulted from the contravention of SCM legislation. (100%) of this irregular expenditure was identified during the audit process and not detected by the public entity's monitoring processes. The root cause of the lack of effective prevention and detection because of lack of monitoring of contracts.

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

The internal audit function of the entity performed all the duties within the mandate above and their annual audit plan. Internal auditor's reports and recommendations on internal deficiencies identified were communicated to management and the audit committee.

COVID-RELATED PROCUREMENT AND TRANSACTIONS

There were no material findings identified.

PLANS FOR THE FUTURE TO ADDRESS FINANCIAL CHALLENGES

I can report that due to the SETA's stringent adherence to financial management best practices, our Finance Division ensured financial prudence. It was noted that the entity has had a deficit for the past two years, with a decrease in the deficit in the current year.

The significant reduction in the budget will compromise the SETA's ability to implement its full mandate.

EVENTS AFTER THE REPORTING DATE

The government lifted the National State of Disaster with effect from 22 April 2022, thus facilitating the full return to work and opening up workplaces for skills development implementation.

ECONOMIC VIABILITY

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

EMERGENCE OF INNOVATIONS IN TRAINING AND LEARNING

Skills training programmes are key to any organisation's legacy, and talent pipelines are at the heart of how businesses and the sector will rebuild and invest now.

> Skills training acts as a way of ensuring that employers can get the skills they need, and it also future-proofs their industry and workforce.

Throughout my time as CEO of FP&M SETA, I have confirmed that an appropriately skilled workforce can contribute to the competitiveness of an organisation at every level, by ensuring high-quality products and bringing in new and innovative ideas for continued market success.

That is why FP&M SETA is focusing on identifying and addressing employer training needs through partnerships and is engaged in ongoing improvements in delivery. We want to make training delivery as easy as possible for employers. To this end, we are considering innovations such as online delivery and making the cost of delivery as low as possible.

COLLABORATION YIELDS POSITIVE RESULTS

When a public entity is awarded a clean audit, it is confirmation of exemplary achievement in corporate governance, risk management, consistent application of internal controls, and consistently clean financial reporting, and leadership oversight, as well as hard work, dedication and commitment by employees to transparently deliver quality services.

Among others, the priority areas identified towards the clean audit included financial performance management, information technology, leadership, payroll and human resources, the completeness and accuracy of financial information, as well as general organisational compliance and performance against predetermined objectives.

Our sixth clean audit opinion from the Auditor-General in the last eight years since my appointment as CEO in May 2013, has been a cherry on the top of a collective and positive effort by the FP&M SETA Board, Management and staff, combined with the cooperation and assistance of our large and diverse stakeholder base in the skills development sector. We are most grateful for everyone's contribution to our clean audit.

The SETA has managed to retain the clean audit outcome in the current financial year – unqualified with no material findings. There were no recurring findings identified in the current audit, and controls were effective and worked as designed.

This audit report confirms our commitment to our teamwork value with a clear focus on achieving the objectives of the NSDP that encourages and actively supports the integration of workplace training with theoretical learning.

I am not only delighted that FP&M SETA has achieved another clean audit outcome, but that it has also recorded an overall performance of 96% achievement for SETA-funded learners by meeting 47 of its 49 performance indicators and targets as contained in the APP for 2021/22.

We are cognizant of the fact that we are a custodian of our country's skills development sector and we need to be smarter in carrying out our mandate with the limited resources we have at our disposal.

TRANSFORMATIONAL IMPERATIVES AND EQUITY

Access to training and skills development opportunities is a major priority, everyone in the education and training domain must strive towards achieving the fundamental transformation of inequalities linked to class, race, gender, age and disability in our society.

Based on the baseline impact study conducted by FP&M SETA in 2022, the SETA has largely ensured increased access to training and skills development opportunities.

- The profile of learners demonstrates a fair balance between people from rural and urban areas.
- There is a high level of female representation in learning programmes apart from apprenticeship programmes (63% across programmes).
- Blacks in general have had expanded access to learning opportunities (86% across programmes).
- The learning programmes provided opportunities to people younger than 35 years of age (75% across programmes).
- People with disabilities also had access to learning opportunities (2%). This remains a low proportion and needs to increase to 4-5%.

FP&M SETA output indicators and targets are aligned to address the above.

4IR AND THE FUTURE OF JOBS

Our current workforce must be upskilled, reskilled and multiskilled to keep pace with the demands of a technologically reliant industry and to curtail further job losses. Additionally, workers need to be equipped with skills that allow for portability in an ever-changing labour market. This emphasises the importance of lifelong learning in a changing world.

TACKLING YOUTH UNEMPLOYMENT

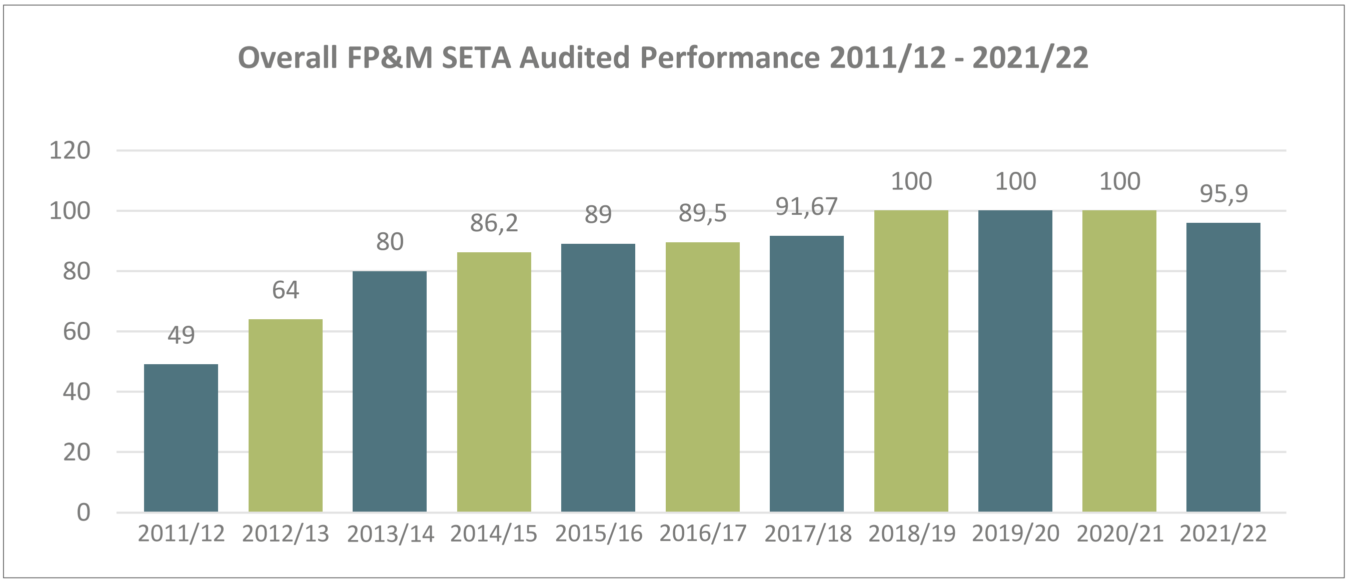
Unemployment is a major concern for policymakers in the wake of the economic crisis.

FP&M SETA will continue to be a strong support in upskilling our youth and urging for measures that we and our future generations need to recover from this crisis, as detailed in the figures above.

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

OVERALL PERFORMANCE

The SETA endeavours to deliver on its mandate and adhere to and exceed delivery targets as set out in its APP.



Over the years since 2011, 161,329 individuals have encountered FP&M SETA at different stages of their career journey.

Among these are approximately 94,573 learners who entered FP&M SETA's occupationally directed programmes.

and approximately 66,756 learners who have successfully completed occupational qualifications.

FP&M SETA has efficient governance structures in place to ensure good corporate governance, the implementation of relevant policies and procedures, and sound financial management. The FP&M SETA Management is fully committed to the implementation of its APP as endorsed by the FP&M SETA Board.

PARTNERSHIPS – THE KEY

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

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

PROMOTING THE GROWTH AND SUSTAINABILITY OF TVET COLLEGES AND UNIVERSITIES

During the period under review, FP&M SETA forged a number of strategic partnerships with TVET colleges, universities, and universities of technology to address the employability and work placement of our TVET/HET graduates through work integrated learning and bursary training interventions.

The FP&M SETA Centres of Excellence also restore the esteem of TVET colleges by producing students that meet the scarce and critical skills demands of the industry.

BROADENING THE SKILLS PIPELINE

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

Our career awareness programme is another important part of our skills development pipeline. It operated optimally with the production and dissemination of an updated career guide, and an enhanced and functional career portal that is an invaluable tool for youngsters considering career choices or preparing for the challenges of the job market.

IMPACT

I am pleased to report that in most cases we exceeded our targets during the period under review, significantly impacting the labour market with occupationally directed skills that led to direct and decent jobs.

FP&M SETA's continued excellent financial management, strong control environment and effective monitoring and evaluation processes are evidenced by the achievement of another clean audit opinion.

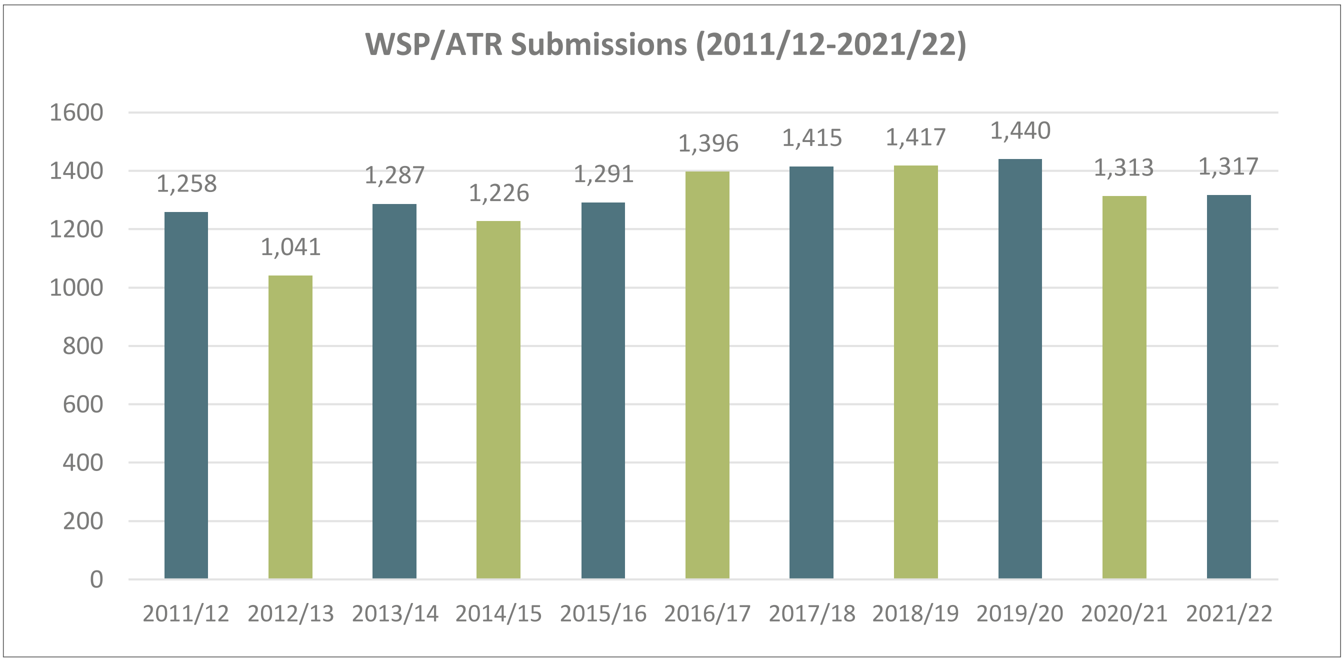
We are also doing great work in contributing to the coffers of the National Student Financial Aid Scheme (NSFAS) through our discretionary grant funding, which assists learners to repay their tuition fees to focus all their energy on their studies and building a career.

Access to training and skills development opportunities is a major priority. Everyone in the education and training domain must strive towards achieving transformation of inequalities linked to class, race, gender, age and disability in our society.

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

I am pleased to report that during the period under review, FP&M SETA continued to support the Temporary Employer-Employee Relief Scheme (TERS).

MANDATORY AND DISCRETIONARY GRANT ALLOCATION AND EXPENDITURE



It is pleasing to note that over the past decade, a record number of small, medium and large firms submitted mandatory grant applications that contributed to the improvement of the quality and quantity of labour market information.

However, due to the impact of COVID-19 lockdowns on the industry, we experienced a low submission rate of mandatory grant applications, but there has been a slight improvement during the period under review.

FP&M SETA supported
1,317
companies, which were paid Mandatory Grants and whose data was analysed to provide a sector overview and labour market information for the SSP.

A successful partnership with NSFAS to support bursary programmes and address middle- to high-level skill needs in the FP&M sector has been established. We have made a commitment of an additional

R3 million

towards NSFAS in 2021/22 for students progressing from the previous financial year. In addition, we established direct bursary partnerships with seven higher education and training institutions, amounting to approximately

R7,4 million.

Total discretionary grants approved for 2021/2022 for a variety of learning programmes, special projects, sectoral priorities, and critical partnerships amounted to approximately

R295,5 million.

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

FP&M SETA prioritises artisan training because of the nature of the specific middle-level occupational skills required by the sector.

Approximately

R38,5 million

in the financial year under review was allocated for artisan development in the sector by advocating effective partnerships between employers, TVET colleges, and FP&M SETA to assist in the funding of 386 apprentices entering artisan programmes.

FP&M SETA committed just under

R88,2 million

for learnership implementation in the sector for 3,508 employed and unemployed learners entering occupation-based learnership programmes.

The FP&M SETA Board allocated funds to ensure that middle- and high-level occupations in demand are being addressed by work-ready graduates from TVETs and higher education institutions. In order to contribute to the development of world-class skills to address sustainability of sectors, the FP&M SETA collaborates with a number of TVETs and HEIs by funding work integrated learning programmes for both undergraduate and graduate students from TVETs and HEIs.

Just under

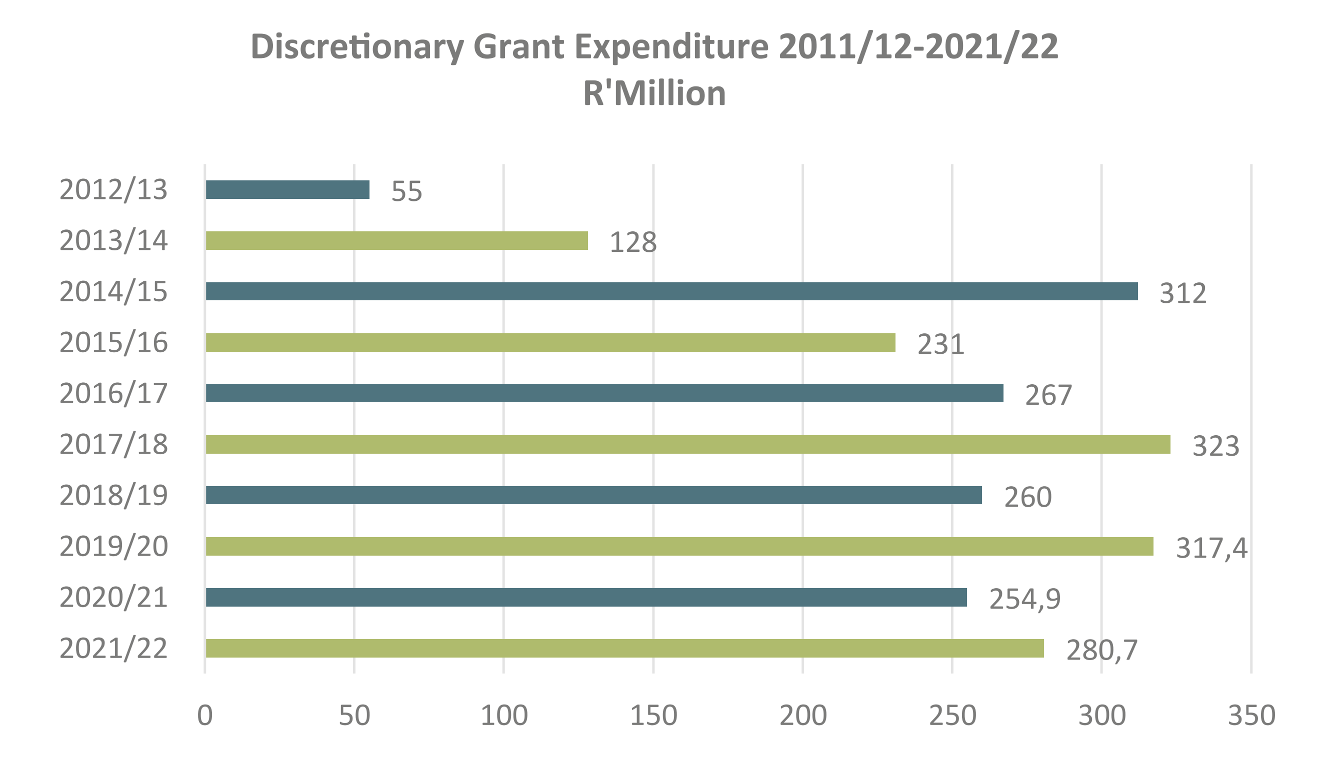
R51,3 million

was committed by the Board to support work integrated learning programmes and internships for learners from TVETs and HEIs to address graduate employment in the sector.

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

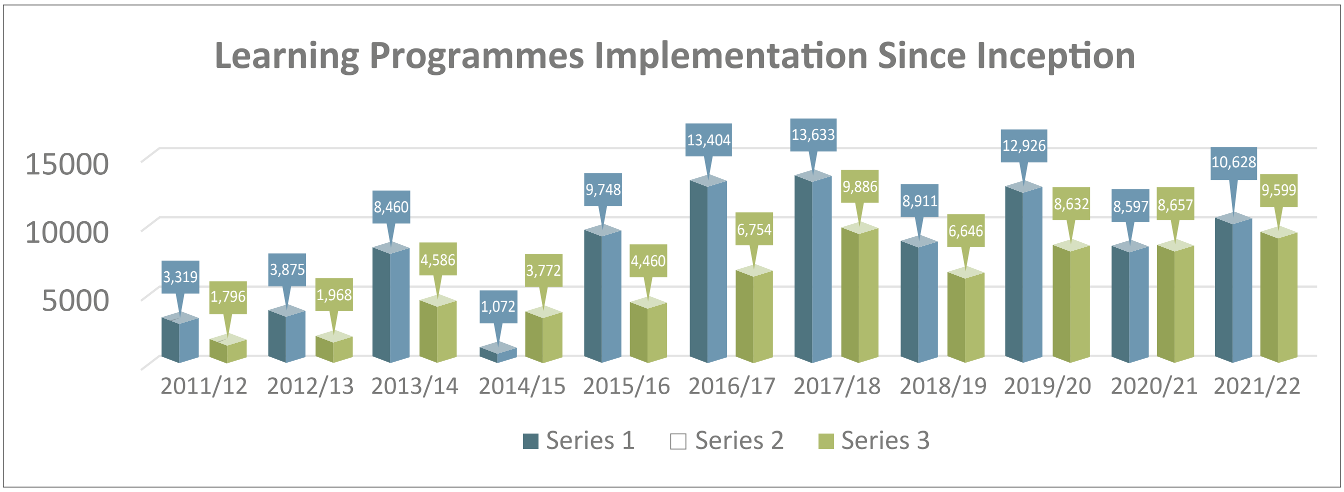
In order to improve sustainability, enhance sector growth, and address skills imbalances among workers in the sector, FP&M SETA supported workers entering learning programmes. It is indeed pleasing to note that targets for workers entering and completing PIVOTAL and skills programmes were exceeded for the 2021/22 financial period. Training of employed workers addresses critical skills, enabling improved productivity, economic growth, and the ability of the workforce to adapt to change in the labour market.

Predominantly, black-owned emerging cooperatives, small businesses, CBOs, trade unions, and NLPEs were supported with technical and developmental support and training, which also included financial, marketing and business management programmes.



Discretionary Grant expenditure increased during 2021/22 against 2020/21. This due to the re-opening of workplaces and an increased demand for skills development interventions.

SETA PERFORMANCE ON LEARNING PROGRAMME IMPLEMENTATION



In line with the above expenditure trend, FP&M SETA recorded approximately 10 628 learner registrations and approximately 9 599 learner completions during the 2021/22 financial year. Learner entries and completions increased when compared with the previous financial year.

These occupationally directed programmes promote skills development in the workplace, enhancing skills, enabling better productivity, and addressing scarce and critical skills within the FP&M sector through PIVOTAL interventions.

RURAL DEVELOPMENT

To address rural development, the FP&M SETA Board approved dedicated projects to address poverty alleviation and youth unemployment in rural areas.

RESEARCH

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

FP&M SETA produces a well-researched SSP together with a sector analysis to enable effective skills planning for the sector. FP&M SETA's SSP Update for 2021/22 is aligned to DHET's SSP Framework; it provides a sound analysis of industrial sectors and articulated sector strategies that address current and future scarce and critical skills and occupations in demand within the sector.

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

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

FP&M SETA implemented its research agenda to address the accuracy of skills planning information and baseline data in order to confirm the specific areas of skills needs. Occupations in high demand and critical skills are to be funded through discretionary grants, bursaries, diplomas, learnerships, skills programmes, internships, and work experience. Artisan training is a key priority of the FP&M sector. The SSP identifies product and design innovation as an area for future competitiveness.

During the reporting period, the following key research tasks were conducted, including sector research commissioned and funded by FP&M SETA:

i. Economic Impact and the Impact of COVID-19 on FP&M sub-sectors.

ii. Sector Skills Plan Update.

iii. Impact Assessment Study on SMMEs and Cooperatives.

The Impact Assessment Study on SMMEs and Cooperatives was the first to be undertaken by FP&M SETA to assess whether the SETA is contributing to the development of the SMME and cooperative sector. The study received DG funding and support in the past three financial years: 2018/19, 2019/20 and 2020/21.

The study sought to establish:

- How the grant funding support given to small companies and cooperatives impacted the economy, the sector, employability, entrepreneurship, innovation and incubation.
- How the SETA grant funding support to small companies and cooperatives is impacting BBBEE in the sector.
- The current and emerging skills needs of SMMEs and cooperatives.

Regarding skills development and training, low skills levels are identified as one of the most significant impediments to productivity in SMMEs and cooperatives. The sector has demonstrated that it can play a leading role in driving the South African economy.

Outcome 6.6 of the NSDP mandates SETAs to set targets to increase skills development support for entrepreneurial activities and establish new enterprises and cooperatives by identifying in their skills planning research:

a) Established and emergent cooperatives and their skills needs.

b) Skills needs of SMMEs.

c) Entrepreneurial and cooperative activities inclusive of informal traders supported by skills levy institutions.

d) Workplace learning opportunities for servicing SMMEs and cooperatives.

FP&M SETA provides skills funding support to a number of SMMEs and cooperatives based on DG applications received year-on-year.

Contrary to the blanket negative image of SETAs, the key findings of this study showed that the grant funding support given by FP&M SETA to small companies and cooperatives is having an impact on the South African economy generally, the PSET sector, employability, entrepreneurship, and innovation and incubation in the fibre, processing and manufacturing landscape.

