



2020/21 INTEGRATED  
**ANNUAL REPORT**



# CHIETA'S VALUE CREATING BUSINESS MODEL

The Chemical Industries, Education and Training Authority (CHIETA) plays a vital role in enhancing South Africa's chemical industry, and contributing to the local economy through stakeholder partnerships, prioritised skills development programmes, on-going industry research and rollout of sector skills plans.

## OUTPUT

## SKILLS DEVELOPMENT GOAL

## NATIONAL DEVELOPMENT PLAN

Skills planning (SSP) for the chemical sector



Chapter 3  
Economy and employment

Skills training



Chapter 3  
Economy and employment



Chapter 9  
Improving education, training and innovation

Research



Chapter 4  
Economic infrastructure

Skills and qualifications development



Chapter 3  
Economy and employment



Chapter 4  
Economic infrastructure

Analysis of trends and impacts



Chapter 4  
Economic infrastructure

Quality assurance



Chapter 9  
Improving education, training and innovation

Draft and new legislation



Chapter 3  
Economy and employment



Chapter 4  
Economic infrastructure

Advisory role



Chapter 7  
South Africa in the region and the world



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**Vision**

To be an innovation leader in education and training.



**Mission**

To facilitate skills development, education and training through innovative solutions for sustainable livelihoods.



**Dr Blade Nzimande**  
Minister of Higher Education,  
Science and Innovation



**Mr Buti Manamela**  
Deputy Minister of Higher Education,  
Science and Innovation



# PART A

GENERAL INFORMATION



## 1. PUBLIC ENTITY'S GENERAL INFORMATION

<b>Registered name of the public entity</b>	Chemical Industries Sector Education and Training Authority
<b>Registration numbers and/or other relevant numbers</b>	03/CHIETA/1/4/11
<b>Registered office address</b>	72 New Road, Glen Austin AH (Grand Central), Midrand
<b>Postal address</b>	PO Box 961, Auckland Park, 2006
<b>Contact telephone numbers</b>	011 628 7000
<b>Email address</b>	info@chieta.org.za
<b>Website</b>	www.chieta.org.za
<b>External auditor's information</b>	Auditor-General of South Africa, 300 Middel Street, Brooklyn, Pretoria, 0001
<b>Banker's information</b>	Nedbank Ltd, 100 Main Street, PO Box 1144, Johannesburg 0001
<b>Company secretary</b>	Governance and Risk (Executive Manager)
<b>ISBN</b>	ISBN 978-0-621-49410-5
<b>RP</b>	RP 126/2021



## 2. SKILLS DEVELOPMENT RELATED ACRONYMS

ADAS	Advanced Driver Assistance Systems
AELC	Africa Energy Leadership Centre
AET	Adult Education and Training
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
AQP	Assessment Quality Partner
ARC	Audit and Risk Committee
ATR	Annual Training Report
ARPL	Artisan Recognition Prior Learning
BBBEE	Broad-Based Black Economic Empowerment
CBCs	Community Based Centres
CBOs	Community Based Organisations
CHIETA	Chemical Industries Education and Training Authority
Cobit 5	Control objectives for information and related technologies
COS	Centres of Specialisation
CSR	Corporate Social Responsibility
DG	Director-General
DG	Discretionary Grants
DHET	Department of Higher Education and Training
DHEST	Department of Higher Education Science and Technology
DPSA	Department of Public Service and Administration
DQP	Development Quality Partner
dti	Department of Trade Industry and Competition
EEA	Employment Equity Act
ETDQA	Education Training and Development Quality Assurance
ETQA	Education and Training Quality Assurance
EXCO	Executive Committee
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic product
GRAP	Generally Recognised Accounting Practice
GSC	Governance and Strategy Committee
GVA	Gross Value Add
HEMIS	Higher Education Management Information System
HET	Higher Education and Training
HIV	Human Immunodeficiency Virus
HR	Human Resources
HRD	Human Resource Development
HRDSSA	Human Resource Development Strategy of South Africa
HSRC	Human Sciences Research Council
HTFVs	Hard to Fill Vacancies
ICT	Information and Communications Technology
IoT	Internet of Things
IPAP	Industrial Policy Action Plan
MG	Mandatory Grants
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategy Framework
NAMB	National Artisan Moderating Body
NDP	National Development Plan
NGO	Non-Governmental Organisation
NP	Non Pivotal
NQF	National Qualification Framework
NSDS	National Skills-Development Strategy
NSA	National Skills Accord
NSF	National Skills Fund
NYEA	National Youth Employment Accord