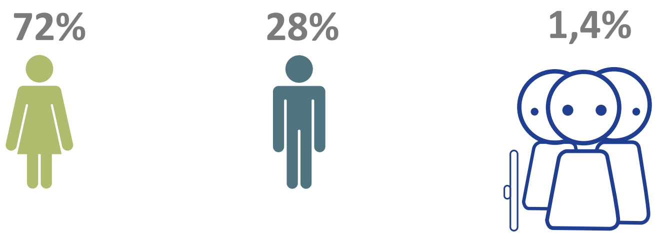
iv. FP&M SETA Impact Study

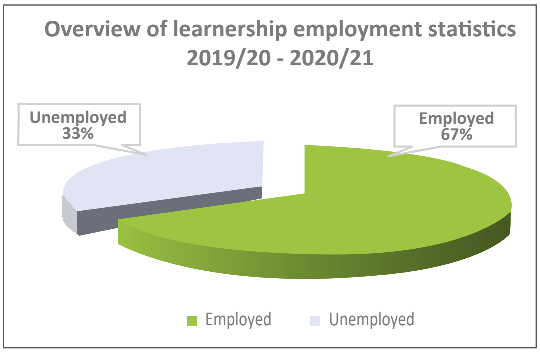
FP&M SETA conducted an impact study on FP&M SETA-funded programmes implemented within the FP&M sub-sectors for the 2019/20 and 2020/21 financial years. The objective of the study was to evaluate the impact that FP&M SETA is having in the sector through implementing its sectoral learning interventions by tracing and tracking learners who graduated from the following SETA-funded learning programmes for the 2019/20 and 2020/21 operational years:

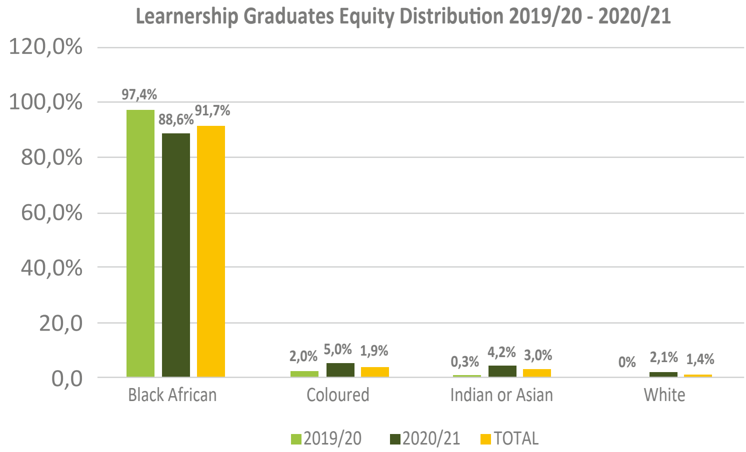
- Learnerships
- Apprenticeships
- Internships / work experience
- Bursaries
- Skills programmes
- Work integrated learning HET/TVET

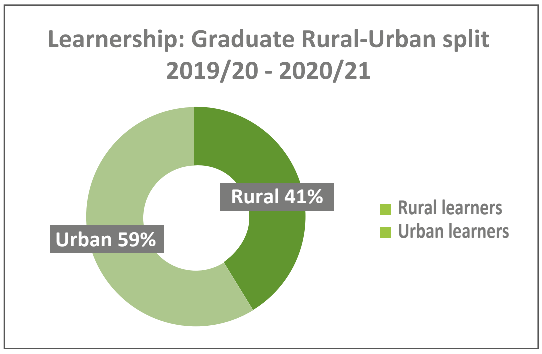
While there have been many interventions aimed at meeting the aims and objectives of FP&M SETA, it is important that a research-based assessment of the impact of FP&M SETA's initiatives measure the employability of learners – by how many gained employment (or were employed, promoted, received salary increases and/or started their own enterprises) in the sector and job in which they studied.

Impact Study - Learnerships

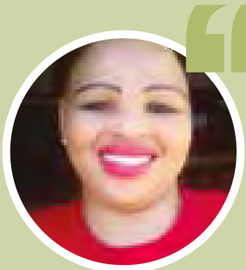






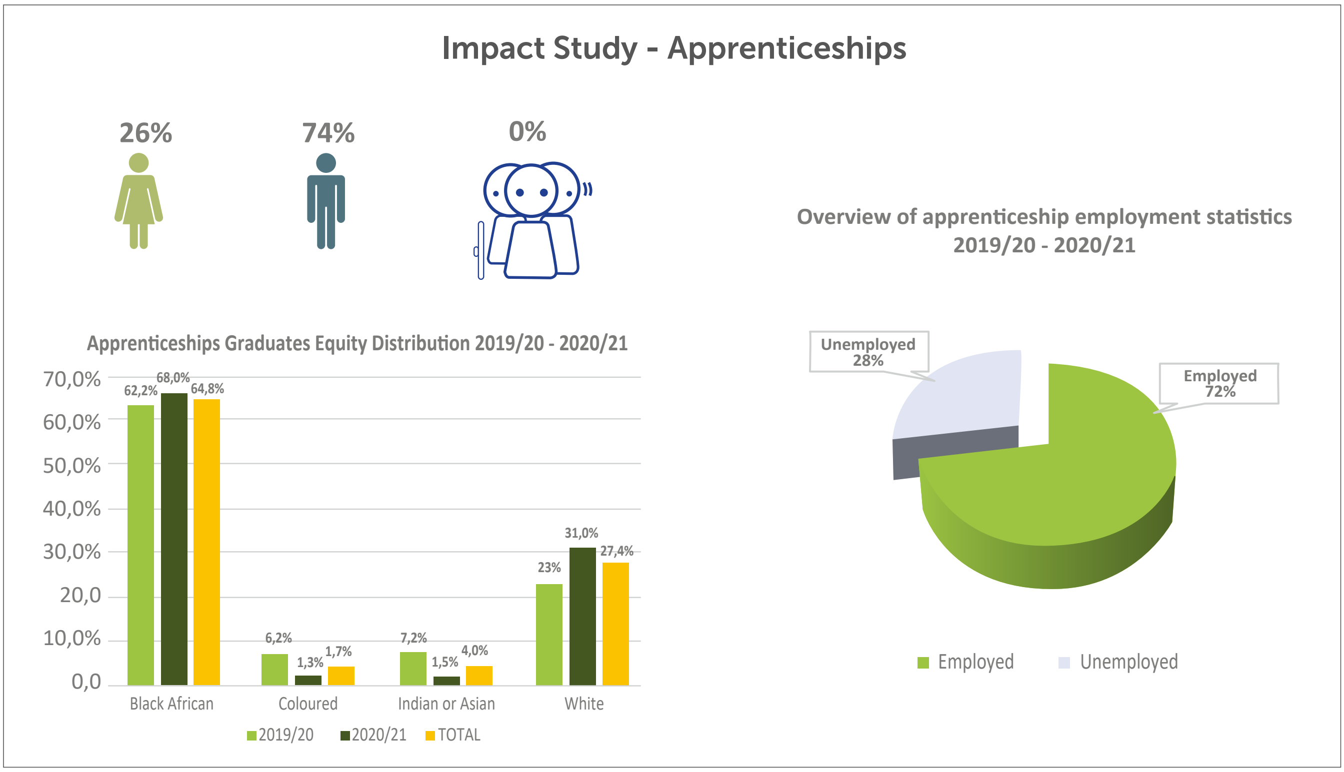


Learnership success story



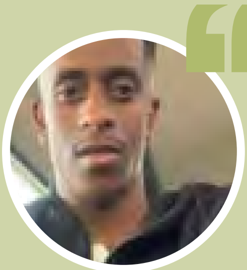
Nosipho Mkongo, (42)
Sewing Learnership
2020/21

"Before receiving the learnership, my situation was bad. I lost my job due to COVID-19 and I couldn't afford toiletries or basic groceries and electricity. I supported two people and it was difficult. This learnership changed my life. I now sew people's clothes. I opened up my own business to make my own income. I want to buy my own container soon because I have a lot of customers and no space for my customer's clothes. I am happy and overjoyed that I learnt a skill. It's all better now."



Apprenticeship training is critical to economic development.

Apprenticeship success story



Donald Madonsela, (29)
Apprenticeship - Fitter & turner

"I finished matric and realised I was very good at drawing, so I enrolled at UJ to do architectural studies. Six months down the line I wasn't enjoying it and the fees were too high, so I dropped the course and did a short course at Tshwane South College where I enrolled in an engineering programme. When my grandmother could no longer afford the fees, I dropped out and applied for an apprenticeship and was offered a Fitter and Turner apprenticeship by FP&M SETA. When I started my apprenticeship, I received a monthly allowance until I qualified. Being an apprentice changed my life. Because of it I am now recognised as part of the middle class. It got me into a better position in life. I can now afford a car and I'm even thinking of buying houses and investing."

INFORMATION AND COMMUNICATIONS TECHNOLOGY

The FP&M SETA ICT environment is aligned and adheres to the DPSA ICT implementation framework. All phases of the framework have been successfully implemented.

Phase 1	Creation of an enabling environment: implementation of ICT governance structures.
Phase 2	Strategic alignment: implementation of business and ICT alignment.
Phase 3	Continuous improvement of governance and strategic alignment arrangements.

FP&M SETA is in the final stage of continuous improvement where regular reviews of our processes are conducted. Furthermore, in response to 4IR, FP&M SETA has developed a digitisation strategy that will guide the organisation in implementing innovative digital solutions for effective service delivery to its stakeholders.

FP&M SETA has introduced online service platforms for collaboration and communication which allow the SETA to provide system support to its stakeholders from anywhere, as long as they are connected to the Internet. The FP&M SETA website has also been revamped and upgraded for ease of navigation and access to updated information. The website and email systems information is continuously updated for communication to our stakeholders.

INNOVATION AND TECH ADVANCEMENTS

In line with the Digital Strategy, FP&M SETA deployed e-Qualification solutions to assist stakeholders to conduct blended learning, online assessment, moderations, and content upload. In collaboration with industry experts, learning material was digitised and uploaded on the solutions. The platform allows for more content to be revised and uploaded on a continuous basis.

The e-Qualification portal is live and can be accessed through the FP&M SETA website. The project is in the next phase where accredited SDPs will be granted login access and training on how to use the platform.

FP&M SETA developed, configured, and implemented a new Integrated Management Information System (IMIS) and Enterprise Resource Planning (ERP) Solution. The solution is intended to streamline and integrate the organisation's operations, while also increasing the effectiveness and efficiency of stakeholder support by the SETA. The IMIS is also designed to improve the collection and reporting of data in an integrated manner. Stakeholders can interact with FP&M SETA through the IMIS and conduct most transitions online, for example, SPD, Assessor and Moderator application for accreditation, mandatory grant and discretionary grant applications, etc.

Weekly online capacity-building sessions are conducted with training stakeholders on how to use the system.

FP&M SETA has invested in solutions that bring added value to our stakeholders and allow us to be efficient in delivering our service mandate. Some of our solutions have resulted in cost savings and improved functionality. For example, our VOIP telephone system allows calls to be directed to any FP&M SETA office, ensuring that our stakeholders can always contact our offices and get a response. Our collaboration and communication platforms have been integrated with our office telephones so our staff members can be contacted and connected through their laptops in real-time.

Improved Internet bandwidth for fast and easy access to the systems was implemented, and we also increased our server processing capabilities to handle queries faster and more efficiently.

DISASTER RECOVERY

Our IT environment is very stable with daily, weekly, and monthly data backups being performed. We have disaster recovery (DR) sites for our offices in Johannesburg, Durban, and Cape Town. We conduct biannual DR simulation to ensure that our systems recover and get back online within the stipulated recovery times.

This will guarantee business continuity in case of a disaster. In 2017, our offices burned down but we were able to recover and operate within 48 hours of the major incident – this is proof that our DR measures are sufficient and reliable.

SECURITY AND DATA PROTECTION

Cyber security

FP&M SETA addresses the three domains of cybersecurity (People, Process, and Technology) in the following manner:

In the technology domain, FP&M SETA has live monitoring security systems that avert and combat cyber-attacks such as firewalls, intrusion detection systems, demilitarised zones, and enterprise antivirus solutions.

Regarding the people domain, our technical staff members have the competencies for managing technical cybersecurity issues, and regular cybersecurity awareness training and communication is conducted for staff.

Process domain is covered in our security policy and procedure documents. These documents entail regular activities and tasks that need to be conducted, such as user access review, log review, incident management, penetration testing, and secure login management.

FP&M SETA incorporated the three domains of cybersecurity to ensure that our stakeholders' data is kept secure and confidential. Furthermore, our legal team has incorporated POPIA compliance procedures into our system; stakeholders can read our POPIA disclaimer for the use of personal data.

IT AUDIT

The FP&M SETA system has been audited by AGSA in the financial year under review and there have been no major findings against our systems, policies, and practices.

CAREER AND VOCATIONAL GUIDANCE

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

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

The career portal is live and can be accessed through the newly revamped FP&M SETA website. Our stakeholders have been advised about the career portal during the discretionary grant workshops held in the period under review.

Learners who have completed FP&M SETA sub-sector related training are uploaded on the career portal. New graduates can also register on the portal and upload their personal contact details. Stakeholders or employers who are interested in recruiting learners or job seekers can search the portal to find suitable candidates. The portal can facilitate job placement between employer and job seekers who are skilled, qualified or interested in gaining skills and qualifications in the FP&M SETA sub-sectors.

The DHET IWILL site URL has been integrated into our career portal. Additional functionalities are being added to the career portal for more advanced mobility and simpler registration. Google analytics has been added to the portal to enhance reporting capabilities of the portal.

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

CAREER GUIDANCE

FP&M SETA participated in 30 career awareness events and engaged with a number of high schools across the country to provide important career information and guidance to our youth so that they can make informed career choices. Workshops were held with career practitioners and educators to capacitate them on occupations in high demand in the FP&M sector.

QUALITY ASSURANCE

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

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

QCTO QUALIFICATIONS DEVELOPMENT

It is pleasing to note that during the period under review, FP&M SETA developed and submitted to QCTO for evaluation, 154 occupationally directed qualifications and part- qualifications aligned to the curriculum requirements and the new qualifications framework of the QCTO. To date, 97 occupational qualifications and trades have been registered with SAQA for implementation, and 21 are with SAQA for registration.

We further supported the qualifications development processes and have had engagements with the SAQA and the QCTO to enable recognition of part-qualifications as a qualification in its own right. Subsequent to this engagement, the endorsement was upheld. The industry is now realigning their part-qualifications to a full-qualification.

Recommendation was also made by QCTO to convert part qualifications that do not meet the minimum credits into skills programmes.

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

GOOD CORPORATE GOVERNANCE

The organisation has maintained a culture of good corporate governance through the development and implementation of approved policies and procedures. We are aware of certain risk areas including the BUSA judgement and the COVID-19 pandemic.

We have worked on focused risk assessment exercises with the various divisions. Capacity-building workshops were conducted with Management to address early signalling of risks, risk identification, root causes and the implementation of controls. The division implemented practical interventions to alleviate potential risks that could adversely affect efficiencies in service delivery.

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

RISK MANAGEMENT

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

PROJECTS DELIVERY

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

At the projects and operational level, the shift to online environments improved our reach in terms of stakeholder engagement that was previously done through roadshows or location-based training, because more people could access these events online. Going forward, these platforms will be used for awareness-building programmes to improve the uptake of grants and other interventions to invigorate the skills pipeline.

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

The Projects Division has implemented optimised internal controls to ensure maximum impact is derived from activities of the division. Efficient utilisation of the Monitoring and Evaluation Division to vet project applicants prior to approval assists in high-quality partnerships with stakeholders and providers.

MONITORING AND EVALUATION

One of our priorities in the past financial year was to implement a fully functional and robust monitoring and evaluation strategy to enhance project management of the DG-funded projects, and compliance of the skills development providers (SDPs) with their accreditation criteria.

The division also started with its Phase 2 Implementation Plan, which is the monitoring of the SETA's core divisions, namely Quality Assurance, Projects, and Skills Planning and Reporting, with a view to checking compliance with their respective policies and procedures, to identify potential risks, and suggest means to mitigate the identified risks.

In the execution of monitoring the DG projects and the auditing of the SDPs, the division engaged the services of independent sector skills advisers to obtain an objective perspective on the implementation of discretionary grant projects and compliance of the SDPs with their accreditation criteria.

Positive feedback has been received from stakeholders who have indicated that with the monitoring conducted, they have been able to maintain high standards of performance as aligned to the SETA's mantra of future perfect skills development. Nationally, approximately 565 discretionary grant projects were monitored during the period under review.

Independent sector skills advisers conducted follow-up site visits on discretionary grant projects and SDPs where discrepancies were identified. The follow-up site visits were to ensure that identified discrepancies are closed-out within a specific timeframe.

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

FORWARD-LOOKING STRATEGIC PLANNING

During the strategic planning session, it emerged that there is a need to focus skills development interventions on 'workplaces of the future'. There was a view that skills development must not only lead to employment, but on employment that results in a decent living. Utilising research results, strategic planning sessions between the FP&M SETA Board and Management enhanced understanding of skills needs within industrial sub-sectors, and improved skills development implementation and operational strategies.

The coming year will be another challenging one for the SETA and for the sector and all its stakeholders. Let us embrace this as a time for innovation, for creating a space to develop cutting-edge programmes and projects to equip more South Africans with the skills they need, and for working smarter and more effectively to become a thought leader in the FP&M manufacturing sector.

FP&M SETA SKILLS STRATEGY FOR ERRP

Throughout the year, the Minister of Higher Education, Science and Innovation provided leadership and guidance to ensure that the SETAs remained focused on supporting government plans. The DHET crafted and championed a skills strategy for the ERRP.

FP&M SETA holds dear to sustained economic growth and skills development in our country, and the ERRP lays a firm foundation for ending the endemic structural constraints that have blighted our nation. We are proud to be an integral part of economic growth.

To restore our economy and the FP&M sector we focused on the extraordinary measures we must take to restore our economy and industrial sectors to inclusive growth. The economic and social disruption caused by the COVID-19 pandemic is devastating. Poverty and inequality have deepened. The pandemic destroyed jobs and placed millions of livelihoods at risk. Our economy contracted sharply, businesses closed, and jobs were lost.

This plan directly responds to the immediate economic impact of COVID-19 by driving job creation and SMME development. Interventions to be undertaken to provide skills for the implementation of FP&M SETA's ERRP will be:

- SMME development.
- Incubation – entrepreneurship/ business coaching & mentoring for township and rural development.
- Employability – addressing occupations in high demand in FP&M industrial sectors.

INDUSTRY MASTERPLANS

During the reporting period, FP&M SETA participated in the development of the following industry masterplans focusing on key skills development strategies:

Retail, Clothing, Textile, Footwear and Leather (R-CTFL) Masterplan

The R-CTFL Masterplan aims to lay a firm basis for future growth and sustainability of the textile and apparel industry.

Forestry Masterplan

The goal of the Forestry Masterplan is to increase investment and competitiveness, underpinned by greater inclusivity in the forestry sector.

Furniture Industry Masterplan

The objectives of the Furniture Industry Masterplan are set to be obtained through four masterplan pillars:

- Increase market access
- Transformation
- Improve cost drivers and productivity
- Improve skills supply/demand fit

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

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

FP&M SETA is glad to announce the approval of the 2022 / 2023 Strategic Plan and APP by National Treasury.

CONCLUDING REMARKS

From the above report, there is no doubt that FP&M SETA is positioned to help address poverty in our nation through provision of skills, and by so doing, the economy of the country will grow. We are resolute in changing the poverty narrative through providing the requisite skills to employed and unemployed youth in our 13 sectors.

I wish to see an FP&M SETA that is a leading learning and development agency that South Africans can depend on to facilitate the development of the national economy.

I would like to see a SETA that grows into a household name where every young person interested in our sector would be able to actualise their career prospects.

FP&M SETA has been through a lengthy period of change and transition. After the amalgamation of three SETAs, there were operational challenges that had to be addressed, while at the same time, a focus on the implementation of the strategy had to be maintained. It was a hard balance to strike but with the support of a very proactive and engaged Board, CEO, and a hard-working management team, the work has been done.

There is a sense that all of the 13 sub-sectors are now working together to achieve economic growth and development, and there are opportunities within the value chain to address further growth and sustainability of the FP&M sector.

FP&M SETA Management would like to express appreciation for the contribution of employer stakeholders, training providers, service providers, and FP&M SETA staff towards skills development during the COVID-19 pandemic. It is through you that FP&M SETA has once more been afforded the opportunity to shine in the face of adversity. Conducting training, moderation, monitoring and certification during the COVID-19 pandemic was made possible through your sacrifices and passion for skills development.

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

I would also like to salute the Chairperson and Board members for their support and guidance. It is our fervent hope that they will build on the foundation and raise the bar for the future success of the organisation.

For the many engagements we held during the year, we acknowledge the National Skills Authority (NSA), the Auditor-General, and National Treasury, and thank them for their guidance and support.

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

To our stakeholders, we thank you for your ongoing support, participation and engagement. We commit to keeping the avenues of communication open and sharing our product and service offerings. We look forward to continuing our fruitful relationship in the new financial year.

We commend the employers who have played a critical role by opening their doors to work placement opportunities for unemployed graduates, and we urge other employers to follow their lead. I have always believed in education, training and development as gateways to prosperity. They have the ability to transform lives and allow people to be active economic agents in our country.

To management and staff of the FP&M SETA who are committed to achieving the vision, mission and objectives of the SETA, thank you for your hard work and dedication, which at times sees you going beyond the call of duty. Your commitment does not go unnoticed.

My acknowledgement and appreciation go to Dr Blade Nzimande, the Honourable Minister of Higher Education Science and Innovation; Buti Manamela, the Honourable Deputy-Minister; and Dr Nkosinathi Sishi, the Director-General of the Department of Higher Education and Training, for their invaluable guidance and policy direction.

I once again reiterate my call to consumers to look for and buy South African-made products, made proudly by local workers, so that we can rebuild the economy.

As the NSDP enters its third year, public and private sectors must work closely to ensure that children have a future worth dreaming about. Difficulties aside, South Africa has the attributes of a great nation with a sturdy skills development system. We now need to spend more time focused on climbing to new heights, rather than looking down at past missteps.

Lastly, I would like to pay tribute to Advocate Schalk Burger, our departed General Manager for Governance, Risk, Compliance and Legal. Schalk has been a valued member of our team since 2014. He made an immense contribution towards skills development by ensuring that FP&M SETA had excellent governance and risk management frameworks, including monitoring and evaluation. Advocate Burger also made sure that the SETA had online systems to address the regulatory frameworks of GRCL.

Thank you.

Dr Felleng Yende
Chief Executive Officer

FP&M SETA
31 May 2022

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

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

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

In our opinion, the Annual Report fairly reflects the operations, the performance information, the HR information, and the financial affairs of the public entity for the financial year-ended 31 March 2022.

Yours faithfully,

Chief Executive Officer
Dr Felleng Yende
31 May 2022

Chairperson of the Board
Advocate Michelle Odayan
31 May 2022

VISION

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

MISSION

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

VALUES

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

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

6. STRATEGIC OVERVIEW

STRATEGIC FOCUS OF THE INSTITUTION OVER THE FIVE YEAR PLANNING PERIOD

FP&M SETA Strategy will be driven by the following skills development strategic focus:

1. Expanding the economic potential and supporting industry growth of the sector:

- ✓ Adopting a value-chain approach;
- ✓ Addressing skills gaps in the market;
- ✓ Addressing skills supply through training and entrepreneurship initiatives;
- ✓ Re-skill, trans-skill and up-skill large numbers of workers to take up new opportunities within existing enterprises as well as starting new businesses and co-operatives;
- ✓ Expanding industry competitiveness and exports;
- ✓ Training for technology-driven production (4IR);
- ✓ Growing quality SMMEs and co-operatives for sustainable economic inclusion;
- ✓ Promoting environmental sustainability; and Promoting world-class manufacturing; and
- ✓ New skills that might be required to support the fight against Covid-19.

2. Addressing demand-side challenges

- ✓ Identification of occupations in high demand;
- ✓ Offer relevant, quality and fit-for-purpose demand-side training interventions;
- ✓ Implementing credible QA systems and controls leading to verifiable certification;
- ✓ Quality coaching and mentoring to support on the job training; and
- ✓ Research and Innovation partnerships.

3. Addressing supply-side challenges

- ✓ Development of occupationally-directed qualifications that are relevant and fit-for-purpose to industry needs and aligned to QCTO framework;
- ✓ Creating a multi-skilled workforce (technical & managerial skills);
- ✓ Developing flexible training methods required for flexible production;
- ✓ Facilitate workplace learning and partnerships between employers and education institutions;
- ✓ Partnerships with our TVET colleges to drive the skills revolution;
- ✓ Expanding work-based training;
- ✓ Managing the quality of training and associated perceptions; and
- ✓ Accelerate digital-based skills development systems and strategies.

4. Measures to Support National and Sectoral Strategies

- ✓ Contribution to NDP & MTSF priorities;
- ✓ Contributing to SIPS, National Artisan Targets, Work Experience and Internships, Learnerships, Skills Programmes, Bursaries & Centres of Specialisation;
- ✓ Supporting Implementation of Industry Masterplans;
- ✓ Supporting Small Businesses and Enterprise Development;
- ✓ Implementation of strategic & innovative initiatives that responds to national strategies;
- ✓ Address emerging and future skills needs - Fourth Industrial Revolution; and
- ✓ Rural Development.

7. LEGISLATIVE AND OTHER MANDATES

LEGISLATION

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

The FP&M SETA is governed by:

- *The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996);*
- *Section 9 of the Skills Development Act, 1998 (Act No. 97 of 1998) as amended in 2008;*
- *Skills Development Amendment Act, 2008 (Act No. 37 of 2008);*
- *Skills Development Amendment Act, 2011 (Act No. 26 of 2011);*
- *Skills Development Levies Act of 1999 (Act No. 9 of 1999) as amended in 2010 (Act No. 24 of 2010);*
- *The National Qualifications Framework Act, 2008 (Act No. 67 of 2008);*
- *The South African Qualifications Authority Act, 1995 (Act No. 58 of 1995);*
- *The Public Finance Management Act, 1999 (Act No. 01 of 1999) as amended;*
- *Treasury Regulations for Departments, Constitutional Institutions and Public Entities;*
- *Sector Education and Training Authorities (SETAs) Grant Regulations Regarding Monies Received by a SETA and Related Matters (Regulation No. 990 of 03 December 2012);*
- *Disaster Management Act, 2002 (Act No.57 of 2002) – COVID-19 Direction on Health and Safety in the Workplace;*
- *Government Gazette No. 42589, Vol.649,* published on 22 July 2019, the Honourable Minister of Higher Education and Training, after the public consultation process, under *Section 9(1) of the Skills Development Act (Act No. 97 of 1998),* as amended, re-established the Fibre Processing & Manufacturing Sector Education and Training Authority, within a new SETA Landscape from 01 April 2020 to 31 March 2030;
- *Government Gazette No.75: Promulgation of the National Skills Development Plan (NSDP);*
- *National Minimum Wage Act, 2018 –Gazette No. 42060, Vol.641; and*
- *Generic National Artisan Workplace Data, Learner Grant funding and Administration System Policy, June 2015 – Occupational Health and Safety Act, 1993 (Act No.85 of 1993).*

OTHER MANDATES

- Medium-Term Strategic Framework of Government (MTSF 2019-2024);
- Medium-Term Expenditure Framework of Government;
- New Growth Path;
- Industrial Policy Action Plan;
- Industry Masterplans;
- Economic Recovery and Reconstruction Plan (ERRP);
- Human Resource Development Strategy;
- National Development Plan (NDP)-Vision 2030;
- National Skills Accord;
- Integrated Growth and Development Plan;
- Youth Development Strategy;
- Rural Growth and Development Strategy; and
- Provincial Growth and Development Strategy.

8. ORGANISATIONAL STRUCTURE (AS AT 31 MARCH 2022)

The FP&M SETA Head Office and Gauteng Regional Office is situated at Thynk Park, 1st Floor, 8 Summit Road, Dunkeld West, Randburg, 2196. Tel: 011-403 1700.

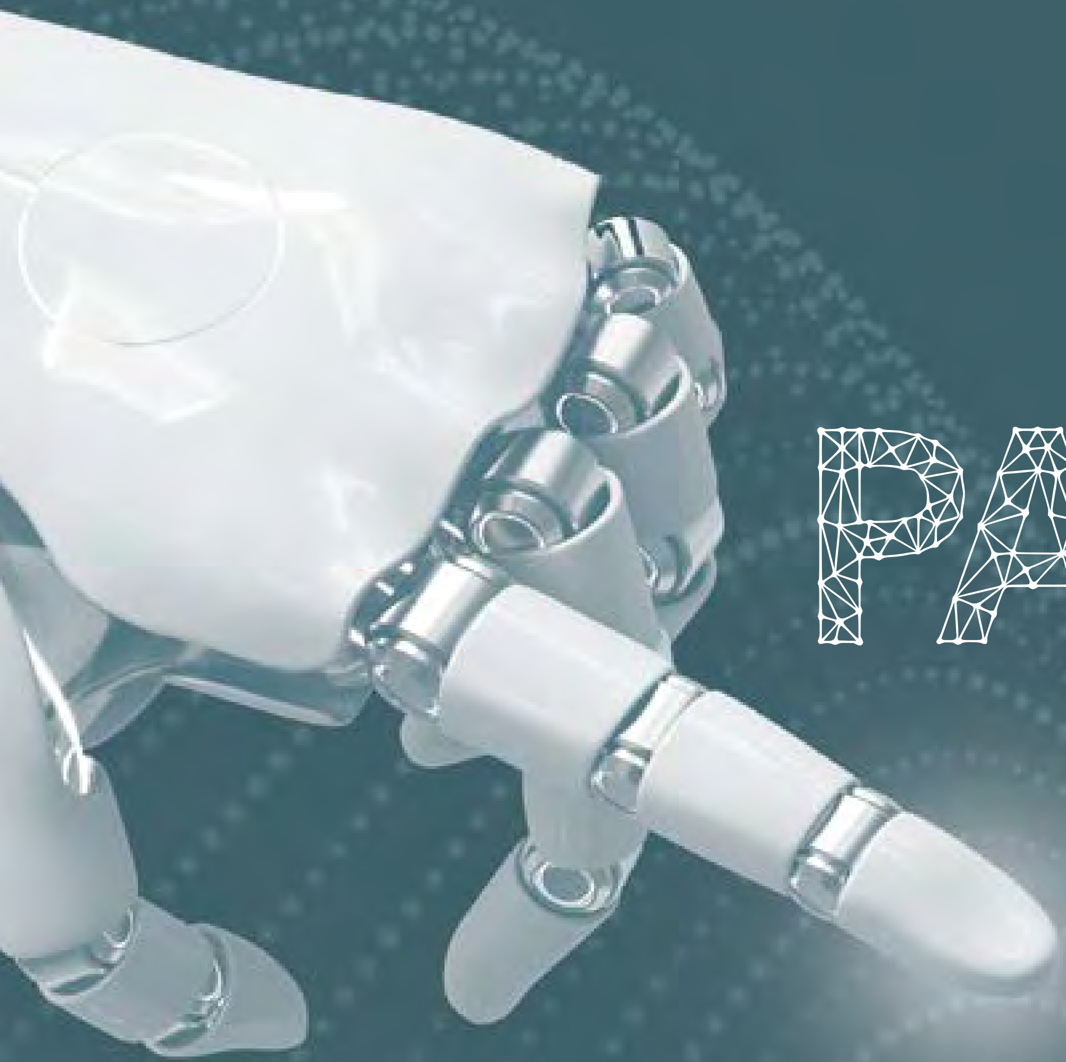
The FP&M SETA KZN Regional Office is situated at Office 1001, BDO House, 7 Derby Downs Office Park, Westville, Durban, 4001. Tel: 031-702 4482.

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

The FP&M SETA Board Members

Bottom Left to Right: Ms Makhosi Chiwashira, Mr Kwazi Mlaba, Advocate Michelle Odayan (Chairperson), Dr Felleng Yende (CEO), Ms Delight Simelane, Ms Fanisha Lamola, Mr Francois Oberholzer

Back Left to Right: Mr Nduduza Vilena, Mr Mphuka Radinku, Ms Linda Bremner, Ms Theresa Otto, Mr Mike Truelock, Mr Chembe Phiri (Audit and Risk Committee Chairperson), Ms Karen Coetzee, Mr Edward de Klerk



PART B

PERFORMANCE INFORMATION

1. AUDITOR-GENERAL'S REPORT: PRE-DETERMINED OBJECTIVES

The AGSA performed the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives for Programme 3 - Learning Programmes and Projects, is included in the paragraph in the Auditor-General's Report (Reporting on other legal and regulatory requirements) published as Part E (Annual Financial Statements) of this Annual Report.

2. SITUATIONAL ANALYSIS

Service delivery environment

FP&M SETA is on a positive trajectory concerning its overall performance. For the period under review, FP&M SETA recorded an overall performance of 95.9% for funded learners for this financial year, having achieved 47 of its 49 performance indicators against the FP&M SETA Annual Performance Plan 2021/22.

During the period under review, FP&M SETA registered 10, 628 employed and unemployed learners on learning programmes including learnerships, bursary programmes, internships, skills programmes, apprenticeships, and adult education and training. During the same period 9, 599 learners completed learning programmes relating to scarce and critical skills in the FP&M sector.

In an effort to support the President's call and bolster efforts to flatten the COVID-19 curve, the FP&M SETA took all the necessary precautions during the outbreak. There was no doubt that FP&M SETA and all training providers were initially insufficiently prepared to respond to the immediate constraints that resulted from the crisis, and the implementation of alert level risk-adjusted strategies and lockdowns.

Where possible services continued to be provided remotely through the use of electronic communication platforms.

The achievement of outcomes, outputs and output indicators, and targets would not have been possible without the organisational performance monitoring and evaluation framework. This ensured optimal delivery to our stakeholders that enabled timeous grant disbursements and accurate and reliable performance reporting.

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

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

FP&M SETA ADDRESSES GRADUATE UNEMPLOYMENT IN TWO CAPE TOWN TOWNSHIPS

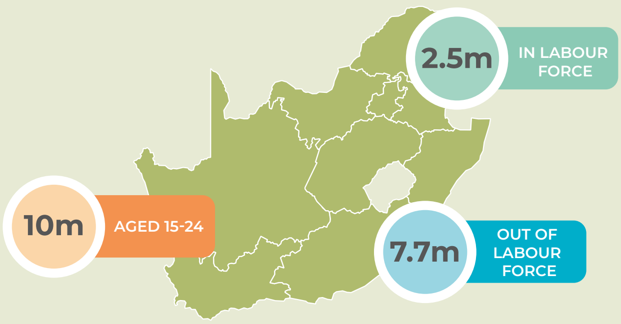
For a country with over 60 million population, graduate unemployment is commonplace, while school leavers and those unfortunate enough not to gain any form of education have to make do with menial jobs to eke out a living in rural and urban areas.

Youth unemployment is a major challenge because every year young people graduate from tertiary institutions without concrete provision for their absorption into any of the nation's sectors.

According to a Statistics SA report in the first quarter of 2022, South Africa has over 10 million young people aged from 15-24 years and of these, only 2,5 million were in the labour force, either employed or unemployed. The largest share, 7,7 million or 75,1 % of this group of young people, are out of the labour force and inactive. The main reason for this is discouragement; they have lost hope of finding a job that suits their skills or is available in the area where they live.

To address graduate unemployment and township development, FP&M SETA approved a R2,3 million grant for False Bay College to recruit 30 learners from Khayelitsha and Mitchells Plain – 10 apprenticeships in mechanical fitting & turning and 20 WIL TVET learnerships for unemployed youth.

This initiative also supported the growth of the TVET college as a key provider of skills required for socio-economic development.



500 SHOP STEWARDS RECEIVE BASIC TRAINING FOR VARIOUS SKILLS

A challenging aspect of running a business is finding, hiring and retaining good workers. Having the right staff is the first priority on the road to business success.

Also, all companies, large and small, need training to thrive. But unless the training needs are targeted, the methodology understood, and action taken, retaining and developing good staff does not get easier.

The SA Clothing and Textile Workers Union (SACTWU) with the support of FP&M SETA implemented a training programme focused on shop steward capacity building.

A R3 million grant enabled 500 employed shop stewards to be trained in basic shop steward duties, labour law, case handling, industry terms and conditions of employment, and unfair dismissal case management skills.

The project, conducted by SACTWU's Education Department, along with union project staff, Ditsela and accredited training institutions, consisted of six modules – union education, HIV/Aids awareness training, skills development, computer training, health and safety training, and leadership development. The shop stewards also learned computer skills through SACTWU courses.

R3 million

grant enabled 500 employed shop stewards to be trained in basic shop steward duties, labour law, case handling, industry terms and conditions of employment, and unfair dismissal case management skills.

FP&M SETA ADDRESSES RURAL DEVELOPMENT AND WOMEN EMPOWERMENT IN NKANGALA

Rural women bear a greater share of economic hard times. But we also know, through the right support they can be the agents of change that can help improve the lives of their families and their communities.

To address these challenges, the FP&M SETA has introduced a robust set of initiatives focused on supporting vulnerable women from rural communities.

The SETA approved a sewing project to support 50 learners from Nkangala TVET College. The intervention focused on skills programmes for clothing manufacturing and SMME development.

The project's objective is to address rural development and woman empowerment. It received funding of R2,8 million and supported learners from Emalahleni (20), Siyabuswa (14) and Emakhazeni (16) in the province of Mpumalanga.

Three cooperatives were registered from the three groups that completed the programme, of which 100% of the locally recruited learners were unemployed youth. The cooperatives also empowered women as 100% of the learners in the Emakhazeni cooperative were female, while 75% of the Emalahleni cooperative and 80% of Siyabuswa cooperative were female.

R2,8 million

funding received that supported learners from Emalahleni (20), Siyabuswa (14) and Emakhazeni (16) in the province of Mpumalanga.

LEADERSHIP SKILLS TRAINING AND RESKILLING AS PRECURSOR TO EMPLOYABILITY

FP&M SETA understands that the future of work requires the right technology and a digital mindset. That is why the organisation hosted the 2022 Skills Development Summit themed, "Strengthening the ERRP (Economic Reconstruction and Recovery Plan) through skills, embracing technological changes and innovation for employability in the sustainable manufacturing sector."

The skills development summit was attended, by delegates from the skills development and manufacturing sector, including stakeholders such as labour organisations, academics, trainers and employability specialists.

After being addressed by FP&M SETA, CEO, Dr Yende and Chairperson, Advocate Odayan, and Dr Blade Nzimande, Minister of Higher Education Science and Innovation, attendees debated how the sector should think about work and careers in the new normal at a time when organisations are evolving, and many are accelerating their reskilling and upskilling agendas beyond hard-to- find roles to ensure a fluid movement of workers in different roles.

DIGITALISATION TRANSFORMING THE WAY OF WORK

Delegates emphasised how digitalisation and automation are fundamentally transforming the way we work. As a result of this, being tech savvy is here and skills in cutting-edge technology, those that help in self-sufficiency and economic resilience, and employability in sustainable manufacturing sector, will be in demand in our Rainbow Nation after the COVID-19 pandemic.

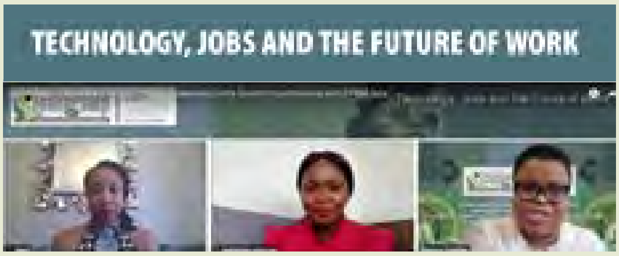
"Given our economic and skills challenges, I am glad that the overarching theme of this year's summit is most apt and that future perfect digital and innovation skills for business recovery and the reconstruction," said Dr Yende.

Dr Nzimande told delegates that the government has also begun crafting a Master Skills Plan, which aims to achieve the all-important one country one skills plan. This process will promote a more efficient and effective mechanism for country-wide skills planning.

"The master skills plan will draw on the information available in existing plans, such as the National Skills Development Plan, Human Resource Development Strategy, Economic Reconstruction and Recovery Plan, ERRP Skills Strategy, National Plan for Post School.

Education and Training, SETA Skills Sector Skills Plan, Master Economic Sector Plans, and National, Provincial and Local Government Skills Plans," he said.

Delegates concurred that a great way for managers to improve their capabilities, inspire their teams and achieve outstanding business results is through leadership skills training as precursor to amongst others, find new, innovative ways of developing and managing people; develop new business opportunities and tackle the broader societal issues being faced on a daily basis.



FP&M SETA BATHO PELE PROJECT GROWING STEADILY

What key actions are needed to create sustainable jobs? Some say we need a balance between employment and economic growth. Others say we need a sustainable recovery that ensures measures that support those most affected.

The United Nation's eighth Sustainable Development Goal, 'Decent Work and Economic Growth', reminds us of the need to advocate economic sustainability through SMEs by providing targeted financing schemes.

For example, the Celrose Manufacturing Vision 2025 growth and expansion programme, which aims to create about 6 000 new sustainable jobs by the end of 2025, is striding towards its goal.

Through FP&M SETA's R3 million Batho Pele Project grant, the company's clothing machinist programme has been successful, and 175 learners, 50 of whom have been employed, received support and mentoring from the academy's in-house coaches.

FP&M SETA RECOGNISES WORLD SKILLS 2022 COMPETITION AS A CRUCIAL VEHICLE FOR ENTREPRENEURSHIP, EMPLOYABILITY AND ECONOMIC DEVELOPMENT

The fashion industry contributes to society through enabling people to reflect who we are, allowing us to express ourselves, our creativity and our beliefs to the world.

Fostering a new generation of sustainable fashion designers, FP&M SETA sponsored 14 students from Gauteng, Eastern Cape, and KwaZulu-Natal to pit their skills against each other at the World Skills Competition (WSC) South Africa 2022 held at the Durban University of Technology (DUT).

The three-day competition was held from 4-6 March, and was organised in partnership with DHET and DUT's Faculty of Arts and Design. It proved to be a superb platform for five students from KwaZulu-Natal, six from the Eastern Cape, and three from Gauteng to showcase their expertise in many different fields, including FP&M SETA's scope of occupations, such as fashion technology and furniture making.

For the SETA, this was an exciting learning experience that will help equip the students for future success, whether in jobs or setting up their own businesses. Learners were given an opportunity to benchmark their occupational skills and knowledge both nationally and internationally.

A few weeks later, the clothing sector came out on top at World Skills Africa Swakopmund 2022.

FP&M SETA is proud that one of the students sponsored, Thulubheke Ncanana from DUT, received a gold medal in Fashion Technology. This was an empowering process of harnessing natural youth talents to inspire others. FP&M SETA celebrates Thulubheke's success and congratulates the eight South Africans who scooped eight medals out of the 16 categories contested by 10 countries.

As sponsors and partners of this competition, the SETA recognises the competition as a crucial vehicle for entrepreneurship, employability and sustainable growth and development.

The clothing sector came out on top at

World Skills Africa Swakopmund 2022.

GARMENT-MAKING SKILLS TRAINING HELPS YOUTH IN THUTHUKA

Garment production, the process of converting raw materials into finished products, is an organised activity consisting of sequential processes such as laying, marking, cutting, stitching, checking, finishing, pressing and packaging.

The basic steps for garment production include pre-production, fabric and trim sourcing, pattern-making, production planning, cutting process, manufacturing and quality control and delivery.

To impart garment-making skills to 20 Thuthuka youth, Ngaphakathi Professionals received R524,000 from FP&M SETA.

The project also assisted the community to upgrade security in their community hall.

Ngaphakathi hired the hall for the duration of the programme and upgraded security measures to ensure the safety of learners, the facilitator, and training equipment.

The learners earned a monthly stipend, and they have started sewing projects and making garments for themselves.

R524,000

received by 20 Thuthuka youth from FP&M SETA.

INNOVATE DURBAN TAKES LEARNERS FROM CONCEPT TO COMMERCIALISATION

Commercialisation is defined as the process of introducing a new product or production method into commerce – making it available on the market to make a profit.

The process provides an opportunity to engage with industry partners, investors and businesses to change the final product prototype into an innovative product for high-level social and economic needs.

To support local entrepreneurs, designers, small-scale clothing, textiles, footwear and leather (CTFL) manufacturers and innovators, FP&M SETA made R108 million available for furniture making, shoemaking and garment-making for the Indaleni Skills Centre innovation hub.

About 30 graduate learners were recruited and contracted to this highly innovative WIL programme. As part of Innovate Durban and the development of a CTFL sector, the programme has proposed the implementation of the Start Up Support Programme, an accelerated mentorship programme offering start-up capacity-building over 12 months, providing business and technical skills to take learners from concept to commercialisation.

Many of the unemployed youth include graduates who could not secure employment or work experience in the current climate.

Thanks to FP&M SETA, Innovate Durban supports and promotes innovation and entrepreneurship by supporting building the capacity and skills of the innovators while they develop and take their ideas from concept to commercialisation.

R1,08 million

made available by FP&M SETA for shoemaking, carpentry and joinery, and garment-making for the Indaleni Skills Centre innovation hub.

UPSKILLING LEARNERS IN THE FURNITURE PRODUCTION BRINGS POSITIVE CHANGE

Every home, office, business, shop or restaurant needs furniture for comfort, storage, work, meeting, sitting on, and for relaxation. Furniture improves the overall beauty of the places where we live, work or unwind.

FP&M SETA funded 20 learners to upskill them in the furniture production trade, and secure employment for them.

The R540,000 grant to My Space Interior provided support and work orders for the learners from Ethekwini Municipality and the Department of Economic Development. The learners also received mentorship and were given the opportunity to exhibit their work.

The project had a positive impact on the learners' livelihood as some secured employment and others obtained and secured orders for manufacturing, thus giving them the opportunity to showcase their expertise and work and in the long run secure employment.

R540,000

grant to My Space Interior provided support and work orders for the learners from Ethekwini Municipality and Economic Development.

ZA GEAR HELPS YOUTH BECOME ENTREPRENEURS

Sewing is an important life skill. It helps the development of fine motor skills, improves focus and concentration, and instils the value of patience and self-control. Basic sewing skills include threading a needle, choosing a thread, sewing a straight stitch, sewing a button, using a pattern, and knowing the tools.

To help 30 unemployed learners eager to master sewing skills in order to enter the CTFL industry and become entrepreneurs, FP&M SETA awarded R786,000 to ZA Gear to give learners practical training in how to sew on a flat machine, overlock safety machine, elasticating machine, bartack machine, buttonhole machine, and cover seam machine.

The SETA funding was critical to guaranteeing project sustainability and equipped the learners with tools needed for the programme, while also providing a stipend.

ZA Gear was impacted by the unrest in July 2021 and lost all machinery and equipment, this necessitated reinvesting and purchasing new equipment and relocating the business.

R786,000

awarded by FP&M SETA to help 30 unemployed learners eager to master sewing skills in order to enter the CTFL industry and become entrepreneurs.

3. ORGANISATIONAL ENVIRONMENT

The COVID-19 pandemic could not have had a more telling impact on the business continuity of the SETA. In the interests of the health and safety of all employees and stakeholders, it was decided that 50% of FP&M SETA employees would provide services to stakeholders remotely from home, while the other 50% would return to the office and continue with service delivery of FP&M SETA's mandate following normal working hours and conditions. This was in response to the risk-adjusted strategy being implemented to phase in the return to institutions offering occupational learning programmes and occupational qualifications and to manage the gradual reopening of institutions for learning, training and assessment, and to address, prevent and combat the spread of COVID-19.

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

4. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

Due to the onset of COVID-19, the following key legislations had significant bearing on the implementation of the FP&M SETA's Strategic Plan and Annual Performance Plan for the period under review:

- ***Occupational Health and Safety Act No.85 of 1993*** – Risk Assessment Compliance together with a written policy concerning the protection of the health and safety of its employees from COVID-19.
- ***Disaster Management Act No.57 of 2002*** – COVID-19 Direction on Health and Safety in the Workplace – determined that it is necessary to adopt and implement occupational health and safety measures to (reduce and eliminate) the escalation of COVID-19 infections in workplaces.
- **FP&M SETA Skills Strategy for Economic Restructuring and Recovery Plan (ERRP)** – to restore our economy and the FP&M sector to inclusive growth we need to focus on the extraordinary measures we must take. This plan directly responds to the immediate economic impact of COVID-19 by driving job creation and SMME development.

5. PROGRESS TOWARDS ACHIEVING INSTITUTIONAL IMPACT AND OUTCOMES

The SETA's budget is drastically constrained as contained in the original Strategic Plan 2020/21-2024/25 and Annual Performance Plan 2021/22. In terms of priority interventions aligned to the Medium-Term Strategic Framework (MTSF), output indicators and targets aligned to the growth and development of TVET colleges, registration and completion of artisan programmes, learnerships, skills programmes and internships were achieved.

Despite the impact of COVID-19, FP&M SETA has made steady progress towards the achievement of the five-year target in relation to the outcome indicators for the various programmes outlined in its Strategic Plan for the period 2020/21 to 2024/25. During the reporting period, significant achievements were made with regard to the contribution towards the 2019-24 Medium-Term Strategic Framework and the outcomes of the NDP, as FP&M SETA achieved most of its output indicators and targets related to the implementation of priority learning programmes.