PIVOTAL	Professional, Vocational, Occupational, Technical and Academic Learning
PSDF	Provincial Skills-Development Forum
PFMA	Public Finance Management Act
QA	Quality Assurance
QALA	Quality Assurance of Learner Achievements
QAP	Quality Assurance Partner
QCTO	Quality Council for Trades and Occupations
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety
RPL	Recognition of Prior Learning
RSA	Regional Skills Advisor
RSF	Regional Skills Forum
RSPC	Research and Skills Planning Committee
SADC	South African Development Community
SAQA	South African Qualifications Authority
SARChI	South African Research Chairs Initiative
SDA	Skills Development Act
SDF	Skills-Development Facilitator
SDLA	Skills-Development Levies Act
SDP	Skills Development Provider
SETA	Sector Education and Training Authority
SIPs	Strategic Infrastructure Plans
SLA	Service-Level Agreement
SME	Subject Matter Expert
SMME	Small, Medium and Micro Enterprises
SQMR	SETA Quarterly Monitoring Report
SSDD	Skills Supply-side and Demand Database
SSP	Sector Skills Plan
TERS	Temporary Employer/Employee Relief Scheme
TFAC	Technical Functional Advisory Committee
TVET	Technical Vocational Education and Training
TUT	Tshwane University of Technology
UoT	University of Technology
VUCA	Volatile, Uncertain, Complex and Ambiguous
WEF	World Economic Forum
WIL	Workplace Integrated Learning
WSP	Workplace Skills Plan
4IR	Fourth Industrial Revolution

### 3. CHAIRPERSON'S FOREWORD

#### *"A Working World has Education as its Milling Machinery"*

As South Africa emerges from the Covid-19 pandemic, we as a country look forward to forging a new era, one focused on educating, training, skilling and eradicating unemployment and inequality amongst our youth. Our young graduates struggle to find jobs, our school leavers struggle to find education placement, our girls and women struggle to find equal opportunities. As a society, and a sector we have many courses to correct, and fast, to enable our sector to thrive and meet the needs of our evolving workforce.

As the chair of CHIETA, I am conscious that while we are just one of several SETAs in our country, we have an onerous responsibility to ensure there is greater focus placed on strengthening existing partnerships, and creating new ones with stakeholders, to enable us to reach our goals for the new financial year.

The recent pandemic has forced us to think, educate and operate digitally. Now is the time to boost innovation, to think outside the box, and forge a new way of learning through digitisation. Traditional paths have fast become obsolete, with technologies rapidly evolving each day. We as the chemical sector, need to develop new methodologies to ensure our youth are adequately trained to meet the new high-tech needs. What is the point of educating our youth in old methodologies, who then graduate and are unable to find employment to meet these new tech needs?

**"We cannot continue to fail our children, so we must learn, adapt and evolve - rapidly."**

South Africa's unemployment rate has increased drastically in the past few years, this alarming fact places at the centre the important role of education and skills development contribution to solving this monumental problem. To achieve this, our Strategic Plan prioritises accelerating the training of future skills, in future growth areas over the next five (5) years in keeping up with the Fourth Industrial Revolution (4IR) and digitisation. We also look at the scarce skills that are needed in South Africa and how we can address this problem. Innovation and a non-conventional way of thinking are key to survive in this volatile, uncertain, complex and ambiguous (VUCA) world. The Chemicals sector and South Africa cannot afford to be left behind.

While many unemployed South Africans are hoping to find jobs some day in the formal economy, conventional wisdom shows that the real growth in employment will come from the informal economy. We need to find ways of developing more entrepreneurs who can, in turn, create more jobs. We also must look at some projects, mainly driven by the private sector, that are trying to make a difference by creating jobs or preparing young people for jobs, something learners don't get taught in schools.



Wezi Khoza

What is clear about the skills development problem in South Africa is that it is not something that government will be able to manage by itself. There needs to be collaboration between government and the private sector-not only big businesses, but also SMMES - the key is to find the proper balance between academic and technical skills.