Institutional Programme Performance Information

6. FP&M SETA ORIGINALLY TABLED ANNUAL PERFORMANCE PLAN (MARCH / APRIL 2021-22)

Programme 1: Administration	
Purpose	To Improve the effectiveness and efficiency of the governance, human resources, corporate services, and financial administration to enhance skills delivery. This programme addresses improvement in governance oversight, monitoring and evaluation mechanisms and capacity.
Explanation of the planned performance over the five-year planning period	The outcomes of this performance indicator involves the implementation of effective policies, strategies and plans that comply with the applicable legislation and its ensuing regulations, good corporate governance, responsible citizenship and social justice. The rationale of the outcomes indicator is to ensure effective and efficient financial, material, and human resource planning and deployment of resources. In terms of overall impact, there will be a tangible improvement in governance oversight, monitoring and performance of FP&M SETA.

Comments on achievement of targets for Programme 1

During the period under review, FP&M SETA ensured good corporate governance, the implementation of relevant policies and procedures, and sound financial and human resource management, thus ensuring that FP&M SETA had full human resource capacity to implement its mandate. All key senior management positions were filled in either a permanent or acting capacity.

Programme/Sub-programme: Programme 1: Administration

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Improved, effective and efficient SETA governance and skills delivery	Effective and efficient financial and human resource planning and implementation	(i) Percentage of key positions filled	100%	100%	100%	100%	Target achieved – no deviation	100% of target achieved

Programme 2: Skills planning	
Purpose	To ensure that appropriate skills-related research is conducted in order to identify and increase production of occupations in high demand to promote labour absorption. Accurate labour market analysis within the sector will improve enrolment and completion of priority occupations and qualifications. This would improve the responsiveness and planning processes of the sector's post-school education and training system.
Explanation of the planned performance over the five-year planning period	A credible institutional mechanism for research and skills planning will be established ensuring better forecasting of occupations in high demand, leading to greater responsiveness and better skills planning processes within the FP&M sector. This will also result in the formation of effective partnerships and networks with key delivery partners among the provider community, labour market, and learner communities. The rationale is that skills planning must be complemented with resources, better data and improved labour market analysis relating to sectoral skills gaps and priority occupations in demand.

Programme 2: Skills planning *contd.*	
Explanation of the planned performance over the five-year planning period *contd.*	It is important for FP&M SETA to develop capacity for this function because demand projections for labour depend on the economic growth rate, which is the most important variable for skills planning in the sector. This would ensure that information sources for priority occupations and qualifications, with regard to the supply of occupations and qualifications in demand and identifying new occupations and qualifications in the sector, are co-ordinated and integrated, thus increasing opportunities for employability and entrepreneurship. This programme also supports the implementation of different types of studies to assess processes, systems and impact of FP&M SETA learning programmes.

Comments on achievement of targets for Programme 2

The overall achievement against targets for output indicators on WSP/ATR submissions for large companies was not met due to the impact of COVID-19 lockdowns on industry, which resulted in company closures and downsizing. FP&M SETA has concluded research agreements with credible research organisations to ensure that quality research is undertaken to address credible skills planning for Sector Skills Plan Updates, impact study research, SMME development and cooperatives and promotion of growth and development of TVET colleges. It must be noted that due to research that was undertaken during the period under review, the SETA was able to develop a credible PIVOTAL List of occupations in high demand and a list of skills needs of cooperatives of small and emerging enterprises. These interventions guided the SETA in its submissions with regard to the national list for occupations in high demand and skills needs for the ERRP.

Programme/Sub-programme: Programme 2: Skills Planning

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Quality research and skills planning activities to address occupations in high demand	Discretionary grants allocated for high, intermediate, and elementary skills	(i) Percentage of discretionary grant budget allocated at developing high, intermediate and elementary skills	Not applicable	80.34%	80%	84%	4%	Positive variance, within expected range of 1-5% Increased funding allocated to PIVOTAL programmes due to high demand for such interventions
	WSP and ATRs of small firms approved for mandatory grant payment	(ii) Number of WSPs and ATRs approved for small firms	635	593	600	608	8	Positive variance, within expected range of 1-5% Due to better advocacy and marketing for mandatory grant submissions the SETA was able to attract more companies

Programme/Sub-programme: Programme 2: Skills Planning *contd.*								
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Quality research and skills planning activities to address occupations in high demand *contd.*	WSP and ATRs of medium firms approved for mandatory grant payment	(iii) Number of WSPs and ATRs approved for medium firms	421	371	380	381	1	Positive variance, within expected range of 1-5% Due to better advocacy and marketing for mandatory grant submissions the SETA was able to attract more companies
	WSP and ATRs of large firms approved for mandatory grant payment	(iv) Number of WSPs and ATRs approved for large firms	384	349	355	328	-27	Restructuring and downsizing of companies, largely due to the impact of COVID-19, meant that some previously large companies no longer fall into this category. Some companies also did not train and therefore did not make a submission 92% of target achieved
	Research reports completed and supports SSP development	(v) Number of research agreements signed	4	5	4	4	Target achieved - no deviation	100% of target achieved

Programme/Sub-programme: Programme 2: Skills Planning *contd.*								
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Quality research and skills planning activities to address occupations in high demand *contd.*	Approved list of identified skills needs of cooperatives, small and emerging enterprises	(vi) List of identified skills needs of cooperatives, small and emerging enterprises submitted to DHET by 31 Aug 2021	Not Applicable	List of identified skills needs of cooperatives, small and emerging enterprises submitted to DHET by 31 Aug 2020	List of identified skills needs of cooperatives, small and emerging enterprises submitted to DHET by 31 Aug 2021	List of skills needs of cooperatives and SMMEs was submitted to DHET by 31 Aug 2021	Target achieved - no deviation	100% of target achieved
	Approved PIVOTAL list of priority occupations to be funded	(vii) An updated OFO-aligned PIVOTAL list submitted to DHET by 31 Aug 2021	An updated OFO-aligned PIVOTAL list submitted to DHET by 31 Aug 2019	An updated OFO-aligned PIVOTAL list submitted to DHET by 31 Aug 2020	An updated OFO-aligned PIVOTAL list submitted to DHET by 31 Aug 2021	Approved OFO-aligned PIVOTAL list submitted to DHET by 31 Aug 2021	Target achieved - no deviation	100% of target achieved

Programme 3: Learning programmes and projects	
Sub-programme: 1	
Purpose	To link education and the workplace in order to develop a skilled and capable workforce for a sustainable, technologically advanced and productive FP&M manufacturing sector. Workplaces must implement occupationally directed programmes and qualifications to address technical high-level and middle-level occupations and qualifications in demand, especially for priority occupations.
Explanation of the planned performance over the five-year planning period	Various learning programmes are implemented with an aim of reskilling and upskilling the currently employed, and skilling the unemployed to facilitate their entry into the FP&M labour market. It is critical to link education and workplaces to implement occupationally directed programmes and qualifications, such as apprenticeships, work integrated learning and internships to address technical high-level and middle-level occupations and qualifications in demand. While there are graduates being produced, the linkage to the workplace and labour market is critical so as to realise the placement of graduates in the labour market to address priority occupations. The implication of this for the SETA is that we must have a better understanding of the sector and its sub-sectors, in particular where future jobs will be created and employers are identified to work with the SETA to create relevant workplace opportunities.

Comments on achievement of targets for Sub-programme 1

The achievement of output indicators and targets for this indicator is critical as this programme provides intermediate and high-level skills for unemployed learners and graduates, which could lead to employment placement opportunities. It is pleasing to note that targets for this sub-programme were exceeded as it also addresses skills gaps aligned to the FP&M SETA Occupations in High Demand and government's MTSF priorities and NDP – Vision 2030. There was minimal impact of COVID-19 lockdowns on this programme due to rigid implementation of the Risk-Adjusted Strategy for the phasing-in of workplace education and training, and COVID-19 Workplace Health and Safety Regulations as workplaces and skills development providers opened up to take in unemployed learners and graduates. In terms of learner registrations and completions on this sub-programme, 67% were female, whilst 33% were male. 82% of learners were youth, whilst a small number of disabled learners entered and completed learning programmes in this sub-programme.

Programme 3: Learning programmes and projects								
Sub-programme 1								
Outcome	**Output**	**Output indicator**	**Audited actual performance 2019/20**	**Audited actual performance 2020/21**	**Planned annual target 2021/22**	**Actual achievement 2021/22**	**Deviation from planned target to actual achievement for 2021/22**	**Reasons for deviation**
Increased workplace-based learning opportunities to address priority occupations	Funded TVET students for WIL	(i) Number of TVET students entered WIL programmes	556 Funded learners: 556	351 Funded learners: 351	375	408 Funded learners: 408	33	Positive variance: 109% of target achieved Additional funding from project savings was used to fund more projects, resulting in increased outcomes Funding effectively used for greater impact
	Work-ready TVET students	(ii) Number of TVET students completed WIL programmes	422 Funded learners: 422	282 Funded learners: 282	310	322 Funded learners: 322	12	Positive variance within expected range of 1-5% 104% of target achieved Additional completions linked to additional entries resulting in higher numbers
	Funded HET students for WIL	(iii) Number of university students entered WIL programmes	276 Funded learners: 276	250 Funded learners: 250	260	318 Funded learners: 318	58	Positive variance: 122% of target achieved Additional funding from projects savings was used to fund more projects resulting in higher numbers Funding effectively used for greater impact Some WIL HET programmes are shorter, thus learners were able to complete within the same financial year
	Work-ready HET students	(iv) Number of university students completed WIL programmes	234 Funded learners: 234	228 Funded learners: 228	220	221 Funded learners: 221	1	Positive variance, within expected range of 1-5% 101% of target achieved Additional completions linked to additional entries resulting in higher numbers Some programmes commenced and completed in the same financial year

Sub-programme 1 *contd.*								
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Increased workplace-based learning opportunities to address priority occupations *contd.*	Funded unemployed learners for work experience/ internship programmes	(v) Number of unemployed learners entered work experience/ internship programmes	431 Funded learners: 431	430 Funded learners: 430	420	491 Funded learners: 491	71	Positive variance: 117% of target achieved This is as a result of additional funding becoming available from project savings used to support this priority programme
	Work-ready unemployed learners	(vi) Number of unemployed learners completed work experience/ internship programmes	272 Funded learners: 272	311 Funded learners: 311	400	402 Funded learners: 402	2	Positive variance within expected range of 1-5% 101% of target achieved
	Funded unemployed learners on skills programmes	(vii) Number of unemployed learners entered skills programmes	2,282 Funded learners: 2 282	2,066 Funded learners: 2 066	1,554	2,454 Funded learners: 2 454	900	Positive variance: 158% of target achieved. Ttarget was exceeded due to upskilling of unemployed youth to increase employment potential Therefore, reprioritisation of funding was made to support these programmes
	Unemployed learners in skills programmes upskilled	(viii) Number of unemployed learners completed skills programmes	1,424 Funded learners: 1 424	2,001 Funded learners: 2 001	1,800	2,381 Funded learners: 2 381	581	Positive variance: 132% of target achieved Improved monitoring of projects resulted in increased completions improving throughput rate on these programmes
	Funded unemployed learners on learnerships	(ix) Number of unemployed learners entered learnership programmes	3,000 Funded learners: 3 000	2,069 Funded learners: 2 069	2,275	2,483 Funded learners: 2 483	208	Positive variance: 109% of target achieved Target was exceeded Learnerships unemployed is a priority as it addresses youth unemployment Therefore, reprioritisation of funding was made to support these programmes, accounting for higher numbers

Sub-programme 1 *contd.*								
Outcome	**Output**	**Output indicator**	**Audited actual performance 2019/20**	**Audited actual performance 2020/21**	**Planned annual target 2021/22**	**Actual achievement 2021/22**	**Deviation from planned target to actual achievement for 2021/22**	**Reasons for deviation**
Increased workplace-based learning opportunities to address priority occupations *contd.*	Unemployed learners on learnerships upskilled	(x) Number of unemployed learners completed learnership programmes	1 841 Funded learners: 1 841	1 906 Funded learners: 1 906	2 090	2 127 Funded learners: 2 127	37	Positive variance within expected range of 1-5% 102% of target achieved Improved monitoring of projects resulted in increased completions, improving the throughput rate

Sub-programme: 2	
Purpose	To increase access of youth and adults to post-school education and training opportunities and to encourage further learning to improve their employability.
Explanation of the planned performance over the five-year planning period	Many South Africans are poorly educated and lack basic foundational skills (communication and mathematical literacy) to undertake further learning when they leave school, limiting access to post-school education and training. This outcome is focused on providing youth and adults with basic foundational skills to access adult education and training (AET) programmes to enable them to access further learning and improve their employability.

Comments on achievement of targets for Sub-programme 2

Achievements for output indicators for AET entries were exceeded, providing learners with elementary and foundational communication and mathematical literacy skills. Learners who have completed AET programmes will enjoy increased opportunities to access middle-level occupationally directed programmes, affording them improved employment and career pathing opportunities. It is also pleasing to note that many of the FP&M SETA workplaces have afforded employed learners an opportunity to improve their foundational skills. In terms of learner registrations and completions on this sub-programme, 59% were female, whilst 41% were male. 75% of learners were youth, entered and completed learning programmes in this sub-programme.

Programme 3: Learning programmes and projects								
Sub-programme 2								
Outcome	**Output**	**Output indicator**	**Audited actual performance 2019/20**	**Audited actual performance 2020/21**	**Planned annual target 2021/22**	**Actual achievement 2021/22**	**Deviation from planned target to actual achievement for 2021/22**	**Reasons for deviation**
Increased foundational learning opportunities	AET learners funded	(i) Number of learners who entered AET programmes	679 Funded learners: 679	341 Funded learners: 341	654	715 Funded learners: 715	61	Positive variance: 109% of target achieved Target was exceeded due to increased demand for AET intervention, resulting in budget reprioritisation and funding of additional learners
	Improved foundational skills	(ii) Number of learners who completed AET programmes	448 Funded learners: 448	289 Funded learners: 289	490	490 Funded learners: 490	Target achieved - no deviation.	100% of target achieved

Sub-programme: 3	
Purpose	To ensure the continuous upgrading of skills in the workforce in order to increase the skills pool especially in priority occupations and qualifications in demand. The purpose is to produce a highly skilled world-class workforce through various skills development interventions that will contribute to the achievement of sector competitiveness, transformation and economic growth.
Explanation of the planned performance over the five-year planning period	This outcome encourages better use of workplace-based skills development opportunities annually in order to transform workplaces through career pathing, improve productivity and improve economic growth prospects and sustainability of the FP&M industrial sub-sectors. The rationale is to ensure the continuous upgrading of skills in the workforce in world-class manufacturing principles and production methodologies in order ensure an increase in the skills pool, more particularly in high-demand occupations.

Comments on achievement of targets for Sub-programme 3

Overachievement of output indicators and targets for this programme is critical to improve workplace productivity and career pathing of workers. Workers were exposed to intermediate level and high-level skills aligned to critical skills of the FP&M SETA. This programme is also critical to address key skills development action plans aligned to the industry masterplans, as outlined in the FP&M SETA Strategic Plan and APP, and the future competitiveness and sustainability of FP&M industrial sub-sectors. In terms of learner registrations and completions on this sub-programme, 61% were female, whilst 39% were male. 52% of learners were youth, whilst a small number of disabled learners entered and completed learning programmes in this sub-programme.

Programme 3: Learning programmes and projects

Sub-programme 3

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Improved skills level of workers in occupations in high demand	Workers funded on learnership programmes	(i) Number of workers entered learnership programmes	911	529	975	1 025	50	Positive variance within expected range of 1-5% 105% of target achieved Target was exceeded Learnerships unemployed is a priority programme as it addresses the issue of workplace productivity Therefore, reprioritisation of funding was made to support these programmes, resulting in higher numbers
	Workers acquire middle-level technical skills through learnerships	(ii) Number of workers completed learnership programmes	689 Funded learners: 689	695 Funded learners: 695	780	782 Funded learners: 782	2	Positive variance, within expected range of 1-5% 100% of target achieved Improved monitoring of projects resulted in increased completions, improving the throughput rate on programmes

Sub-programme 3 *contd.*								
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Improved skills level of workers in occupations in high demand *contd.*	Workers funded on bursary programmes	(iii) Number of workers entered bursary programmes	112 Funded learners: 112	85 Funded learners: 85	110	110 Funded learners: 110	Target achieved - no deviation.	100% of target achieved
	Workers acquire middle and high-level skills through bursary programmes	(iv) Number of workers completed bursary programmes	88 Funded learners: 88	40 Funded learners: 40	90	39 Funded learners: 39	-51	Target not achieved Negative variance: 43% of target achieved Many workplaces did not register their students timeously as a result of workplace pressure, resulting in delays in completions In some instances students did not complete their programmes
	Workers funded on skills programmes	(v) Number of workers entered skills programmes	2 852 Funded learners: 2 852	1 259 Funded learners: 1 259	1 250	1 279 Funded learners: 1 279	29	Positive variance within expected range of 1-5% 102% of target achieved Approval of TERS projects resulted in higher numbers
	Workers acquire middle-level technical skills through skills programmes	(vi) Number of workers completed skills programmes	1 810 Funded learners: 1 810	1 609 Funded learners: 1 609	1 250	1 483 Funded learners: 1 483	233	Positive variance: 119% of target achieved Additional numbers through completion of TERS programmes and prioritised projects

Sub-programme :4	
Purpose	The purpose is to develop a skilled and capable workforce for a sustainable, technologically advanced and productive FP&M sector through implementation of priority occupations and qualifications in partnership with higher education and training institutions and workplaces.
Explanation of the planned performance over the five-year planning period	The workforce is not keeping pace with the skills required by industry to remain competitive in an increasingly knowledge-based economy. The rationale is that FP&M SETA must play a proactive role in supporting the increased production of skills for intermediate and high-level occupationally directed programmes. The sector will develop a skilled and capable workforce by addressing priority occupations and qualifications in partnership with higher education and training institutions and workplaces.

Comments on achievement of targets for Sub-programme 4

Apprenticeship and bursary programmes are priority interventions that address high-level technical skills and advanced 4IR technologies in industry. The competitiveness and growth of the FP&M sector is highly dependent on the success of this programme, with a key focus on strategic partnerships with TVET colleges, universities and universities of technology, and employer organisations. Recognition of prior learning (RPL) interventions must be prioritised so that work experience, expertise and skills of workers can be fast-tracked through achieving a formal occupationally directed qualification. The FP&M SETA partnership with NSFAS continues to thrive with the SETA funding a high number of learners. Implementation of this programme plays a pivotal role in addressing transformational imperatives and key priorities such as township and rural development, gender transformation, and poverty alleviation aligned to key priorities of MTSF. In terms of learner registrations and completions on this sub-programme, 46% were female, whilst 54% were male. 87% of learners were youth. More effort is required to ensure that disabled learners are entered and complete learning programmes in this sub-programme.

Programme 3: Learning programmes and projects

Sub-programme 4

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Increased access to occupationally directed programmes through effective partnerships	Apprentices funded on apprenticeship programmes	(i) Number of learners entered apprenticeship programmes	378 Funded learners: 378	243 Funded learners: 243	385	386 Funded learners: 386	1	Positive variance within expected range of 1-5%
	Apprentices acquire middle-level technical skills	(ii) Number of learners completed apprenticeship programmes	307 Funded learners: 307	260 Funded learners: 260	310	324 Funded learners: 324	14	Positive variance within expected range of 1-5% 105% of target achieved Better turnaround of trade test applications and finalisation of testing
	Unemployed learners on bursary programmes funded	(iii) Number of unemployed learners entered bursary programmes as first-time entry learners	Not applicable	208 Funded learners: 208	170	227 Funded learners: 227	57	Positive variance: 134% of target achieved Target was exceeded through the SETA partnership with the NSFAS, registering more learners on SETA-NSFAS funding

Sub-programme 4 *contd.*								
Outcome	**Output**	**Output indicator**	**Audited actual performance 2019/20**	**Audited actual performance 2020/21**	**Planned annual target 2021/22**	**Actual achievement 2021/22**	**Deviation from planned target to actual achievement for 2021/22**	**Reasons for deviation**
Increased access to occupationally directed programmes through effective partnerships *contd.*	Unemployed learners on bursary programmes acquire middle-level technical skills	(iv) Number of unemployed learners entered bursary programmes as continuing learners	677 Funded learners: 677	311 Funded learners: 311	315	324 Funded learners: 324	9	Positive variance within expected range of 1-5% 103% of target achieved Target was exceeded through the SETA partnership with the NSFAS, registering more learners on SETA-NSFAS funding
	Unemployed learners on bursary programmes acquire middle-level technical skills	(v) Number of unemployed learners completed bursary programmes	501 Funded learners: 501	265 Funded learners: 265	390	417 Funded learners: 417	27	Positive variance: 107% of target achieved More students previously funded were able to complete their programmes
	Learners funded for RPL programmes	(vi) Number of learners entered RPL programmes	Not applicable	50 Funded learners: 50	101	116 Funded learners: 116	15	Positive variance: 115% of target achieved More learners were funded as a result of reprioritisation
	Learners assessed through RPL methodology	(vii) Number of learners completed RPL programmes	108 Funded learners: 108	50 Funded learners: 50	95	114 Funded learners: 114	19	Positive variance: 120% of target achieved Increased learner entries resulted in increased completions
	Strategic TVET/ CET partnerships funded	(viii) Number of TVET and/or CET partnership agreements signed	22	21	22	23	1	Positive variance, within expected range of 1-5% 105% of target achieved
	Strategic HEI partnerships funded	(ix) Number of HEI partnership agreements signed	6	10	10	10	Target achieved - no deviation	100% of target achieved
	Strategic SETA-employer partnerships funded	(x) Number of SETA-employer partnership agreements signed	Not applicable	6	5	5	Target achieved - no deviation	100% of target achieved

Sub-programme: 5	
Purpose	To provide support to co-operatives, small enterprises, NGOs, CBOs, NPOs and community organisations to implement skills development training initiatives to address entrepreneurship and co-operative development.
Explanation of the planned performance over the five-year planning period	Funded skills and entrepreneurial interventions will result in the establishment of new enterprises and co-operatives, thus increasing employment and new venture opportunities. Co-operatives, Small Enterprises, CBOs, NPOs, NGOs must be supported with skills training and capacity development in order to expand and contribute to sector economic and employment growth. The Sector Skills Plan / PIVOTAL List has identified a number of key areas of critical skills demand for co-operatives, small enterprises, NGOs and CBOs, all of which affect the efficacy and sustainability of these enterprises. Small, Medium and Micro-Sized Enterprises are a crucial part of South Africa's economic growth. The challenge of inculcating a culture and spirit of entrepreneurship and self-employment lies not only in making funding available but in developing the skills and competencies of the youth and potential entrepreneurs in general. The rationale is to encourage and support co-operatives, small enterprises, NGOs, CBOs, NPOs and community training initiatives to address poverty, inequality, disability and rural and township development and unemployment.

Comments on achievement of targets for Sub-programme 5

This success of this sub-programmes is critical to address the key transformational imperatives of the National Skills Development Plan (NSDP), the key priorities of the Medium Term Strategic Framework (MTSF) of Government and the Vision 2030 of the NDP. An increased number of projects addressed the key strategic outcome of entrepreneurship of the NSDP. Due to the economic decline resulting from the impact of COVID-19, a number of NGOs/ CBOs/NPOs, SMMEs and Co-operatives benefitted from funding to address the core focus of Economic Reconstruction and Recovery (ERRP). SMME development is a key pillar of the industry Masterplans and is crucial for the future sustainability of the FP&M Sector. It is pleasing to note that a number of output indicators and targets in this programme was exceeded as it addresses the key transformational mandate of youth development, gender transformation, rural and township development, disability mandate and poverty alleviation within disadvantaged communities.

Programme 3: Learning Programmes and Projects

Sub-programme 5

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Increased funding support for co-operatives, small enterprises, NGOs, CBOs and NPOs to implement skills development programmes	Learners on entrepreneurial programmes and/or business coaching & mentoring programmes funded	(i) Number of learners entered entrepreneurial programmes and/or business coaching & mentoring programmes	Not Applicable	138	125	132	7	Positive variance: 106% of target achieved. More SETA programmes are incorporating entrepreneurship and business coaching and mentoring

Sub-programme: 5 *contd.*

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Increased funding support for co-operatives, small enterprises, NGOs, CBOs and NPOs to implement skills development programmes *contd.*	CBOs, NGOs and/or NPOs funded	(ii) Number of CBOs, NGOs and/or NPOs supported with training interventions or funding	31	32	35	78	43	Positive variance: 223% of target achieved An increased number of NGOs, CBOs and NLPEs benefitted from SETA support and capacity building
	Rural development projects implemented	(iii) Number of rural development projects funded	28	29	30	31	1	Positive variance, within expected range of 1-5%
	Co-operatives upskilled	(iv) Number of Co-operatives supported with training interventions or funded	69	55	55	55	Target achieved -no deviation	100% of target achieved
	Small businesses upskilled	(v) Number of Small Businesses supported with training interventions or funded	Not Applicable	100	110	111	1	Positive variance, within expected range of 1-5%

Sub-programme : 6	
Purpose	To provide support and encourage worker-initiated training initiatives to address challenges experienced by FP&M sub-sectors.
Explanation of the planned performance over the five-year planning period	Trade unions and their education programmes play an important role in the skilling of workers. Worker-initiated education and training must contribute to a workforce that is better able to understand the challenges facing the economic sectors in which they operate. Capacity building of the workforce is critical for the sustained economic growth of FP&M industries.

Comments on achievement of targets for Sub-programme 6

An increased number of trade unions were supported to improve the understanding of workers on the challenges to economic growth of FP&M sub-sectors, workplace health and safety regulations and the impact of COVID-19 on the industry. During the period under review, it was critical to build capacity for workers and trade union representatives to understand the Temporary Employer/Employee Relief Scheme (TERS) and UIF benefits, etc, due to due to an increased number of company closures and retrenchments.

Programme 3: Learning Programmes and Projects								
Sub-programme 6								
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Improved understanding by workers of their sector	Trade Union members upskilled about sectoral challenges	(i) Number of trade unions supported through skills training interventions or funding	3	3	3	3	Target achieved -no deviation	100% of target achieved

Sub-programme : 7	
Purpose	Career paths are communicated effectively, and contribute to improved relevance of training and greater career and vocational awareness for learners.
Explanation of the planned performance over the five-year planning period	The rationale is to build career and vocational guidance capacity to expose learners and career development practitioners to FP&M sector occupations in demand through career events and exhibitions in both rural and urban areas. For FP&M sector learners to succeed, they need to be guided prior to enrolment on both best match of their interest and their abilities to occupational requirements, as well as best prospects for employment and decent remuneration. These programmes require input from the labour market, as well as vehicles for matching potential learners to opportunities. Career paths are mapped to qualifications in all sectors and sub-sectors, and communicated effectively, contributing to improved relevance of training and greater mobility and progression. The FP&M SETA needs to expose learners to occupations in high demand before they make final decisions on their career choices. FP&M SETA must provide information on steps taken to expose prospective learners to work in the FP&M sector.

Comments on achievement of targets for Sub-programme 7

In order to promote economic growth of the FP&M sector, it is critical that the youth is exposed to FP&M SETA careers and occupations in high demand. Through increased career events in both rural and urban areas the FP&M sector will be able to attract the best talent amongst school learners, thus making FP&M sector occupations a career of choice. Exceeding targets in this sub-programme reflects an increase in market branding and exposure of the FP&M Sector to the youth and women, both in townships/informal settlements (urban areas) and rural areas.

Programme 3: Learning Programmes and Projects								
Sub-programme 7								
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Improved exposure for learners and career development practitioners to FP&M sector priority occupations	Learners in urban areas exposed to occupation in high demand	(i) Number of career development events conducted in urban areas	36	10	15	15	Target achieved -no deviation	100% of target achieved
	Learners in rural areas exposed to occupation in high demand	(ii) Number of career development events conducted in rural areas	Not Applicable	10	15	15	Target achieved -no deviation	100% of target achieved
	Career practitioners capacitated on occupations in high demand	(iii) Number of workshops on career development services implemented	Not Applicable	Not Applicable	1	2	1	200% of target achieved. Contracted service provider was able to do an additional workshop for educators

Programmme 4: Quality Assurance and Partnerships	
Purpose	The purpose of the quality assurance programme is to develop, implement and monitor occupationally-directed qualifications in partnership with accredited skills development institutions.
Explanation of the planned performance over the five-year planning period	The rationale is to ensure quality, relevant and fit-for-purpose education and training programmes through partnerships with post-school education and training institutions to improve the supply of priority occupations within the FP&M sector. To establish a sustainable post-school education and training system complimented by strategic partnerships to promote the growth of stronger TVET and community education and training colleges. The growth of stronger TVET colleges will expand the provision of mid-level technical and occupational qualifications aligned to industry needs, whilst community education and training colleges will offer programmes that are responsive to the needs of communities and that enable individuals to find work, start businesses, and develop sustainable livelihoods and progress into other education institutions.

Comments on achievement of targets for Sub-programme 4

Achievement of output indicators and targets for this programme addresses quality education and training in the FP&M sector. The FP&M SETA is the Development Quality Partner (DQP) and the Quality Assurance Partner (QAP) for a number of occupationally-directed qualifications registered with the QCTO. In order to sustain the supply and demand for education and training in the FP&M sector, it is important for a registered QAP to submit relevant, updated and fit-for-purpose qualifications to address sector competitiveness and growth. Promotion and growth of TVET/CET colleges is paramount for sustaining the supply of FP&M SETA education and training provisioning within the post-school education and training system in the medium to long term. An increased number of TVET/CET lecturers must be exposed to FP&M Sector occupational qualifications in order for TVET/CET learners to manufacture to industry quality performance standards.

Programme 4: Quality Assurance and Partnerships								
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement for 2021/22	Reasons for deviation
Increased supply of quality, relevant and fit-for-purpose education and training programmes	Functional CSTO Offices established	(i) Number of CSTO offices established in TVET colleges	3	1	1	1	Target achieved -no deviation	100% of target achieved
	Centres of Specialisation supported	(ii) Number of TVET Centres of Specialization funded	Not Applicable	5	3	3	Target achieved -no deviation	100% of target achieved
	TVET/CET lecturers upskilled on industry programmes	(iii) Number of TVET and/or CET Lecturers entered industry development programmes	2	16	15	34	19	Positve variance: 227% of target achieved. More lecturers benefitted from funding to support TVET and CET capacity building as this is a priority intervention
	Current and relevant SETA occupational qualifications registered with QCTO	(iv) Number of FP&M SETA occupational qualifications registered by QCTO during the year	12	16	15	15	Target achieved -no deviation	100% of target achieved

Additional achievements funded by industry

Additional achievements relating to learners' registrations and completions that were funded by industry and contributed to the FP&M SETA's overall performance during 2021/22.

Unfunded Learners Per Programme	2021/22 Unfunded Learners	Overall Performance (Funded and Unfunded Learners)
Number of university students entered work-integrated learning programmes	18	Total achievement: 336 129 % of target achieved.
Number of unemployed learners entered skills programmes	149	Total achievement: 2,603 168 % of target achieved.
Number of unemployed learners completed skills programmes	66	Total achievement: 2,447 136 % of target achieved.
Number of unemployed learners entered learnership programmes	71	Total achievement: 2,554 112% of target achieved.
Number of unemployed learners completed learnership programmes	365	Total achievement: 2,492 119% of target achieved.
Number of employed learners enterd learnership programmes	8	Total achievement: 1,033 106% of target achieved.

Additional achievements funded by industry *contd.*		
Unfunded Learners Per Programme	**2021/22 Unfunded Learners**	**Overall Performance (Funded and Unfunded Learners)**
Number of employed learners completed learnership programmes	5	Total achievement: 787 101% of target achieved.
Number of employed learners entered skills programmes	18	Total achievement: 1,297 104% of target achieved.
Number of employed learners completed skills programmes	16	Total achievement: 1,499 120% of target achieved.
Number of learners entered apprenticeship programmes	28	Total achievement: 414 108% of target achieved.
Number of learners completed apprenticeship programmes	45	Total achievement: 369 119% of target achieved.

LINKING PERFORMANCE WITH BUDGETS						
	2020/2021			**2021/2022**		
Programme/activity/objective	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**
Administration	R40,024	R35,549	R4,475	R45,630	R38,626	R7,004
Mandatory grants	R49,511	R42,368	R7,143	R70,400	R65,972	R4,428
Discretionary grants	R673,086	R254,970	R418,116	R649,470	R280,786	R368,684
Total	**R762,621**	**R332,887**	**R429,734**	**R765,500**	**R385,384**	**R380,116**

During the year there were significant budget constraints under the 10.5% administration. The SETA managed to remain with the approved threshold during the year. Mandatory grants were lower than the budget due to the reduced levies received. All companies that had approved WSPs were paid a mandatory grant. Performance targets under Discretionary grants were met despite the reduction in discretionary grant income received.

REVENUE COLLECTION

During the current financial year, the FP&M SETA received R341,7 million in Skills Development Levy (SDL) income. The SETA has an overall deficit on revenue of R12 million. This was mainly due to a decrease in economic growth and a decrease in interest rates. Spending was significantly reduced in the year in order to remain within budget.

SDL income was monitored against the budget on a monthly basis. The SETA remained within the 10.5% administration budget threshold for the 2021/22 financial year.

SDL income was increased by R1,427,000 as a result of the reversal of the provision in the current financial year for firms that fall below the R500,000 threshold level, and receipt of these funds has now accumulated for 5 years.

Penalties and interest (R5,3 million) were received by the FP&M SETA as a result of late payment of SDL by employers to SARS.

Investment income was below budget, as interest rates were significantly reduced in 2021/22.

Other revenue (R38,000) was generated from fees paid by learners to re-write examinations relating to apprenticeship programmes and insurance refund.

	2020/2021			2021/2022		
Sources of revenue	**Estimate R'000**	**Actual Amount Collected R'000**	**(Over)/Under Collection R'000**	**Estimate R'000**	**Actual Amount Collected R'000**	**(Over)/Under Collection R'000**
SDL levies	R244,501	R220,656	R23,845	R347,654	R341,730	R5,924
Penalties and interest	R3,406	R6,501	R(3,095)	R5,424	R5,348	R76
Investments	R42,282	R19,100	R23,182	R22,424	R16,284	R6,140
Donor funding	-	-	-	-	-	-
Other revenue	-	R5,364	R (5,364)	-	R38	R (38)
Total	**R290,189**	**R251,621**	**R38,568**	**R375,502**	**R363,400**	**R12,102**

CAPITAL INVESTMENT

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

- During the reporting period, all excess funds were transferred monthly to the CPD account of the SETA that is held with the South African Reserve Bank. The excess funds were based on monthly cash flow reports. All interest has been capitalised on a monthly basis.
- Assets with a book value of R25,000 were made redundant and donated in the current financial year.
- All assets were in good condition.
- During the year the asset register was updated monthly and reconciled to trial balance monthly.

PART C

GOVERNANCE

1. INTRODUCTION

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

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

2. EXECUTIVE AUTHORITY

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

- Four SETA Quarterly Monitoring Reports (SQMR) for 2021/22.
- FP&M SETA Annual Report 2020/2021.
- FP&M SETA Strategic Plan for 2022/2023.
- Annual Performance Plan for 2022/2023.
- Revised Service Level Agreement for 2022/23.
- Materiality Framework for 2022/23.
- Sector Skills Plan for 2022/23 (Annual Update).
- PIVOTAL List 2022/23.

3. THE ACCOUNTING AUTHORITY / BOARD

Introduction

FP&M SETA is governed by its constitution, which is aligned to the standard constitution provided to SETAs by the DHET. The current FP&M SETA Board Committee members have been appointed by the Honourable Minister of Higher Education, Science and Innovation, effective 01 April 2020. The term of office for all Accounting Authorities of Sector Education and Training Authorities (SETAs) expires on 31 March 2025.

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

- One independent chairperson.
- Six employer representatives.
- Six labour representatives.
- One representative from community organisations.
- One representative from interested professional bodies.

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

The Board met six times, of which one meeting was a special Board meeting during the period under review. A special Board meeting was held to consider approvals for the following documents:

- The Draft Annual Financial Statement 2021/22.
- The Draft Annual Performance Plan 2021/22.
- The Draft Annual Report 2021/22.

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

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

The role of the FP&M Sector Training Authority (SETA) Board is to:

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

COMPOSITION OF THE BOARD

Name:	Designation:	Date appointed:	Date resigned:	Qualifications:	Area of expertise:	Board directorships:	Other committees or task teams:	Number of meetings attended:
Advocate Michelle Odayan	Independent Chairperson	01 April 2020	Not applicable	BA (Law) LLB Advocate of the High Court of SA	Law Finance Strategy Governance Project management HR development Organisational development Gender mainstreaming	Court-Consult Africa (PTY) Ltd Indaba-Africa Group (PTY) Ltd MTR Investments (PTY) Ltd Play Africa children's museum NPO People Opposing Women Abuse (POWA) NPO	Chairperson of Board Chairperson of EXCO Chairperson of Governance and Strategy Committee	6 of 6
Ms Makhosi Chiwashira	Community representative	01 April 2020	Not applicable	Personnel & Training Management Diploma Certificate in Public Relations (PR1)			Chairperson of Projects Committee, EXCO member	6 of 6
Ms Linda Theresa Bremner	Organised Business: Publishing	01 April 2020	Not applicable	Diploma in Nursing Human Resources Diploma NL General Textile Technology Management Development Programme (NQF 6) DUT Business Studies			Governance & Strategy Committee member	5 of 6
Ms Fanisa Lamola	Independent member	01 April 2020	Not applicable	BCom (Corp Fin & Investments) BCom (Acc) (Hons)/ CTA Qualified Chartered Accountant	Finance Audit		Chairperson of Finance and IT Governance committees	2 of 6
Mr Nduduzo Vilina	Organised labour: SACTWU	01 April 2020	Not applicable	Grade 12 Diploma in Labour Studies Diploma in Political Studies BA in Social Science	Labour relations		Member of Finance, IT Governance, Projects, HRREMCO, Governance & Strategy, Quality Assurance committees	4 of 6

Name:	Designation:	Date appointed:	Date resigned:	Qualifications:	Area of expertise:	Board directorships:	Other committees or task teams:	Number of meetings attended:
Bonita Natalie Loubser	Organised labour: SACTWU	01 April 2020	Not applicable	Diploma in Collective Bargaining Adult Basic Education Certificate Diploma in Human Resources Certificate of Competence in Labour Court Litigation Degree in Labour Law Labour Market Laws, Pension Fund Business Finance Management	Labour relations		Chairperson of Quality Assurance Committee Member of Governance & Strategy Committee and EXCO	4 of 6
Ms Delight T Simelane	Organised labour: SACTWU	01 April 2020	Not applicable	Diploma (Personnel Training Management) 1997 Abet Facilitator 1999 Certificate in Computer 2002	Training and skills development	Not applicable	Committee member Quality Assurance, Governance & Strategy, HR and Remuneration Committees	3 of 6
Ms Karen Pearl Manuel (Coetzee)	Organised labour: NULAW	01 April 2020	Not applicable	Diploma in Education/ Educator Development (adult education) (current) Trade Union Practice NQF 4 ETDP SETA, DITSELA Labour Institution 13 years Trade Union Litigation Support & Capacity-Building, UWC Faculty of Law Labour Law & Collective Bargaining, Macro-Economic Module, Western Cape Workers College	Labour relations			5 of 6

Name:	Designation:	Date appointed:	Date resigned:	Qualifications:	Area of expertise:	Board directorships:	Other committees or task teams:	Number of meetings attended:
Mr Kwazi Mlaba	Organised labour: CEPPWAWU	01 April 2020	Not applicable	Intermediate Business Management (M+II) Certificate Basic Business Management (M+1 Certificate)	Labour relations		Member HR and Remuneration, and Quality Assurance committees	4 of 6
Ms Theresa Otto	Organised business: TVETSA	01 April 2020	Not applicable	Qualifications Development Facilitator (QDF) Quality Council Trades and Occupations Advanced Project Management Course International Leadership Development Programme Certificate: Senior Management Development Programme Postgraduate Diploma Human Resource Management BSoc Sc (Hons): Criminology			Member HRREMCO, Finance, Projects, and IT Governance committees	6 of 6
Mr Mpuka Radinku	Organised business: Publishing	01 April 2020		Master of Forestry: Forest Engineering - Oregon State University, Corvallis, Oregon, USA Thesis topic: Optimization of Timber Transport and Vehicle Routing. Adviser: Prof. John Sessions	Management Publishing	South African Book Development Council Board (Deputy Chairperson) South African Book Fair Board (Executive Director)	Member Governance & Strategy, Finance, Projects, IT Governance committees	3 of 6

Name:	Designation:	Date appointed:	Date resigned:	Qualifications:	Area of expertise:	Board directorships:	Other committees or task teams:	Number of meetings attended:
Mr Francois Oberholzer	Organised business: Forestry	01 April 2020	Not applicable	Master of Forestry: Forest Engineering – Oregon State University, Corvallis, Oregon, USA Thesis topic: Optimization of Timber Transport and Vehicle Routing. Adviser. BSc (Hons): Forest Harvesting (Cum Laude) Stellenbosch, SA. Project topic: Compilation of the Southern African Cable Yarding Safety and Operating Handbook. Adviser. Prof. Dr Loren Kellogg BSc Forest Management - University of Stellenbosch, SA	Forestry engineering Forestry management		ARC member	5 of 6
Mr Mike Truelock	Organised business: PAMSA	01 April 2020	Not applicable	National Diploma in Organisation and Work-Study National Diploma in Personnel Management, Industrial Relations Diploma Management Development Programme	Organisational development HR management Management learning and development	Santa Barbara Home Owners Association Truelock Adventures CC Director: PROTEC Director: SAODN and FLOURISH	Chairman of HR and Remuneration Committee Member EXCO, Governance & Strategy Committee	6 of 6

Name:	Designation:	Date appointed:	Date resigned:	Qualifications:	Area of expertise:	Board directorships:	Other committees or task teams:	Number of meetings attended:
Mr Edward de Klerk	Organised labour: SATU	20 June 2021	Not applicable	Master's degree: The Da Vinci Institute School of Business Leadership	Stakeholder collaboration and negotiations Labour relations	FEDUSA NEC Principal Officer of SATU Employee Benefit Fund General Secretary of South African Typographical Union Printing Industry Pension Fund Board	Member HR and Remuneration, Governance & Strategy Committees	5 of 6

- Currently, one nomination has been submitted to DHET for approval to replace Mr S Thobela.

COMMITTEES

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

Committee	Number of meetings held	Number of members	Name of members
Executive Committee	6	5	Michelle Odayan (Chairperson) Mike Truelock Theresa Otto Bonita Loubser Kwazi Mlaba **Alternative member** Delight Simelane
Audit Risk Committee	6	5	Chembe Phiri (Chairman) Karien de Villiers John Raphela Karen Pearl Manuel (Coetzee) Francois Oberholzer
Governance and Strategy Committee	1	9	Michelle Odayan (Chairperson) Mike Truelock Fanisa Lamola Bonita Natalie Loubser Linda Theresa Bremner Nduduzo Vilina Delight T Simelane Mpuka Radinku Edward De Klerk
Finance and IT Governance committees	3	5	Fanisa Lamola (Chairperson) Mpuka Radinku Theresa Otto Nduduzo Vilina Kwazi Mlaba
Projects Committee	4	5	Makhosi Chiwashira (Chairperson) Mpuka Radinku Theresa Otto Nduduzo Vilina Kwazi Mlaba

Committee	Number of meetings held	Number of members	Name of members
HR and Remuneration and Ethics committees	4	7	Mike Truelock (Chairperson) Theresa Otto Rally Moropa Nduduzo Vilina Delight T Simelane Kwazi Mlaba Edward De Klerk
Quality Assurance Committee	4	9	Bonita Loubser (Chairperson) Frans Barnard Kwazi Mlaba Delight T Simelane Nduduzo Vilina Ken Leid Olga Bezuidenhout Jay Deepnarain Frans Barnard (additional) Edward De Klerk **Alternative member** Rally Moropa (Alternative chairperson)

REMUNERATION OF COMMITTEE MEMBERS

FP&M SETA based its committee remuneration structure on the National Treasury guidelines as communicated to the SETAs for the financial year 2021/22. Remuneration is reviewed annually.

Board members qualifying for remuneration are classified as follows:

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

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

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

Name	Representation	Remuneration (R'000)	Other Reimbursements (R'000)	Total (R'000)
Advocate Michelle Odayan	Board Chairman Governance & Strategy Committee Chairperson	275		275
Ms Makhosi Chiwashira	Projects Chairperson	30		30
Ms Fanisa Lamola	Finance, and IT Governance Chairperson	26		26
Ms Karien De Villiers	Audit and Risk Committee Independent Member	13		13
Mr C Phiri	Audit and Risk Committee Chairperson	90		90
Mr J Raphela	Audit and Risk Committee Independent Member	16		16
TOTAL		**450**		**450**

Note:

1. Mr Chembe Phiri attended Board meetings in his capacity as Audit and Risk Committee Chairman.

4. RISK MANAGEMENT

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

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

Progress made in addressing identified risks

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

5. INTERNAL AUDIT AND AUDIT COMMITTEES

Internal audit function

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

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

Key activities and objectives of the internal audit:

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

Audit work carried out

The internal auditors conducted audits in line with the 2021/22 internal audit plan. Operational areas scrutinised included Finance, Supply Chain Management, and Quality Assurance, and an audit of predetermined objectives was also carried out.

AUDIT AND RISK COMMITTEE

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

Key activities and objectives of the Audit and Risk Committee:

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

KEY ACTIVITIES AND OBJECTIVES OF THE AUDIT AND RISK COMMITTEE

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

The table below discloses relevant information on Audit Committee members:

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	Number of meetings attended
Chembe Phiri (Chairman)	Master of Business Administration (MBA) – Edinburgh School of Business (Scotland) CA (SA) – South African Institute for Chartered Accountants CA (ACCA UK) Certificate in Corporate Treasury Management – Association of Corporate Treasurers (ACT) (London) Certified Internal Auditor (CIA) Certificate in Corporate Treasury Management Certified Internal Auditor Member of the SA Institute of Chartered Accountant (SAICA) and the Institute of Internal Auditors (IIA)	External – independent		01 December 2020	Not applicable	6 of 6
Karien de Villiers	CA	External – independent		Appointment extended on 01 December 2020	Not applicable	6 of 6
John Raphela	Chartered Accountant Bachelor of Accounting Science (B Compt) (Honours) and CTA BSc (Hons) in Computer Science. University of the North Master of Business Administration (MBA) in Management, North-West University	External – independent		01 December 2020	Not applicable	6 of 6
Francois Oberholzer	BSc: Forest Management, University of Stellenbosch BSc (Hons): Harvesting, University of Stellenbosch Master of Forestry: Forest Engineering, Oregon State University, USA	External – employer representative		01 December 2020	Not applicable	6 of 6
Karen Pearl Manuel (Coetzee)	Diploma in Education, Educator Development (adult education) (current) Trade Union Practice NQF Level 4 ETDP SETA DITSELA Labour Institution 13 years Trade Union Litigation Support & Capacity-Building Labour Law & Collective Bargaining Macro-Economic Module	External – employee representative		01 December 2020	Not applicable	6 of 6

6. COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

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

FP&M SETA timeously submitted its quarterly compliance report for the 2021 / 2022 financial year to the DHET with evidence according to the SETA governance standard.

7. FRAUD AND CORRUPTION

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

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

Internally, fraud awareness training was conducted to increase awareness of the necessary engagement processes when identifying and reporting fraudulent behaviour.

8. MINIMISING CONFLICTS OF INTEREST

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

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

9. CODE OF CONDUCT

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

The Code of Conduct stipulates that Board members must:

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

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

10. HEALTH, SAFETY, AND ENVIRONMENTAL ISSUES

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

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

FP&M SETA has a functional Health and Safety Committee in place that has complete oversight of overall health and safety measures in the organisation. During the period under review, three meetings were held. Comprehensive health procedures and policies, including HIV/Aids policies, COVID-19 Health and Safety Workplace Regulations, Disaster Management, and the Pandemic Emergency Policy have been developed to provide adequate control of health and safety risks arising from work activities, and ensure the safety of staff and assets.