Through CHIETA's new partnerships with Universities and Colleges we have begun bridging the high-skills gap. We can already see the success of these programmes with our bright, young minds converging recycled bottles into nanotechnology, used by tyre manufacturers, pharmaceuticals, and plastic industries. Their work now directly boosts South Africa's exports. We have also secured work placement for graduates, already enabling us to provide adequate work opportunities for these talented graduates. The wheels of transformation and innovation have begun to change.

We have also placed a huge emphasis on assisting, training and coaching of women-run SMMES which see the much-awaited women advancement in the chemical sector. Transformation and progress in this regard, has a monumental effect on our communities and the local economy

as a whole. Women are seen as the backbone of families and communities, if we succeed to upskill and provide equal opportunities, our communities thrive, and in turn our sector and economy thrives. Education is part of a growing movement, one that our country desperately seeks. It is overwhelming to imagine the possibilities for a future governed by education, innovation and equality.

**“By upskilling women and providing equal opportunities, our communities thrive, and in turn our sector and economy thrives.”**

Our assurance as CHIETA is to ensure aligning of our Strategic Plan and Annual Performance Plan to the goals set out in the National Skills Development Plan (NSDP). CHIETA continues to make a real difference through cooperation and coordinating its plans and resources and ensuring project success together with its various

partners, and collective responsibility to attain its strategic outcomes of enabling higher economic growth and development, enhancing productivity and performance and obtaining a skilled and capable workforce.

We aim to continuously promote partnerships with public and private training providers across the further and higher education bands to continue to work effectively, and with employers from member companies that provide access to workplaces. By placing fundamental skills focus areas such as artisan training, learnerships, work integrated learning, coherent skills training programmes (also known as part qualifications) we are able to realise this future of an inclusive, skilled workforce, boosting our sector rapidly.

We thank our stakeholders, and each and every one of you for your exceptional commitment dedication and hard work during this period under review, and urge

you to continue to assist CHIETA in realising our goals set out for the new financial year.



**Wezi Khoza**  
**Board Chairperson**  
**30 July 2021**

## 4. CHIEF EXECUTIVE OFFICER'S REPORT

*“We will position CHIETA as an innovation leader in education and training, providing innovative solutions for the creation of long-term sustainable value, as a trusted partner of choice for the chemical industries”.*



Yershen Pillay

### INTRODUCTION

It is with great privilege, that I address my first report as Chief Executive Officer (CEO), to the CHIETA stakeholders on the state of the organisations' affairs for the period under review. In preparing this report, we have taken cognisance of the legislative requirements, which are to provide an account to the Minister of Higher Education, Science and Innovation, Dr Blade Nzimande, in his capacity as the Executive Authority of the SETA.

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

### KEY ACHIEVEMENTS

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

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

jobs. The CHIETA's continued excellent financial management, strong control environment and effective monitoring and evaluation processes are evidenced by the achievement of another unqualified audit opinion.

With the NDP 2030 goals as our anchor for excellence, amid the global pandemic with continuous economy-affected waves, it gives me great pleasure to showcase that we as CHIETA have managed to realize the following:

### HIGHLIGHTS



## COLLABORATING A PATH FOR SUCCESS

In this financial year, CHIETA committed to forging ahead with its various interventions to stimulate the country's economic growth through new and existing strategic partnerships in both the private and public sectors. By collaborating to create new public-private partnerships, CHIETA was and continues to prioritise skills development thus contributing to curbing unemployment. CHIETA finds it imperative that we drive innovative solutions that prepare young people to find gainful employment in the ever-evolving digitised world.

## ENHANCING INNOVATION

Innovation is at the forefront of facilitating skills development and training going forward. As we continue to grapple with the impact of the Covid-19 pandemic, the need for new and innovative thinking to facilitate amongst others digital-based skills development models are much needed. We, as SETAs have taken advantage of new technologies by adopting innovative plans to nurture, improve and develop the required e-skills across the entire socio-economic spectrum.

The need to close the high-tech skills gap is imperative. Digital training and skilling programmes must become mainstream and quality assured for maintaining a steady supply of quality high-tech skills. We must cement new and lasting partnerships that will allow us to put the chemical industry on the fast-track to adopting 4IR and to continue to innovate, in our quest to eliminate poverty, reduce inequality and spur the economic development of the country.

## TRANSFORMING THE CHEMICAL INDUSTRY

Entrepreneurship is at the epicentre of transforming the unemployment landscape in South Africa. As the CHIETA, we understand the critical role that entrepreneurs and small businesses play, this is why, we have taken deliberate action to disperse Discretionary

Grants in support of an integrated small business development programme.

Due to the COVID-19 pandemic, almost 90% of these SMMEs are struggling to survive, and SMME bank subsidies have skyrocketed by more than 50% in the second half of 2020. We believe that with added training support and mentorship, which include business financing, small businesses are likely to survive, grow and create employment opportunities for our learnership programme graduates.

## FINANCIAL PERFORMANCE

The CHIETA obtained an unqualified audit opinion for the financial year ended 31 March 2021. This achievement confirms the high levels of integrity and commitment to sound financial management practices and accountability within the organisation. Skills development levy (SDL) income decreased by 30.7% from R533.48 million for the year ended 31 March 2020, to R369.53 million for the year ended 31 March 2021.

During the financial year ended 31 March 2021, the CHIETA expensed over 76.8% of the SDL income received for the purpose of discretionary grants and project expenses. We have set a new goal for excellence in financial performance by working to reduce our administration expenses and achieve an unqualified audit report.

## LOOKING AHEAD

Our identified areas of focus for the year ahead also included, promoting STEM fields (Science, Technology, Engineering and Maths); curbing unemployment within our youth; boosting skills development; paving a digital way forward for the sector; addressing the gender inequality gap within the chemical sector; and developing and sustaining targeted programmes that aim to aid and improve these areas.

In addition, our new SMART Skills Centres will serve as a game changer to bridging the digital divide between urban and rural communities. New self-employment opportunities will be created through an increased focus on small business development, cooperatives, and start-ups. I believe that cooperatives play a fundamental role in job creation, economic transformation, and the creation of sustainable livelihoods.

## EXTENDING OUR GRATITUDE

I would like to thank the management and staff at CHIETA, each and every one of our 94-person team, for their continued commitment to the fulfilment of our developmental mandate, and for assisting the Board in refocusing, reinvigorating, and realising our organisational strategy.

It is imperative that I highlight that we, as an organisation, have dealt with unforeseen circumstances due to the devastating effects of the Covid-19 global pandemic. Despite these challenges the CHIETA has gone above and beyond to ensure we excel and achieve our mandated goals. The unwavering support of the CHIETA Board under the leadership of Ms Wezi Khoza is evident in the successes, which the SETA has celebrated in the past year, and I wish to extend a sincere word of gratitude on behalf of the CHIETA Management and staff for their strategic guidance and leadership.

A special word of thanks to all our Committees and Board Members for their roles in terms of compliance related matters. To our key stakeholders, both levy paying and non-levy paying organisations, thank you for your ongoing participation and contribution to skills development in the sector and the country.