The FP&M SETA Board and Management are committed to providing a safe and healthy work environment that is conducive to increased productivity and performance, and which contributes to the mental and physical wellbeing of its employees. In order to stem the spread of COVID-19 within the organisation, personal protective clothing and sanitisers were purchased for employees before the lockdown in March 2020.

11. SOCIAL RESPONSIBILITY

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

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

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

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

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

12. AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2022.

Audit and Risk Committee responsibility

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

Audit and Risk Committee membership

The Audit and Risk Committee consists of three external independent (non-executive) members and two members representing employer and employee organisations.

Interaction with other stakeholders in governance and oversight

The Audit and Risk Committee ensured that acceptable and productive relationships are maintained with other stakeholders in governance and oversight.
Audit and Risk Committee reports were submitted to the Accounting Authority. In addition, the Chairperson of the Audit and Risk Committee attended Board meetings during which he reported matters of significant importance to the Board. The AGSA also attended ARC meetings.

The effectiveness of internal control

Our review of the findings of the internal audit work, which was based on the risk assessments conducted in the public entity for the period April 2021 to March 2022 revealed that the system of internal control is adequate and effective.

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

- Data migration
- Projects review
- AOPO
- IT general controls review
- Supply chain management
- Governance review
- Follow-up on audit findings raised in the prior financial year
- Human resource review
- Financial management review
- Internal financial controls review

Risk management

The Governance, Legal, Risk and Compliance Management Unit reported every quarter to the Audit and Risk Committee regarding management of risks in the department.

All General Managers of FP&M SETA divisions have risk management as one of their key responsibility areas in their performance agreements. This instils a culture of risk management, it improves the maturity of the department in risk management processes, and ensures that managing risk is structured.

In-year management and monthly / quarterly reports

The public entity has reported monthly and quarterly to the National Treasury as is required by the PFMA, and quarterly to the Audit and Risk Committee and DHET.

Evaluation of financial statements

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

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

Auditor's report

The Audit and Risk Committee has reviewed and discussed:

- The entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.
- Risks management.
- Governance of the SETA.
- The audited Annual Financial Statements to be included in the Annual Report with the Auditor-General and the Accounting Authority.
- Management letter and Management's response thereto.

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

Mr Chembe Phiri
Chairperson of the Audit and Risk Committee

FP&M SETA
31 May 2022

BBBEE COMPLIANCE PERFORMANCE INFORMATION

Relevant application of Code of Good Practice (BBBEE Certificate Levels 1-8) with regard to the following:		
Criteria	**Response Yes / No**	**Discussion**
Determining qualification criteria for issuing licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	FP&M SETA does not issue licences, concessions or other authorisations in respect of economic activity
Developing and implementing a Preferential Procurement Policy?	Yes	FP&M SETA has a Supply Chain Management Policy in place for procurement processes
Determining qualification criteria for the sale of state-owned enterprises?	No	FP&M SETA does not engage in sales of state-owned enterprises
Developing criteria for entering into partnerships with the private sector?	Yes	FP&M SETA partners with private sector organisations and provides discretionary grant funding to support large, medium and small businesses for skills development initiatives, following the FP&M SETA Discretionary Grant Policy
Semi-Skilled Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment?	Yes	FP&M SETA awards discretionary grants for skills development initiatives to a number of small and medium Black-owned enterprises. The Discretionary Grant Policy is in place to determine the criteria for awarding grants

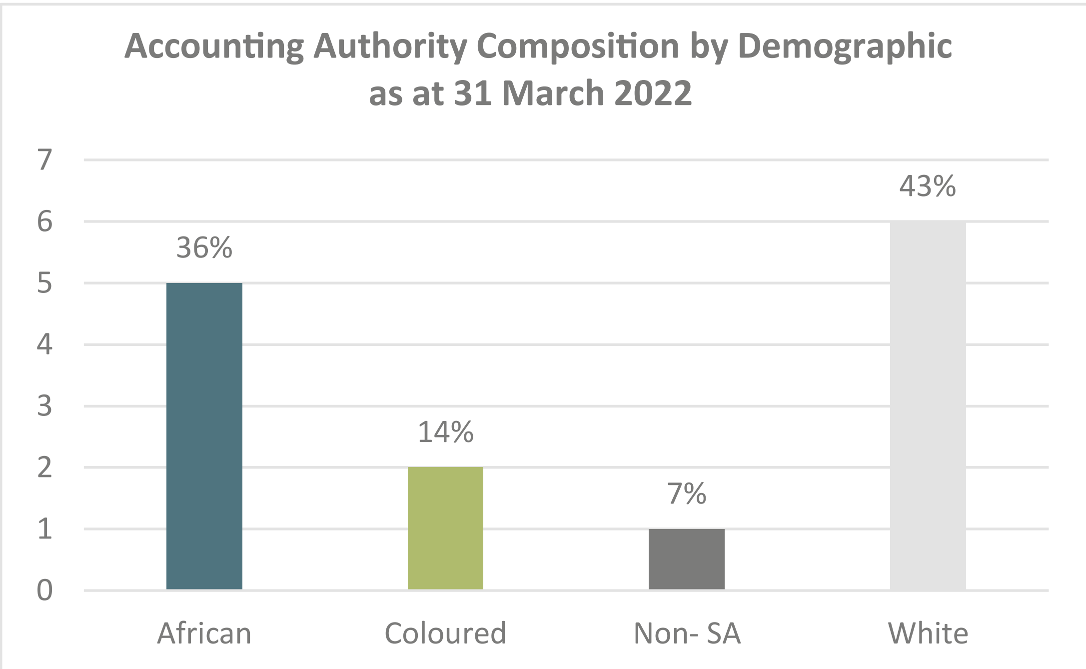
BBBEE compliance

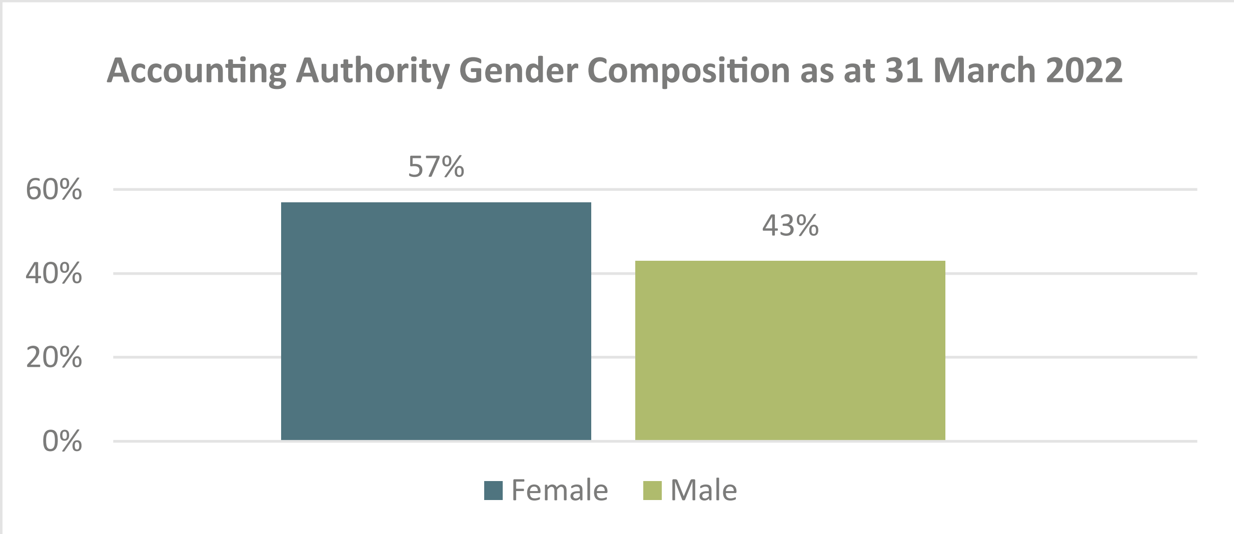
In terms of *BBBEE Compliance Act No. 53 of 2003*, as amended by *Act No. 46 of 2013*, FP&M SETA is measured on the Generic Specialised Scorecard as gazette by the Department of Trade and Industry and Competition (the dtic). FP&M SETA is currently a Level 7 Contributor. The certificate expires on 13 December 2022.

The organisation has regressed due to the aftermath of COVID-19, which includes discontinuing some activities and implementing the four-month skills development levy holiday, which resulted in readjusting budget and targets.

Management control – employment equity

Our Accounting Authority is represented as follows:





The scores under this element have been satisfactory over the years.

We are cognizant of the fact that equity must be mirrored in all our organisational structures.

The organisation has a well-constituted Employment Equity Committee that monitors and tracks progress of the organisation's Employment Equity Plan. The plan stems from a robust and successful workplace analysis aimed at identifying barriers that hinder progress in employment equity. Fair gender representation at management level remains a challenge and this is partially due to staff turnover. We are aware of these gaps, and each opportunity is explored to fill them. We have managed to improve the disability inclusion as there has been a positive move in this category. Our primary guideline and baseline are the economically active population statistics.

Skills development

Our employees are our human capital assets, and without their dedication the SETA would not be as productive as it is. The SETA needs to invest in skills development for its staff more rigorously. We are exploring ways of putting staff on highly contextualised programmes that are aimed at creating a skilled workforce and will enable staff to do their jobs better. To create a learning culture, our employees are constantly encouraged to further their studies as part of their continuous professional development plan, and assist with succession planning.

Preferential procurement

FP&M SETA has a Preferential Procurement Policy, which is applied in accordance with the Supply Chain Management Policy. Our measurement is based on suppliers that are selected via tender or a request for quotation process. We were able to maximise scores on procurement of goods and services from exempted micro enterprises, enterprises 51% owned by Black people, and enterprises 30% owned by Black women.

Our goal is to ensure that all our suppliers are BBBEE-compliant and to continuously assist those that seek guidance in compliance.

We also encourage SMMEs that aspire to do business with any government entity to register on the Central Supplier Database as administered by the National Treasury.

Discretionary Grant Policy

The Discretionary Grant Policy makes provision for transformation, prioritising designated transformational groups (Black women, youth, rural areas and townships) when awarding grants.

Supplier enterprise and development

More initiatives are being explored to assist approved beneficiaries to complete their allocated projects. Transformation is key to FP&M SETA and we collaborate with business and government entities that prioritise this transformation pillar.

Socio-economic development

FP&M SETA has contributed to socio-economic development initiatives by supporting a number of non-profit and community-based organisations. Our policy is broad and covers both skills development interventions and sponsorships.

BBBEE Commission

Our organisation successfully submits its BBBEE Skills Development Compliance Report to the BBBEE Commission as required by the *BEE Act, Section 13G* (Reporting) (3) which reads, "All Sectoral Education and Training Authorities contemplated in the *Skills Development Act 1998 (Act. 97 of 1998)* must report on skills development spending and programmes to the BEE Commission." Recommendations received from the Commission are implemented. We will continue to comply and monitor progress.

PART D

HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

The HR function within FP&M SETA plays an enabling role to provide both strategic and operational support for the organisation to retain, engage, and attract highly competent, skilled and talented employees. The division promotes a workforce that is diverse and inclusive, and provides an environment that is conducive to learning and optimal productivity.

Overview of HR matters

HR is central to the achievement of strategic goals, and the human element is the main factor driving performance and productivity by implementing strategic objectives. FP&M SETA strives to ensure effective acquisition, development of capabilities, and retention of employees through strategic human resource practices and processes. This function focuses on the organisational need to provide specific competencies to foster an organisational culture that embraces healthy and beneficial working relationships.

HR priorities for the year and their impact

Management's priority was to support and ensure employee wellbeing throughout the year, mainly due to COVID-19, and later in the year, to the July riots. Both events affected employees, and as such, management enforced flexible and remote working arrangements. In addition, employees were expected to move out of their comfort zones and deliver on all their work projects through technology, which they successfully achieved.

Attracting and retaining top talent is ensured as the SETA welcomed the appointment of Chief Information Officer, Chief Finance Officer and Senior Manager responsible for Projects and Quality Assurance. The SETA take pride in these appointments as all were internal promotions.

Employee Performance Management Framework

FP&M SETA continues to implement the Performance Management and Development System to manage staff performance and development. In the financial year under review, all employees signed performance contracts, and conducted mid-year and end of term performance assessments in line with the Strategic Plan, the APP, and operational plans.

Employee wellness programmes

FP&M SETA, in partnership with SANBS held a Blood Donation Day within the Gauteng region, with the day being set aside for all employees and stakeholders to donate blood for those in need.

All labour matters were dealt with according to policies and other related legislative frameworks. Meetings were held with the labour union to attend to remuneration matters affecting staff. These meetings help to build a working relationship between the SETA, staff and labour organisations.

Employee health and wellness remained a priority throughout the COVID-19 pandemic. A COVID-19 Health and Wellness Task Team was established, and all COVID-19 protocols adhered to were guided by the Disaster Management & Pandemic Emergency Policy and COVID-19 Health and Safety Workplace Guidelines. The SETA ensured compliance with all COVID-19 Regulations and Protocols across all regional offices. The hybrid workforce of three rotational days allowed employees to work from home with adequate resources to execute their tasks. No layoffs were experienced.

In the year under review, the SETA experienced seven cases of COVID-19. All seven employees recovered and were able to return to work. The fight against COVID-19 continues and regular interaction with staff during staff and management meetings ensures that they are kept updated with new developments, organisational requirements, and changes in the SETA environment. Management reassured staff of the SETA's commitment to staff wellness and safety.

Policy development

HR policies were reviewed in line with relevant legislation. The purpose of these reviews is to:

- Address inconsistencies in the application and implementation of people-related decisions and initiatives within the organisation.
- Promote fairness and employment equity.
- Create a high-performance culture through an effective performance management system.
- Effectively manage employee work-life balance through our wellness initiatives.
- Promote sound labour relations between the employer and employees.

Achievement highlights

Services shifted fully online as the SETA was able to operate 100% remotely during the COVID-19 lockdowns with a hybrid Workforce of employees alternating between working from home and the office. The SETA was able to review functional and organisational structures, and conclude significant work towards reviewing its Remuneration Bands and Benchmarking to ensure fair and equitable remuneration. This ensures that suitable candidate are attracted and retained within the organisation, in line with market trends. Throughout the global economic challenges, the SETA retained all staff with full remuneration. No layoffs were experienced during these trying times The staff complement is 60.

In terms of skills development, the organisation submitted the WSP/ATR to the ETDP SETA and intends to roll out training initiatives to address the strategic imperatives of FP&M SETA as a learning organisation. Only one intern was placed in the ICT Division with the aim of providing experiential learning for learner/s from disadvantaged backgrounds who have relevant qualifications.

Five bursaries were successfully awarded to five employees to improve their tertiary qualifications in line with their personal development plans and approved Staff Education & Assistance Policy to promote a culture of learning and development. In-house training was provided for employees on a range of compliance and business skills.

Challenges faced by the public entity

The SETA BBBEE level status regressed from 4 to 7. Few can deny the impact that the COVID-19 pandemic has had and is having on the way people work. Massive changes have taken place over the last months of the period under review, which affected all areas of work.

Future HR plans /goals

The SETA remain committed to constant reviews and alignment of the organisational structure to align business operations for global technological changes and become responsive to enable the SETA to perform optimally. Employees will be given an opportunity to operate in a more challenging, target-driven, and exciting environment where a performance-driven culture will be emphasised through rescoping certain roles and revised job descriptions.

Important priorities are to maintain a non-qualified audit and to strive towards a clean audit outcome. Cooperation and good faith in the relationship between the union and the employer remain essential to ensure the achievement of optimum results through the working relationship.

The entity has aspirations for increased training interventions for employees, specifically in these areas: executive management, leadership development, supervisory skills and management, project management, integrity, and organisational values.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Key information on human resources is provided. All financial amounts agree with amounts disclosed in the AFS. Where appropriate, reasons for variances are provided.

Personnel cost by programme/activity/objective

Programme/activity/ objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top management	31,617	2,860	9%	1	2,860
Senior management	66,747	6,097	19%	*6	1,016
Professional qualified	77 286	7,100	22%	10	710
Skilled	129,981	11,683	37%	25	467
Semi-skilled	42,156	3,678	12%	15	245
Unskilled	2,249	202	0.64%	2	101
Other	1,265	51	0.36%	**2	26
TOTAL	**351,301**	**31,671**	**100%**	**61**	**519**

Notes:
** Includes payment of performance bonus of former employee (GM: QA)*
*** Other refers to interns*

Payroll reconciliation to Annual Financial Statements

Reconciliation item	(R'000)
Amount AFS note 18	17,085
Amount AFS note 20.1	15,000
Intern salary allocated to training expense	51
Add actual bonus pay	2,029
Less bonus provision	1,889
Less leave accrual	569
Less roe payment	41
Add salary due to absconded employee	5
TOTAL	**31,671**

Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top management	2,860	9%	1	2,860
Senior management	6,097	19%	*6	1,016
Professional qualified	7,100	22%	10	710
Skilled	11,683	37%	25	467
Semi-skilled	3,678	12%	15	245
Unskilled	202	1%	2	101
Other	51	0%	2	26
TOTAL	**31,671**	**100%**	***61**	**519**

Performance rewards

Programme/activity/ objective	Performance rewards (R'000)	Personnel expenditure (R'000)	% of performance rewards to total personnel cost
Top management	319	2,860	11%
Senior management	478	6,097	8%
Professional qualified	410	7,100	6%
Skilled	625	11,683	5%
Semi-skilled	182	3,678	5%
Unskilled	15	202	7%
Other	0	51	0%
TOTAL	**2,029**	**31,671**	**6%**

Training costs

Programme	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	No. of employees trained	Avg. training cost per employee (R'000)
Office of the CEO	3,553	42	1.19%	2	21
Research, planning, reporting	6,109	157	2.58%	10	16
Projects	8,238	217	2.63%	18	12
Quality assurance	4,066	59	1.45%	7	8
Finance	5,537	133	2.39%	14	10
Governance/risk/compliance/ legal/M&E	4,117	60	1.45%	5	12
Other	51	51	100%	2	26
TOTAL	**31,671**	**719**	**2%**	**58**	**12**

Notes:

*** Other includes internship programme.*

Training expenditure cost breakdown

Formal training	R122,032,13
In-house training	R538,577,93
DG admin funded formal training	R58,070,00
TOTAL	**R718,680,06**

Formal training ledger	R122,032,13
Less ETDP SETA MG	(R52,927,46)
Less bursary repayment	(R49,140,00)
Formal training per TB	**R19,964,67**

Note:
The training reported includes both formal and in-house training - R58 070.00 for bursaries was part of formal training and was funded from projects expense/discretionary grant.

Employment and vacancies

Programme/activity/ objective	2020/2021 No. of employees	2021/2022 Approved posts	2021/2022 No. of employees	2021/2022 Vacancies	% of vacancies
Top management	2	1	*1	0	0%
Senior management	4	5	5	0	0%
Professional qualified	11	10	**10	2	20%
Skilled	23	26	25	2	8%
Semi-skilled	15	***21	15	6	40%
Unskilled	3	3	2	0	0%
Other	****2	2	****2	0	0%
TOTAL	**60**	**68**	**60**	**10**	**16.7%**

Explanations:

Top management:

*CFO moved to senior management level.

Professional qualified:

** During the year, the entity merged two positions to one under professionally qualified, thus occupied by one incumbent. However, during the year the employee resigned and the entity resolved to collapse the position.

*** Includes additional approved positions on a fixed-term contract.

**** Other refers to interns.

**** One absorbed intern on a fixed-term contract at semi-skilled level.

Employment changes

Information on changes in employment over the financial year. Turnover rates indicate trends in the employment profile of the public entity.

Levels	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	1	0	0	1
Senior management	3	*3	1	5
Professional qualified	10	**2	2	8
Skilled	23	3	2	24
Semi-skilled	13	2	2	14
Unskilled	2	0	0	2
Other	***1	1	1	1
TOTAL	**53**	**11**	**8**	**55**

Explanations:

During the year three employees were promoted from one occupational level/category to another (two from professional qualified to senior management and one from skilled to professional qualified). All three promotions were subsequent to a full recruitment process.

* Internal appointments regarded as promotions (CFO, CIO, and merged GM Projects & QA).

** Internal appointment regarded as promotion and one external appointment.

*** Other refers to interns.

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	4	50%
Dismissal	1	12.5%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	3	37.5%
Other	0	0%
TOTAL	**8**	**100%**

Explanations:

Staff leave voluntarily or because of contract expiring. Staff retention processes and internal movements, such as secondments, redeployment and acting in senior positions are encouraged. In addition, a full recruitment process is followed whereby internal and external applicants are allowed to apply to replace staff who leave the organisation.

Labour relations: Misconduct and disciplinary action

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

Equity target and employment equity status

Explanations:

- The SETA constantly engages in a process to align business operations for global technological changes fit and COVID-19 impact and review the organisational design and structure as required from time to time.
- Adherence to the approved organogram remains a priority. Staff retention processes and internal movements, such as secondments, redeployment, and acting in senior positions are encouraged.
- Staff turnover allows the SETA to review and merge positions that link or collapse the ones that have grown to address budget shortfalls and prevent layoffs.
- Where applicable, positions are strengthened by the appointment of fixed-term employees, SSAs and interns funded through discretionary funding.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	0	0	0	0	0	0	0
Senior management	2	2	0	0	2	2	1	1
Professional qualified	3	*4	0	0	0	0	0	0
Skilled	4	**5	0	0	0	0	1	1
Semi-skilled	2	2	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Other	0	***1	0	0	0	0	0	0
TOTAL	**11**	**14**	**0**	**0**	**2**	**2**	**2**	**2**

Notes:

*Recruitment of SCM Manager
**Recruitment of Grants Accountant
***Recruitment of intern

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0
Professional qualified	3	3	0	0	0	0	2	*3
Skilled	11	11	0	0	2	2	2	2
Semi-skilled	8	8	1	1	2	2	1	1
Unskilled	2	2	0	0	0	0	0	0
Other	1	**2	0	0	0	0	0	0
TOTAL	**26**	**27**	**1**	**1**	**4**	**4**	**5**	**6**

Notes:

*Recruitment of Stakeholder Engagement Manager, Marketing & Communications Manager.
**Recruitment of intern/s.

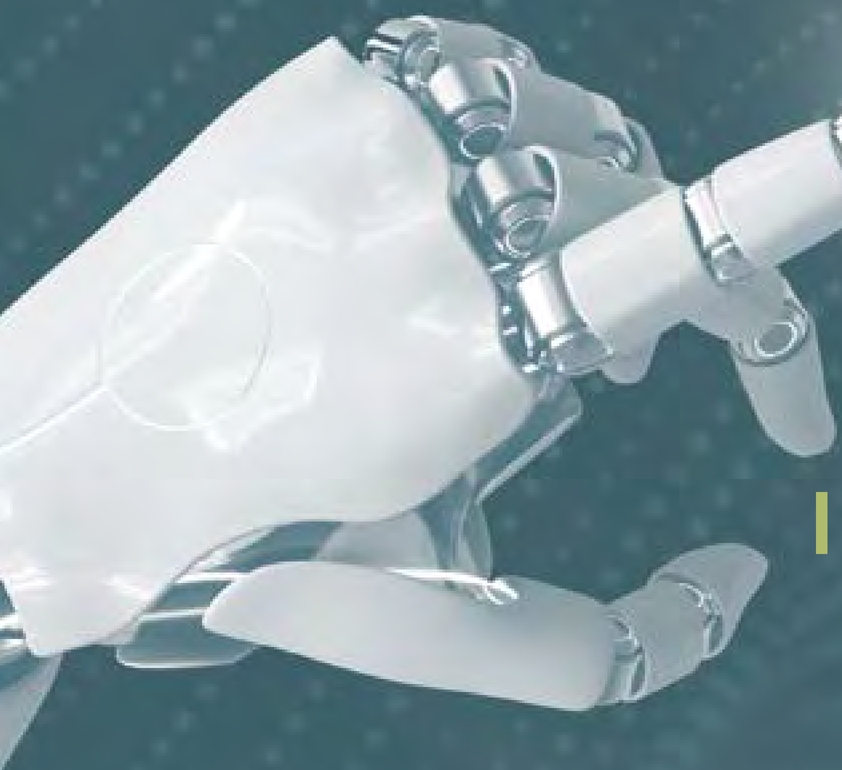
Levels	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	2	2	0	0
Professional qualified	0	0	0	1
Skilled	1	1	3	3
Semi-skilled	0	0	3	3
Unskilled	0	0	1	1
TOTAL	**3**	**3**	**7**	**8**

Note:

*Disability also suggests partial disability and employees on chronic medication.