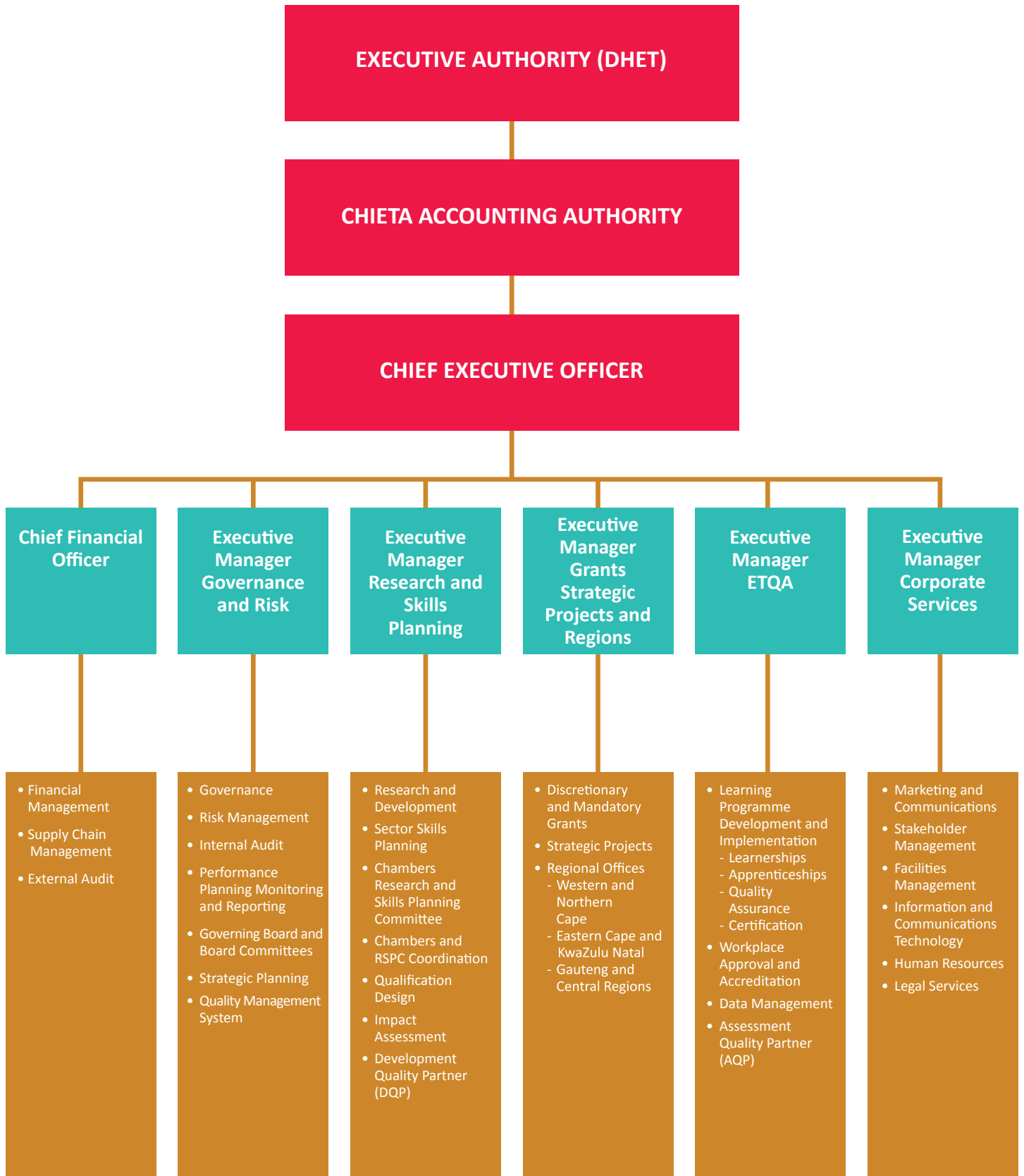
I would like to thank our Executive Authority, the Department of Higher Education, Science and Technology, and the SETA Co-ordination team for their support and leadership for continuously assisting in ensuring that the CHIETA fulfils its skills development mandate.

As we transcend to new ways of operating against the backdrop of a volatile global economic outlook, the importance for the CHIETA is to now strengthen institutional and stakeholder resilience to ensure that they can continue to operate in a rapidly changing and increasingly uncertain landscape. We recognise the instrumental role that SETA's will play in reviving and revitalising the economy.

A handwritten signature in black ink, appearing to be 'Yershen Pillay', written over a horizontal line.