PART E

FINANCIAL INFORMATION



INDEX

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA) set out on pages 96 to 132, which comprise the statement of financial position as at 31 March 2022, 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 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 FP&M SETA as at 31 March 2022, and financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the *Public Finance Management Act 1 of 1999* (PFMA) and the *Skills Development Act.97 of 1998* (SDA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the *International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other 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.

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and the SDA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the financial statements

8. 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.

9. 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

10. In accordance with the *Public Audit Act 25 of 2004* (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My

procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.

12. 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 public entity's annual performance report for the year ended 31 March 2022.

Programme	Pages in the Annual Performance Report
Programme 3 - Learning Programmes and Projects	53 - 64

13. 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.

14. I did not raise any material findings on the usefulness and reliability of the reported performance information for this programme.

- Programme 3: Learning programmes and projects.

Other matter

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

Achievement of planned targets

16. Refer to the annual performance report on pages 49 to 64 for information on the achievement of planned targets for the year and management's explanations provided for the overachievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

18. I did not raise any 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

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that has been specifically reported in this auditor's report.

20. 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 on it.

21. 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.

22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

Internal control deficiencies

23. 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
30 July 2022

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

ANNEXURE - AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made 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 relating to events or conditions that. may cast significant doubt on the ability of the FP&M SETA 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 my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

2. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Statement of Responsibility

The Accounting Authority is responsible for the preparation of the FP&M SETA's annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

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

The annual financial statements of the FP&M SETA set out on page 96 to page 132 have been approved by the Board on 28 July 2022.

Dr Felleng Yende
Chief Executive Officer

Advocate Michelle Odayan
Board Chairperson

Statement of Financial Position as at 31 March 2022

	Note(s)	2022 R '000	2021 R '000
Assets			
Current Assets			
Cash and cash equivalents	5	438 862	476 089
Receivables from non-exchange transactions	6	301	815
Receivables from exchange transactions	7	353	506
Inventories	8	27	46
		439 543	**477 456**
Non-Current Assets			
Property, plant and equipment	3	1 306	1 934
Intangible assets	4	91	143
		1 397	**2 077**
Total Assets		**440 940**	**479 533**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	4 645	4 000
Trade and other payables from non-exchange transactions	10	56 455	73 809
Provisions	12	9 703	9 603
		70 803	**87 412**
Total Liabilities		**70 803**	**87 412**
Net Assets		**370 137**	**392 121**
Reserves			
Admin Reserve	33	1 397	2 077
Discretionary Reserve	33	368 740	390 044
Total Net Assets		**370 137**	**392 121**

Statement of Financial Performance

	Note(s)	2022 R '000	2021 R '000
Revenue			
Revenue from exchange transactions			
Other revenue	14	38	5 364
Finance income	15	16 284	19 100
Total revenue from exchange transactions		**16 322**	**24 464**
Revenue from non-exchange transactions			
Transfer revenue			
Skills development levy (SDL) revenue	16	341 730	220 656
SDL penalties and interest received	17	5 348	6 501
Total revenue from non-exchange transactions		**347 078**	**227 157**
Total revenue	13	**363 400**	**251 621**
Expenditure			
Employee related costs	18	(17 085)	(17 846)
Depreciation and amortisation		(3 047)	(1 866)
Lease rentals on operating lease		(4 142)	(4 028)
Employer grants and project expenses	20	(346 758)	(297 338)
Loss on disposal of assets and liabilities		(25)	-
General Expenses	21	(14 327)	(11 809)
Total expenditure		**(385 384)**	**(332 887)**
Surplus/(deficit) for the year		**(21 984)**	**(81 266)**

NB. As at 31 March 2021, the Discretionary grant reserve amount comprised R390 million discretionary grant commitments. The SETA obtained the necessary approvals to retain the Discretionary grant reserves and disburse the funding in subsequent periods as and when Projects reach certain milestones for payments. The deficit for the current year is as a result of disbursement of prior approved Discretionary grant reserves.

Statement of Changes in Net Assets

	Administration reserve R '000	Employer grant reserve R '000	Discretionary reserve R '000	Total reserves R '000	Accumulated surplus R '000	Total net assets R '000
Balance at April 01, 2020	**3 219**	**-**	**470 168**	**473 387**	**-**	**473 387**
Changes in net assets						
Allocation of unappropriated surplus/ (deficit) (note 26)	(6 583)	12 602	(87 285)	(81 266)	81 266	-
Transfer to Discretionary Reserves: Excess funds	5 441	(12 602)	7 161	-	-	-
Net income (losses) recognised directly in net assets	(1 142)	-	(80 124)	(81 266)	81 266	-
Surplus/(Deficit) for the year	-	-	-	-	(81 266)	(81 266)
Total recognised income and expenses for the year	(1 142)	-	(80 124)	(81 266)	-	(81 266)
Total changes	(1 142)	-	(80 124)	(81 266)	-	(81 266)
Balance at April 01, 2021	**2 077**	**-**	**390 044**	**392 121**	**-**	**392 121**
Changes in net assets						
Allocation of unappropriated surplus/ (deficit) (note 26)	6 222	19 413	(47 619)	(21 984)	21 984	-
Transfer to Discretionary reserves: Excess funds	(6 902)	(19 413)	26 315	-	-	-
Net income (losses) recognised directly in net assets	(680)	-	(21 304)	(21 984)	21 984	-
Surplus/(Deficit) for the year	-	-	-	-	(21 984)	(21 984)
Total recognised income and expenses for the year	(680)	-	(21 304)	(21 984)	-	(21 984)
Total changes	(680)	-	(21 304)	(21 984)	-	(21 984)
Balance at March 31, 2022	**1 397**	**-**	**368 740**	**370 137**	**-**	**370 137**
Note(s)	33		33			

Cash Flow Statement

	Note(s)	2022 R '000	2021 R '000
Cash flows from operating activities			
Receipts			
Cash receipts from stakeholders		347 109	228 019
Other cash receipts from stakeholders		38	19
Interest income		16 284	19 100
		363 431	247 138
Payments			
Grants and project payments		(363 237)	(312 143)
Compensation of employees		(17 225)	(17 864)
Payments to suppliers and other		(17 804)	(15 669)
		(398 266)	(345 676)
Net cash flows from operating activities	25	**(34 835)**	**(98 538)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(298)	(343)
Purchase of other intangible assets	4	(2 094)	(382)
Net cash flows from investing activities		**(2 392)**	**(725)**
Net Increase/(decrease) in cash and cash equivalents		**(37 227)**	**(99 263)**
Cash and cash equivalents at the beginning of the year		476 089	575 352
Cash and cash equivalents at the end of the year	5	**438 862**	**476 089**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R '000	Adjustments R '000	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other revenue	-	-	-	38	**38**	
Finance Income	22 424	-	**22 424**	16 284	**(6 140)**	36.1
Total revenue from exchange transactions	**22 424**	**-**	**22 424**	**16 322**	**(6 102)**	
Revenue from non-exchange transactions						
Transfer revenue						
SDL revenue	347 654	-	**347 654**	341 730	**(5 924)**	36.2
SDL penalties and interest received	5 424	-	**5 424**	5 348	**(76)**	36.3
Total revenue from non-exchange transactions	**353 078**	**-**	**353 078**	**347 078**	**(6 000)**	
Total revenue	**375 502**	**-**	**375 502**	**363 400**	**(12 102)**	
Expenditure						
Personnel	(23 436)	-	**(23 436)**	(17 085)	**6 351**	36.5
Depreciation and amortisation	(2 083)	-	**(2 083)**	(3 047)	**(964)**	36.8
Lease rentals on operating lease	(5 047)	-	**(5 047)**	(4 142)	**905**	36.9
Employer grant and project expenses	(329 872)	(389 998)	**(719 870)**	(346 758)	**373 112**	36.4
Loss on disposal of assets	(56)	-	**(56)**	(25)	**31**	36.7
General expenses	(15 008)	-	**(15 008)**	(14 327)	**681**	36.6
Total expenditure	**(375 502)**	**(389 998)**	**(765 500)**	**(385 384)**	**380 116**	
Deficit before taxation	**-**	**(389 998)**	**(389 998)**	**(21 984)**	**368 014**	
Actual amount on comparable basis as presented in the budget and actual comparative statement	**-**	**(389 998)**	**(389 998)**	**(21 984)**	**368 014**	

Accounting Policies

1. PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

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

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

1.1 Presentation currency

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

1.2 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation Method	Average Useful Life
Office furniture and fittings	Straight line	1-5 years
Motor vehicles	Straight line	1-3 years
Office equipment	Straight line	1-4 years
Computer equipment	Straight line	1-3 years
Leasehold improvements	Straight line	Over lease term
Artwork and signage	Straight line	1-5 years

The residual value,and the useful life and depreciation method of each asset are reviewed at the end of each reporting date.If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate. The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset.

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

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

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

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

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

1.3 Intangible assets

An intangible asset is recognised when:

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful Life
Computer software	Term of Licence

Intangible assets are derecognised:

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

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

1.4 Financial instruments

Definitions

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

Classification

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

Class:	Category:
Cash and Cash equivalents	Financial asset measured at amortised cost
Receivables from non exchange	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

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

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise

that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

1.5 Tax

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

1.6 Leases

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

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

Operating leases - lessee

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

1.7 Inventories

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

1.8 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity are sub-classified in the statement of financial position between the following funds and reserves:

- Administration reserve
- Employer grant reserve
- Discretionary reserve

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

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

Purpose of Total SDL Payments from Employer	% Allocation 21/22	% Allocation 20/21
Administration costs of the SETA	10.50%	10.50%
Mandatory Grants	20.00%	20.00%
Discretionary Grants and projects	49.50%	49.50%
	80.00%	80.00%

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

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

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

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

1.9 Employee benefits

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

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

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

Defined contribution plans

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

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

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.11 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.12 Revenue from exchange transactions

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

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

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

Measurement

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

Interest, royalties and dividends

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

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

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

1.13 Revenue from non-exchange transactions

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

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

Levy Income

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

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

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

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

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

Penalties and Interest

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

Government grants and other donor income

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

1.14 Comparative figures

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

1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.16 Fruitless and wasteful expenditure

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

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

1.17 Irregular expenditure

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

(a) this Act; or

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

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

National Treasury Practice Note no. 4 of 2008/2009 which was issued in terms of *Sections 76(1) to 76(4)* of the PFMA requires the following (effective from 01 April 2008):

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

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

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

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

1.18 Budget information

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

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

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

The approved budget covers the fiscal period from 2021-04-01 to 2022-03-31.

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

1.19 Related parties

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

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

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

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

All transactions with the related parties are disclosed whether or not they at arms lenght or in the ordinary course of business.

1.20 Events after reporting date

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

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

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

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

1.21 Grants and project expenditure

Grants and project expenditure

A registered employer may recover a maximum of 20% of its total levy payment as a mandatory employer grant (excluding interest and penalties) by complying with the grant criteria in accordance with the *Skills Development Act, 1998* as amended SETA Grant Regulations regarding monies received and related matters (The SETA Grant Regulations).

Mandatory grants expenditure

The grant expenditure is recognised when the employer has submitted an application for a grant in the prescribed form within the legislated cut off period and the application has been approved. Grants are equivalent to 20% of the total levies contributed by employers to the SETA during the corresponding financial period. Any untilised mandatory grant income is swept to Discretionary grant reserves.

Discretionary project expenditure

A SETA may out of surplus monies and in accordance with criteria as defined in the SETA Grant Regulations allocate funds to employers and other associations or organisations. The criteria for allocating funds are approved by the SETA Board. Where necessary it can be required of interested employers, associations or organisations to complete and submit a funding application for consideration and approval by the SETA.

A SETA allocates discretionary grants to employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. Discretionary grant expenditure is recognised as expenses in the period in which they are incurred, in which the conditions are met.

Project expenditure comprise:

- 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 SETA under the terms of the contract.

Such costs are allocated using methods that are systematic and rational and are applied consistently to all cost having similar characteristics.

Retrospective adjustments by SARS

The SETA refunds amounts to employers in the form of grants, based on information 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 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.

Adjustments to revenue already recognised, arise from the completion of a South African Revenue Services (SARS) internal review process, and/or the outcome of an external appeal or objection process undertaken by employer companies.

Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. Refunds are recovered directly from monthly revenues by SARS, and the SETA recognises revenue on net basis as and when it becomes receivable. The SETA has no access to or control to the appeal or review process carried on by SARS, and hence could not reasonable be expected to have access to reliable information at the initial stage of recognition.

Commitments

Commitments are disclosed where FPM SETA, in the normal course of operations, entered into contractual agreement 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 future obligations as per contractual relationship with the beneficiaries. Commitments are included in the disclosure note to the financial statements. Commitments are derecognised when either the grant programmes are terminated through a signed termination agreement, or when the contractual obligation is fully paid.

Commitments are disclosed where the SETA has, in the normal course of its operations, entered into a contractual agreement with entities related to project expenses which are yet due for payment. Commitments are accounted for as contingent liabilities in terms of GRAP 19.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

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

1. GRAP 1 Presentation of Financial Statements
2. GRAP 2 Cash Flow Statements
3. GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
4. GRAP 9 Revenue from Exchange Transactions
5. GRAP 12 Inventories
6. GRAP 13 Leases
7. GRAP 14 Events after the reporting date
8. GRAP 17 Property Plant and Equipment
9. GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
10. GRAP 20 Related Party Disclosures
11. GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
12. GRAP 24 Presentation of Budget Information in Financial Statements
13. GRAP 25 Employee Benefits
14. GRAP 31 Intangible Assets
15. GRAP 104 Financial Instruments

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment

	2022 R '000			2021 R '000		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture and fittings	1 886	(1 655)	231	2 298	(1 934)	364
Motor vehicles	497	(416)	81	497	(349)	148
Office equipment	2 813	(2 444)	369	2 829	(2 120)	709
Computer equipment	3 406	(2 781)	625	3 121	(2 409)	712
Artwork	279	(279)	-	279	(278)	1
Total	**8 881**	**(7 575)**	**1 306**	**9 024**	**(7 090)**	**1 934**

Reconciliation of property, plant and equipment – 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture and fittings	364	-	(24)	(109)	231
Motor vehicles	148	-	-	(67)	81
Office equipment	709	-	(1)	(339)	369
Computer equipment	712	298	-	(385)	625
Artwork	1	-	-	(1)	-
	1 934	**298**	**(25)**	**(901)**	**1 306**

Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Depreciation	Total
Office furniture and fittings	645	-	(281)	364
Motor vehicles	282	-	(134)	148
Office equipment	1 240	47	(578)	709
Computer equipment	952	296	(536)	712
Artwork	3	-	(2)	1
	3 122	**343**	**(1 531)**	**1 934**

Depreciation rates

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repair to server equipment	-	13

4. Intangible assets

	2022 R '000			2021 R '000		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 863	(3 772)	91	1 769	(1 626)	143
Total	**3 863**	**(3 772)**	**91**	**1 769**	**(1 626)**	**143**

Reconciliation of intangible assets – 2022

	Opening balance	Additions	Amortisation	Total
Computer software	143	2 094	(2 146)	91
	143	**2 094**	**(2 146)**	**91**

Reconciliation of intangible assets – 2021

	Opening balance	Additions	Amortisation	Total
Computer software	97	382	(336)	143
	97	**382**	**(336)**	**143**

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022 R '000	2021 R '000
Petty cash on hand	12	9
Bank balances	17 120	21 445
Short-term deposits	421 730	454 635
	438 862	**476 089**

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

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

6. Receivables from non-exchange transactions

	2022 R '000	2021 R '000
Statutory Receivables	301	808
Interseta receivables	-	7
	301	**815**

Statutory Receivables

FP&M SETA calculates and pays mandatory grants to employers based on levy information received from the DHET as obtained from SARS in line with the SDL Act. Where SARS retrospectively amends the information on levies collected , this may result in grants that have been paid to certain employers that are in excess of the amount that the FP&M SETA is permitted to have granted to employers as mandatory grants thus resulting in mandatory grant receivable being raised. SETA transfers are also considered as statutory as it meets the definition of GRAP 108.

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

	2022 R '000	2021 R '000
Opening balance	-	726
Amounts written off as uncollectible	-	(726)
	-	**-**

7. Receivables from exchange transactions

	2022 R '000	2021 R '000
Deposits	280	280
Prepaid expenses	41	38
Sundry debtors	32	188
	353	**506**

8. Inventories

	2022 R '000	2021 R '000
Stationery and other consumables	27	46

Inventory comprises paper, kitchen items and other consumables.

Inventories Reconciliation

	2022 R '000	2021 R '000
Opening balance	46	42
Purchases	30	99
Authorised consumption	(49)	(95)
Closing balance	**27**	**46**

9. Government grants and Donor funding received in Advance

FP&M SETA received conditional grants as follows:

Unspent conditional grants and receipts comprises of:

Movement During the Year

	2022 R '000	2021 R '000
Balance at the beginning of the year	-	5 343
Additions during the year	-	-
Income recognition during the year	-	(5 343)
	-	**-**

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

10. Trade and other payables from non-exchange transactions

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

Non-exchange payables are as follows:

	2022 R '000	2021 R '000
Discretionary grant payables	7 849	11 390
Discretionary grant accruals	43 444	57 310
Accrual for mandatory grants	5 162	5 109
	56 455	**73 809**

11. Payables from exchange transactions

	2022 R '000	2021 R '000
Trade payables	142	135
Accrued expense: Administrative expenses	4 503	3 839
Accrued expense: Operating lease straight lining	-	26
	4 645	**4 000**

12. Provisions

Reconciliation of Provisions: 2022	Performance bonus	Levies from exempt companies	Total
Opening balance	2 621	6 982	9 603
Amount paid	(2 029)	(1 427)	(3 456)
Additions	1 889	1 667	3 556
	2 481	**7 222**	**9 703**

Reconciliation of Provisions: 2021	Performance bonus	Levies from exempt companies	Total
Opening balance	2 639	6 962	9 601
Amount paid	(2 140)	(1 182)	(3 322)
Additions	2 122	1 202	3 324
	2 621	**6 982**	**9 603**

During the financial year the SETA received SDL income from companies whose gross salary cost is less than R500 000. DHET issued guidance to all SETAs indicating that these funds must continue to be accounted for as liabilities for a period of 5 years unless the related companies claim back these funds during this 5 year period. Thereafter the SETA can recognise these funds as income if they are not claimed. At 31 March 2022 the amount claimable was R7,2m (2020/21: R6.9m).

Bonus provision and subsequent payment is calculated on an annual basis inline with the Performance Management Policy/Procedure.

13. Revenue

	2022 R '000	2021 R '000
Other revenue	38	5 364
Interest received - investment	16 284	19 100
SDL revenue	341 730	220 656
SDL penalties and interest	5 348	6 501
	363 400	**251 621**

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

	2022 R '000	2021 R '000
Other revenue	38	5 364
Interest received - investment	16 284	19 100
	16 322	**24 464**

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

	2022 R '000	2021 R '000
Taxation revenue		
Transfer revenue		
SDL revenue	341 730	220 656
SDL penalties and interest	5 348	6 501
	347 078	**227 157**

14. Other Income

	2022 R '000	2021 R '000
Testing certificates - non-exchange	35	21
Insurance refund - exchange	3	-
Create SA and Department of Arts and Culture	-	5 343
	38	**5 364**

15. Finance Income

	2022 R '000	2021 R '000
Interest revenue		
Interest from deposits and bank	16 284	19 100

16. Skills development levy (SDL) revenue

	2022 R '000	2021 R '000
Administration - SDL received from SARS	44 831	28 966
Administration - Inter SETA transfer in	17	-
Employer grants - SDL grants received from SARS	85 356	54 970
Employer grants - Inter SETA transfer in	29	-
Discretionary Grants - SDL received from SARS	211 415	136 720
Discretionary Grants - Inter SETA transfers in	82	-
	341 730	**220 656**

17. SDL penalties and interest received

	2022 R '000	2021 R '000
SDL interest income	2 374	2 920
SDL penalties income	2 974	3 581
	5 348	**6 501**

18. Employee related costs

	2022 R '000	2021 R '000
Basic	13 735	14 739
Incentive Bonus	381	381
Bonus provision	1 027	1 206
Medical aid - company contributions	715	760
UIF	49	51
Workmens compensation	41	42
SDL	152	101
Leave pay provision charge	430	(89)
Short term benefit	183	182
Cellphone allowances	92	89
Acting allowances	61	134
Car allowance	219	250
	17 085	**17 846**

Note

Project payroll costs of R15 million are disclosed in note 20.1. These costs relate to employees that administer projects

19. Debt impairment

	2022 R '000	2021 R '000
Amount wriiten of as irrecoverable	-	-

20. Employer grant and project expenses

	2022 R '000	2021 R '000
Discretionary Grant Expenses		
Administrative project costs (20.1)	19 976	17 311
Discretionary Grant expenses	260 810	237 659
	280 786	**254 970**

NB. Administrative project expenses relates to Discretionary grant expenditure. Included in Administrative project costs are payroll costs of R15 million (2021 R14,5 million). Refer to note 20.1

NB. Included in Discretionary grant expenses is an amount of R 181 000 incurred as fruiltess and wasteful expenditure. Refer to note 31.

Mandatory grant expenditure		
Mandatory grant to employers	65 972	42 368
Employer grant and project expenses for the period	346 758	297 338

20.1 Administrative project salary costs

	2022 R '000	2021 R '000
Basic salaries	11 162	10 704
Leave accrual	139	339
Medical aid	662	583
Bonus provision	862	916
UIF	59	44
SDL	137	98
Short Term Benefits	1 524	1 421
Cellphone allowances	37	57
Acting Allowance	86	41
Car Allowance	332	342
	15 000	14 545

21. General expenses

	2022 R '000	2021 R '000
Internal audit fees (1)	701	178
Advertising	47	114
Auditors remuneration (2)	2 774	1 823
Bank charges	39	46
Cleaning	117	70
Audit committee fees	89	65
Legal fees	-	19
Board fees	361	315
Insurance	227	220
Fuel and oil	6	4
Consultant fees	300	660
Postage and courier	3	7
Printing costs	30	103
Management information systems (3)	4 451	2 394
Stationery	43	18
Security	515	518
Subscriptions and membership fees	1 481	1 466
Telephone	612	577
Staff training and development costs	20	30
Travel costs	64	2
Electricity	475	371
QCTO expenses (4)	1 689	2 505
Catering and refreshments	42	49
Office expenses	241	255
	14 327	**11 809**

1. Internal audit costs relate to costs aligned to the 3 year rolling plan. During the year Internal audit was also requested to audit the data migration process as an ad hoc request.
2. Audit costs reflects an increase due to timing of services rendered. In the current year more work was done during interim which included test on AOPO which was not done during interim in the previous year.
3. Managment information costs increased due to the appointment of a new service provider during the year.
4. QCTO costs decreased due the decrease in levy income.

22. Government grants and subsidies

	2022 R '000	2021 R '000
DEPARTMENT OF ARTS AND CULTURE		
Balance unspent at beginning of year	-	1 989
Transfer to Income	-	(1 989)
	-	**-**
CREATE SOUTH AFRICA (SA)		
Balance unspent at beginning of year	-	3 354
Transfer to Income	-	(3 354)
	-	**-**

23. Lease rental on operating lease

The operating leases relates to building premises used as office accommodation in our two regional offices and head office. The Head office lease was extended by 2 months and the Cape Town lease was extended to 31 March 2023.

Reconciliation of future minimum lease payments:

Reconciliation of future minimum lease payments	2022 R '000	2021 R '000
Not later than one year	973	653
	-	-
	973	**653**

24. Related Parties

Member	Refer to Member's Report Note
Relationships	
Member	Refer to member's report note
DHET	Controlling Entity
TVETs	Under common control by DHET
Universities	Under common control by DHET
University of South Africa	Under common control by DHET
QCTO	Under common control by DHET
SAQA	Under common control by DHET
NSFAS	Under common control by DHET
NSF	Under common control by DHET
Department and Science and Technology and entities under its control	Under common control by DHET
SETAs	Under common control by DHET
Adv Michelle Odayan	Accounting Authority Chairperson
Ms Makhosi Chiwashira	Accounting Authority Member
Ms Linda Theresa Bremmer	Accounting Authority Member
Ms Fanisa Lamola	Accounting Authority Member
Mr Nduduzo Vilina	Accounting Authority Member
Bonita Natalie Loubser	Accounting Authority Member
Ms Deight T Simelane	Accounting Authority Member
Ms Karen Pearl Manuel	Accounting Authority Member
Mr Kwazi Mlaba	Accounting Authority Member
Teboho Cosmas Maroele	Accounting Authority Member
Ms Theresa Otto	Accounting Authority Member
Mpuka Radinku	Accounting Authority Member
Mr Fancois Oberholzer	Accounting Authority Member
Mr Mike Truelock	Accounting Authority Member

Definition of controlling entity and entites under common control: As the Minister is the Executive Authority of the Department of Higher Education and Training this entity is related to all other entities (and their controlled/jointly controlled entities) for which the Minister of Higher Education and Training is the executive authority and, more broadly, to all other entities controlled by the national executive.

Related party transactions

Related Party 2021/22	Nature of relationship	Transaction type	Transaction R'000	Balances/ Comittments R'000
Tvet Colleges	Entity under common control	Discretionary Grant	24 814	(37 019)
Higher education Institutions	Entity under common control	Discretionary Grant	8 004	(8 280)
Community Colleges	Entity under common control	Discretionary Grant	237	(1 737)
Funding Institutions	Entity under common control	Discretionary Grant	3 000	(332)
Sector Education and Training Authorities	Entity under common control	Discretionary Grant	60	128
QCTO	Entity under common control	Administration	1 689	-
SAQA	Entity under common control	Administration	6	-
Subtotal	-	-	37 810	(47 240)
			37 810	**(47 240)**

Related Party 2020/21	Nature of relationship	Transaction type	Transaction R'000	Balances/ Comittments R'000
Tvet Colleges	Entity under common control	Discretionary Grant	30 530	(37 978)
Higher education Institutions	Entity under common control	Discretionary Grant	12 011	(8 858)
Community Colleges	Entity under common control	Discretionary Grant	-	(2 548)
Funding Institutions	Entity under common control	Discretionary Grant	1 083	(332)
Sector Education and Training Authorities	Entity under common control	Discretionary Grant	41	(7)
QCTO	Entity under common control	Administration	2 505	-
SAQA	Entity under common control	Administration	6	-
Subtotal	-	-	46 176	(49 723)
			46 176	**(49 723)**

*SFP is the transaction value recognised in the statement of Financial performance

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

Board Members 2022	Attendance Fee R'000	Total R'000
Name		
M Odayan (Chairperson)	275	275
F Lamola	26	26
C Phiri	30	30
M Chiwashira	30	30
Audit Committee		
C Phiri (Chairperson)	60	60
K De Villiers	13	13
John Raphela	16	16
	450	**450**

Board Members 2021	Attendance Fee R'000	Expenses R'000	Total R'000
Name			
S Ngidi (Chairperson)	17	-	17
M Odayan	308	-	308
T Boltman	13	-	13
F Lamola	-	1	1
C Phiri	8	-	8
M Chiwashira	-	1	1
Audit Committee			
T Boltman	34	-	34
C Phiri (Chairperson)	7	-	7
K De Villiers	21	-	21
John Raphela	3	-	3
	411	**2**	**413**

Executive Management 2022	Basic salary R'000	Bonuses and performance related payments R'000	Other short-term employee benefits R'000	Post-employment benefits R'000	Acting Allowance R'000	Total R'000
Name						
CEO - Dr Felleng Yende	1 659	701	264	236	-	2 860
GM: Governance, compliance, risk and legal - Mr Schalk Burger	1 121	109	210	17	-	1 457
GM: Projects - Mr Joe Rametsi	852	113	113	12	-	1 090
GM: Research, planning and reporting - Mr PK Naicker	1 080	109	244	16	-	1 449
CFO - Mr Avinash Gangoo	833	61	102	37	46	1 079
GM : Quality Assurance - Mr Johnny Modiba	-	86	1	-	-	87
CIO - Mr Bongani Masango	355	-	64	6	-	425
	5 900	**1 179**	**998**	**324**	**46**	**8 447**

Executive Management 2021	Basic salary R'000	Bonuses and performance related payments R'000	Other short-term employee benefits R'000	Post-employment benefits R'000	Leave Pay R'000	Acting Allowance R'000	Total R'000
Name							
CEO - Dr Felleng Yende	1 659	700	264	231	208	-	3 062
GM: Governance, compliance, risk and legal - Mr Schalk Burger	1 089	109	206	15	-	-	1 419
GM: Projects - Mr Joe Rametsi	1 125	63	12	10	57	-	1 267
GM: Research, planning and reporting - Mr PK Naicker	1 048	109	240	15	-	-	1 412
CFO - Mr Richard Marule	492	-	37	59	62	-	650
GM : Quality Assurance - Mr Johnny Modiba	817	86	108	102	58	-	1 171
ACFO - Mr Avinash Gangoo	418	61	52	23	-	73	627
	6 648	**1 128**	**919**	**455**	**385**	**73**	**9 608**

NB: Mr Avinash Gangoo was Acting CFO from 01 April 2021 to 31 August 2021. He was then appointed as CFO from 01 September 2021.

NB: Mr Bongani Masango was appointed as Chief Information Officer from 01 November 2021.

25. Cash used in operations

	2022 R '000	2021 R '000
Deficit	(21 984)	(81 266)
Adjustments for:		
Depreciation and amortisation	3 047	1 866
Gain on sale of assets and liabilities	25	-
Movements in provisions	100	2
Changes in working capital:		
Inventories	19	(4)
Receivables from exchange transactions	153	(136)
Other receivables from non-exchange transactions	514	818
Payables from exchange transactions	645	169
Trade and other payables from non-exchange	(17 354)	(14 644)
Government grants and Donor funding received in advance	-	(5 343)
	(34 835)	**(98 538)**

26. Allocation of net surplus / (deficit)

2021/22	Administration reserve R'000	Employer reserve mandatory grants R'000	Discretionary reserve R'000	Total per statement of performance R'000
Total income				
SDL revenue	44 848	85 385	211 497	341 730
SDL penalties and interest received	-	-	5 348	5 348
Other revenue	-	-	38	38
Finance income	-	-	16 284	16 284
Total income	44 848	85 385	233 167	363 400
Total expenses				
Administration expenses	(38 626)	-	-	(38 626)
Employer grants and project expenses	-	(65 972)	(280 786)	(346 758)
	6 222	**19 413**	**(47 619)**	**(21 984)**

2020/21	Administration reserve R'000	Employer reserve mandatory grants R'000	Discretionary reserve R'000	Total per statement of performance R'000
Total Income				
SDL revenue	28 966	54 970	136 720	220 656
SDL penalties and interest received	-	-	6 501	6 501
Other revenue	-	-	5 364	5 364
Finance income	-	-	19 100	19 100
Subtotal	28 966	54 970	167 685	251 621
Total Expenses				
Administration expenses	(35 549)	-	-	(35 549)
Employer grants and project expenses	-	(42 368)	(254 970)	(297 338)
	(6 583)	**12 602**	**(87 285)**	**(81 266)**

27. Surplus funds transferable to National Treasury

	2022 R '000	2021 R '000
Transfers of excess funds from:		
Discretionary Reserve	368 740	390 044
Administration Reserve	1 397	2 077
Application for Approval	(370 137)	(392 121)
	-	-
Surplus funds due to National Treasury		
Cash and Cash equivalents	438 862	476 089
Receivables from non-exchange transactions	301	815
Receivables from exchange transactions	353	506
Less current liabilities	(70 803)	(87 412)
	368 713	**389 998**

Notwithstanding the accumulated surplus above, FP&M SETA has at year end commitments in the form of contracts with various service providers as indicated in note 33, the below reflects the accumulated surplus after taking into account the impact of these commitments.

Commited amounts as at 31 March 2022		
Commitments - refer to note	368 521	389 923
Net Surplus / (deficit) after commitments	192	75

28. Financial instruments disclosure

Categories of financial instruments 2022

Financial Assets	2022 R '000	2021 R '000
	At amortised cost	At amortised cost
Trade and other receivables from exchange transactions	353	506
Other receivables from non-exchange transactions	-	7
Cash and cash equivalents	438 862	476 089
	439 215	**476 602**
Financial liabilities		
Trade and other payables from exchange transactions	(4 645)	(4 000)
Taxes and transfers payable (non-exchange)	(51 293)	(68 700)
	(55 938)	**(72 700)**

	2022 R '000	2021 R '000
Financial instruments in statement of financial performance 2022	At amortised cost	At amortised cost
Interest income (calculated using effective interest method) for financial instruments at amortised cost	16 284	19 100

29. Risk management

Financial risk management

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

Liquidity Risk

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

2021/22	Carrying amount R'000	Contractual cash flows R'000	Less than 1 year R'000	1 to 2 years R'000	More than 2 years R'000
Trade and other trade payables from exchange transactions	(4 645)	(4 645)	(4 645)	-	-
Trade and other payables: Non-exchange	(51 293)	(51 293)	(51 293)	-	-
	(55 938)	**(55 938)**	**(55 938)**	**-**	**-**

2020/21	Carrying amount R'000	Contractual cash flows R'000	Less than 1 year R'000	1 to 2 years R'000	More than 2 years R'000
Trade and other trade payables from exchange transactions	(4 000)	(4 000)	(4 000)	-	-
Trade and other payables: Non-exchange	(68 700)	(68 700)	(68 700)	-	-
	(72 700)	**(72 700)**	**(72 700)**	**-**	**-**

Credit Risk

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

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

Financial instrument	2022 R '000	2021 R '000
Receivables from exchange transactions	353	506
Cash and Cash equivalents	438 862	476 089
Receivables from non-exchange transactions	-	7

2021/22 Age Analysis	Current R'000	30 to 60 days R'000	60 to 90 days R'000	90 to 120 days R'000	More than 120 days R'000	Carrying Amount R'000
Receivables from exchange transactions	73	-	-	-	280	353
Cash and cash equivalents	438 862	-	-	-	-	438 862
Gross before impairment	438 935	-	-	-	280	439 215
	438 935	**-**	**-**	**-**	**280**	**439 215**

2020/21 Age Analysis	Current R'000	30 to 60 days R'000	60 to 90 days R'000	90 to 120 days R'000	More than 120 days R'000	Carrying Amount R'000
Receivables from exchange transactions	226	-	-	-	280	506
Cash and cash equivalents	476 089	-	-	-	-	476 089
Receivables from non-exchange transactions	-	-	-	-	7	7
Gross before impairment	476 315	-	-	-	287	476 602
	476 315	**-**	**-**	**-**	**287**	**476 602**

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

Interest Rate Risk

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

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

2021/22	Interest bearing amount R'000	Effective interest rate	Non-interest-bearing amount R'000
Financial Assets			
- Receivables from exchange transactions	-	-	353
- Cash and cash equivalents	438 862	3.78%	-
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	-	(4 645)
- Trade and other payables (non-exchange)	-	-	(51 293)
	438 862	**3.78%**	**(55 585)**

2020/21	Interest bearing amount R'000	Effective interest rate	Non-interest-bearing amount R'000
Financial Assets			
- Receivables from exchange transactions	-	-	506
- Cash and cash equivalents	476 089	3.85%	-
- Receivables from non-exchange transactions	-	-	7
Financial Liabilities			
- Trade and other trade payables from exchange transactions	-	-	(4 000)
- Trade and other payables (non-exchange)	-	-	(68 700)
	476 089	**3.85%**	**(72 187)**

Fair Value and Market Risk

Market Risk

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

Fair Values

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

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

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Accounts Payable

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

30. Going Concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Minister of Higher Education and Training had approved the SETA licence until 31 March 2030.

31. Fruitless and wasteful expenditure

	2022 R '000	2021 R '000
Opening balance as restated	**-**	**-**
Add: Irregular Expenditure - prior period	181	-
Less: Amount written off - current	(181)	-
Closing Balance	**-**	**-**

On 18 February 2021 FP&M SETA made payment to Edutel Skills Development (Pty) Ltd to the amount of R 181 003.19 in an FNB account, account number, 62878520389.

- FP&M SETA had received an email from Tricia van Gass, an employee from Edutel Skills Development (Pty) Ltd that on face value seemed to be a legitimate email with an instruction to change banking details.
- The bank details letter was bank stamped electronically and seemed legitimate.
- The amended invoice also contained the bank details of the new bank account.
- Based on the above supporting documentation and request we had no reason to believe the email requesting change in bank details were fraudulent.
- Edutel Skills Development (Pty) Ltd then queried the payment in June 2021 as they could not trace the payment in their records. Upon investigation by both parties it was discovered that the email received requesting change of bank details although received from the same email address that we normally communicate with Edutel Skills Development (Pty) Ltd was fraudulent and part of an online scam.
- There was no fraudulent or negligent acts on the part of FP&M SETA who have been a victim of impersonation.
- The matter was subsequently reported to SAPS.
- On 29 March 2022 , Board had approved the amount to be wriiten off as irrecoverable.

32. Irregular Expenditure

	2022 R '000	2021 R '000
Opening balance as previously reported	325	-
Add: Irregular Expenditure - current year	298	325
Opening balance as restated	**623**	**325**
Closing Balance	**623**	**325**

Incidents/cases identified in the current year include those listed below:

Disciplinary steps taken/criminal proceedings		
The irregular expenditure relates to fees paid to Accounting Authority members who were appointed by the executive authority (DHET). The appointments were found to be in contravention of the *Skills Development Act, No 97 of 1998* (SDA) as amended.	275	309
Non compliance with *National Treasury SCM instruction No 3 of 2016/2017* - Prevention and combating abuse in SCM.	23	16
	298	**325**

33. Contingencies

Contingent Liabilities

- Outcome of the Minister of Higher Education and Training (DHET) and employers, represented by Business Unity South Africa ('BUSA') case.

Busa had challenged the fact that the Minister had reduced the mandatory grant payout from 50% to 20%. They went to court in October 2019 and there was a court ruling that the Minister's decision to reduce the mandatory grant payout is set aside. There was no further information provided in the court ruling for example there was no information about what rate to use if the Ministers decision is set aside and also no information about from which date should the ruling be applied. It cannot be determined what the amount of the contingency should be. The Minister is currently in discussion with Busa on this matter.

Surplus Funds

We have on the 31 May 2022 submitted an application to the DHET for retention of surplus funds and to retain funds used for internal projects. Reserves carried over from the previous financial year outside of the definition of surplus have been disclosed as a contingent liability and request for approval for these funds has been submitted to National Treasury. As in the previous year FP&M SETA expects that National Treasury will approve the retention of surplus funds.

	2022 R '000	2021 R '000
Administrative reserve	1 397	2 077
Discretionary reserve	368 740	390 044
	370 137	**392 121**

In terms of *Section 53 (3) of the PFMA*, public entities listed in *Schedule 3A and 3C to the PFMA* may not retain cash surpluses that were realised in the previous financial year without obtaining the prior written approval of National Treasury. National Treasury issued *Instruction No.12 of 2020/2021* to repeal the *National Treasury Instruction No.6 of 2017/2018* on the retention of cash surpluses. This new Treasury Instruction takes effect from the date of issue for surpluses realised in the current financial year and subsequent financial years whichever is applicable. According to this Treasury Instruction the surplus is based on cash and cash equivalents plus receivables less current liabilities at the end of the financial year.

As at 31 March 2022 FP&M SETA had a surplus of R368,7 million of which R368,5 miilion is committed. Refer to Note 27 for the detailed calculation of the surplus.

34. Commitments

Of the balance of R368,7 million (2020/21 , R390 million) available in the discretionary reserves at the end of March 2022, R368,5 million (2020/21 R389,9 million) (refer to annexure A) has been approved and contractually committed. Amounts for expenses that have already been contracted or incurred and therefore included in grant expenses in the statement of financial performance, are also indicated. A request for the accumulation of these funds has been submitted to National Treasury on 31 May 2022. At the time of compiling the annual financial statements, no reply had been received.

Contractual Commitments as at 31 March 2022

Interventions	Opening Balance A/P Audited AFS	Cumulative Restatements	Restated Balance	Additions 21-22	Additions 21-22 Admin	Adjustments	Sweepings	Expenditure 20-21	Closing Balance
AET	1 417 980,00		1 417 980,00	2 475 000,00	-	-	(369 780,00)	(1 628 400,00)	1 894 800,00
Apprenticeships	123 843 304,50		123 843 304,50	38 510 000,00	-	880 000,00	(14 260 520,00)	(33 354 412,50)	115 618 372,00
Bursaries	20 440 004,89		20 440 004,89	19 002 914,40	552 500,00	(158 315,00)	(2 300 038,00)	(15 620 551,88)	21 916 514,41
Learnerships	98 395 306,67		98 395 306,67	88 180 800,00	-	397 500,00	(10 422 220,00)	(84 353 486,67)	92 197 900,00
Qualifications Development	19 474 824,01		19 474 824,01	4 876 950,00	-	-	-	(4 148 497,64)	20 203 276,37
Skills Programmes	32 640 203,00		32 640 203,00	28 801 100,00	-	(265 500,00)	(1 611 360,00)	(31 285 440,31)	28 279 002,69
Temporary Employer/Employee Relief Scheme (TERS)	722 728,67		722 728,67	525 600,00	-	-	(213 481,69)	(594 652,00)	440 194,98
Work Integrated Learning (HET)	10 247 231,43		10 247 231,43	8 676 000,00	770 400,00	2 394 177,60	(2 185 511,43)	(10 869 561,68)	9 032 735,92
Work Integrated Learning (TVET)	20 626 696,00		20 626 696,00	29 190 000,00	1 543 500,00	540 000,00	(719 040,00)	(21 754 680,00)	29 426 476,00
Workplace Experience / Internship	16 021 140,00		16 021 140,00	13 446 000,00	673 200,00	(1 860 376,00)	(1 020 600,00)	(14 060 516,62)	13 198 847,38
Non Pivotal / Sectoral Priorities	44 368 320,86		44 368 320,86	34 359 139,90	-	(1 848 401,60)	(3 136 894,78)	(40 101 849,48)	33 640 314,90
Total	**388 197 740,03**	**-**	**388 197 740,03**	**268 043 504,30**	**3 539 600,00**	**79 085,00**	**(36 239 445,90)**	**(257 772 048,78)**	**365 848 434,65**

Commitments as per Approved APP Budget as at 31 March 2022

Interventions	Opening Balance A/P Audited AFS	Cumulative Restatements	Restated Balance	Additions 21-22	Additions 21-22 Admin	Adjustments	Sweepings	Expenditure 20-21	Closing Balance
Capacity Buildng and Stakeholder relations	(0,00)		-	2 000 000,00	-	-	(32 405,68)	(1 967 594,32)	-
Project Administration	1 725 633,65		1 725 633,65	19 460 423,00	-	-	1 461 944,12	(19 975 479,13)	2 672 521,64
SSP	-		-	1 500 000,00	-	-	(731 075,00)	(768 925,00)	-
WSP Promotion	-		-	1 000 000,00	-	-	(698 463,44)	(301 536,56)	-
Total	**1 725 633,65**	**-**	**1 725 633,65**	**23 960 423,00**	**-**	**-**	**-**	**(23 013 535,01)**	**2 672 521,64**
Total	**389 923 373,68**	**-**	**389 923 373,68**	**292 003 927,30**	**3 539 600,00**	**79 085,00**	**(36 239 445,90)**	**(280 785 583,79)**	**368 520 956,29**
	-	-	-	-	-				

Contractual Commitments as at 31 March 2021

Interventions	Opening Balance A/P Audited AFS	Cumulative Restatements	Restated Balance	Additions 20-21	Additions 20-21 Admin	Adjustments	Sweepings	Expenditure 20-21	Closing Balance
AET	1 882 380,00	-	1 882 380,00	1 106 000,00	-	-	(247 100,00)	(1 323 300,00)	1 417 980,00
Apprenticeships	164 601 364,25	-	164 601 364,25	30 580 000,00	-	(581 737,50)	(34 029 674,75)	(36 726 647,50)	123 843 304,50
Bursaries	42 138 996,71	(2 307 119,00)	39 831 877,71	13 301 660,00	375 000,00	262 500,00	(13 475 154,82)	(19 855 878,00)	20 440 004,89
Learnerships	101 945 800,00	-	101 945 800,00	70 781 400,00	-	(145 000,00)	(12 227 850,00)	(61 959 043,33)	98 395 306,67
Qualifications Development	20 384 824,01	-	20 384 824,01	1 830 000,00	-	-	(2 500 000,00)	(240 000,00)	19 474 824,01
Skills Programmes	35 277 963,27	-	35 277 963,27	33 830 350,00	-	1 604 480,00	(7 642 060,00)	(30 430 530,27)	32 640 203,00
Temporary Employer/Employee Relief Scheme (TERS)	7 802 726,39	-	7 802 726,39	2 288 280,00	-	-	(6 409 284,10)	(2 958 993,62)	722 728,67
Work Integrated Learning (HET)	8 950 440,00	-	8 950 440,00	11 556 000,00	1 026 000,00	720 000,00	(2 408 400,00)	(9 596 808,57)	10 247 231,43
Work Integrated Learning (TVET)	21 885 000,00	-	21 885 000,00	19 116 000,00	2 727 000,00	-	(1 593 531,00)	(21 507 773,00)	20 626 696,00
Workplace Experience / Internship	14 724 360,00	-	14 724 360,00	18 776 000,00	787 400,00	21 600,00	(3 426 000,00)	(14 862 220,00)	16 021 140,00
Non Pivotal / Sectoral Priorities	48 371 879,15	-	48 371 879,15	43 656 357,00	-	-	(11 827 041,36)	(35 832 873,93)	44 368 320,86
Total	**467 965 733,78**	**(2 307 119,00)**	**465 658 614,78**	**246 822 047,00**	**4 915 400,00**	**1 881 842,50**	**(95 786 096,03)**	**(235 294 068,22)**	**388 197 740,03**

Commitments as per Approved APP Budget as at 31 March 2021

Interventions	Opening Balance A/P Audited AFS	Cumulative Restatements	Restated Balance	Additions 20-21	Additions 20-21 Admin	Adjustments	Sweepings	Expenditure 20-21	Closing Balance
Capacity Buildng and Stakeholder relations	181 397,52		181 397,52	2 500 000,00	-	-	(1 533 284,57)	(1 148 112,95)	(0,00)
Project Administration	3 392 421,17		3 392 421,17	15 644 027,20	-	-	-	(17 310 814,72)	1 725 633,65
SSP	468 986,19		468 986,19	1 500 000,00	-	-	(1 014 000,00)	(954 986,19)	-
WSP Promotion	388 793,29		388 793,29	1 000 000,00	-	-	(1 126 393,29)	(262 400,00)	-
Total	**4 431 598,17**	**-**	**4 431 598,17**	**20 644 027,20**	**-**	**-**	**(3 673 677,86)**	**(19 676 313,86)**	**1 725 633,65**
Total	**472 397 331,95**	**(2 307 119,00)**	**470 090 212,95**	**267 466 074,20**	**4 915 400,00**	**1 881 842,50**	**(99 459 773,89)**	**(254 970 382,08)**	**389 923 373,68**

35. Change in Estimate

Property, plant and equipment

Asset Class	Carrying Value before revision of estimate R'000	Carrying Value after revision of estimate R'000	Impact of change in estimate R'000
Computer equipment	389	625	236
Furniture and Fittings	227	230	3
Office equipment	130	367	237
Artwork	-	1	1
Motor Vehichle	14	81	67
	760	**1 304**	**544**

36 Budget Differences

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

36.1 Interest Income (un-favourable)

Interest income is lower due to the decreased interest rate.

36.2 SDL Income (un-favourable)

The Levy revenue is 1% below budgeted due to the effects of COVID-19 and GDP growth.

36.3 SDL penalties and interest received

This typically varies depending on level of non-compliance by companies.

36.4 Employer grant and project expenses

Discretionary grant expenditure is lower than the revised budget as the budget included the surplus approval.

36.5 Personnel expenses

Payroll costs are currently lower due to vacancies that existed.

36.6 General expenses

The budget was set higher than normal. As a result of cost pressures the focus was to curtail costs resulting in savings for the year.

36.7

Variance due to write off of assets.

36.8

Depreciation cost increased due to purchase of new assets and licences for the new MIS system.

36.9

The rental was not increased for the Jhb office hence savings were incurred.

NOTES

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