**Yershen Pillay**  
CHIETA Chief Executive Officer  
30 July 2021

## 5. ORGANISATIONAL STRUCTURE





MEET OUR BOARD



Wezi Khoza  
Board Chairperson



Mosehla Mampho  
Organised Labour



Adri Swart  
Organised Labour



Gerhard Cloete  
Organised Labour



Charles Phahla  
Organised Labour



Steven Mahlangu  
Organised Labour



Isaac Matji  
Organised Employer



Sharmila Govind  
Organised Employer



Geraldine Hewitt  
Organised Employer



Dr Banothile Makhubela  
Organised Employer



Thabo Masombuka  
Organised Employer



Edzisani Daniel Ndou  
Government, Professional  
and Community  
Organisations



Karishma Ramcharan  
Government, Professional  
and Community  
Organisations

## MEET OUR EXECUTIVES



Yershen Pillay  
CEO



Munya Makota  
Acting CFO



Kedibone Moroane  
Executive: Research  
and Skills Planning



Trevor Channing  
Executive: Governance  
and Risk



Ashvir Isseri  
Acting Executive Grants  
& Projects



Jay Moodley  
Executive:  
Corporate Services



Thulani Shabalala  
Executive: ETQA

MEET OUR MANAGERS



Glory Nyathi  
Stakeholder  
Relations Manager



Nkanyiso Mathamba  
Acting Grants Manager



Roger Adriaanse  
Regional Manager:  
Western Cape Region



Princess Moutakoe  
Strategic Projects  
and WIL Manager



Tshikhawe Munyangane  
Acting Finance Manager



Rajen Naidoo  
Regional Manager:  
KwaZulu-Natal and  
Eastern Cape Regions



Tshidi Magonare  
Qualifications  
Design and  
Development Manager



Ronnie Naidoo  
Monitoring and  
Evaluation  
Manager



Joel Mmapulane  
ETQA Manager



Lerato Ramahuta  
Human Resources  
Manager



Bennet Kamanga  
Regional Manager:  
Gauteng and Central  
Regions





# **PART B**

**PERFORMANCE INFORMATION**

# PART B

## PERFORMANCE INFORMATION

## 1. SITUATIONAL ANALYSIS OF THE CHEMICAL INDUSTRY

### INTRODUCTION

The Chemical Industries Sector Education and Training Authority (CHIETA) prepares the Sector Skills Plan (SSP) update annually in accordance with the requirements of the Department of Higher Education and Training (DHET). This plan assists in providing the situational context and sector profile. The policy environment for skills planning for the chemical sector includes the National Skills Development Strategy (NSDS) III, the National Skills Development Plan (NSDP), the National Skills Accord, the National Youth Employment Accord (NYEA), the White Paper for Post School Education and Training, the Quality Council for Trades and Occupations (QCTO) policies, and various regulations such as the grant regulations (released 3 December 2012, Gazette 35940).

Government policies and plans have been developed over the last ten years by various organs of state, many of them overlapping and some being absorbed by others. The two goals that all policies and plans have in common, however, are the stimulation of the South African economy and employment creation.

The National Development Plan (NDP 2030) provides the overall vision and framework for most of the other policies and plans. However, the Industrial Policy Action Plan (IPAP), projects steered by Department of Trade, Industry and Competition (dtic), the National Infrastructure Plan and the Strategic Integrated Projects (SIPs) have a direct bearing on the chemical sector. The NDP emphasises the importance of science and technology as the key to development, innovation being the most important driver of the kind of technology-based growth, associated with higher living standards. The chemical sector is at the forefront of the drive towards an innovation economy and the fourth industrial revolution (4IR), with the improvement of the skills of our workforce being imperative for its achievement.

The information presented in the SSP and the annual report has been drawn from a number of sources. The CHIETA has used the information from workplace skills plans (WSPs) and annual training reports (ATRs) to obtain data on the workplaces in the sector. The format used exceeds the minimum legislated requirements for labour market reporting. Since the 2012/13 mandatory grants cycle, employers have been submitting individual employee records against the organising framework for occupations (OFO) codes (referred to as source data).

The CHIETA adopted the source data approach as the information contained in the WSPs and ATRs is critical in providing detailed baseline statistical information on the sector. The WSPs and ATRs represent more than 70 per cent of employees in the sector. The detailed data submitted enables the CHIETA to undertake a more detailed and accurate analysis of the sector.

This source data was supplemented with other sector specific and national data, such as that from Quantec and the quarterly labour force surveys. Other national data sources used include employment equity reports published by the Department of Labour, the Higher Education Management Information System (HEMIS) and the Technical Vocational Education and Training (TVET) institutions maintained by the DHET.

In addition to the quantitative data sources outlined above, the CHIETA has also undertaken a range of research projects contributing to the overall understanding of the chemical sector. This research is augmented by that conducted by government departments, national research institutions and industry bodies.

More qualitative information used in the SSP update was obtained through consultation with sector stakeholders. The CHIETA has five chambers consisting of employers, trade unions, government departments and critical interest groups. These chambers meet quarterly and play a central role in updating the SSP, skills planning being a core constitutional function of these chambers and forming part of the agenda for regional skills forums. The regional skills forums meet quarterly in Gauteng (for Gauteng and the inland provinces), KwaZulu-Natal, the Eastern Cape and the Western Cape (including the Northern Cape). These regional skills forums are attended by employers, trade unions, private and public education and training providers, critical interest groups and the CHIETA staff.

The annual strategic planning workshop of the Governing Authority sets the organisation's objective and overall direction, where the board gives valuable input into the SSP, skills planning and the organisation's strategy. Specific skills needs, developed through the CHIETA's involvement with government departments, have been factored into the SSP. Over and above sector needs, these include skills needed to support the Department of Trade and Industry (dti), IPAP projects on pharmaceuticals and cosmetics and the hard to fill vacancies (HTFV) needs of the Department of Energy and those related to the chemical sector.

## PROFILE OF THE INDUSTRY

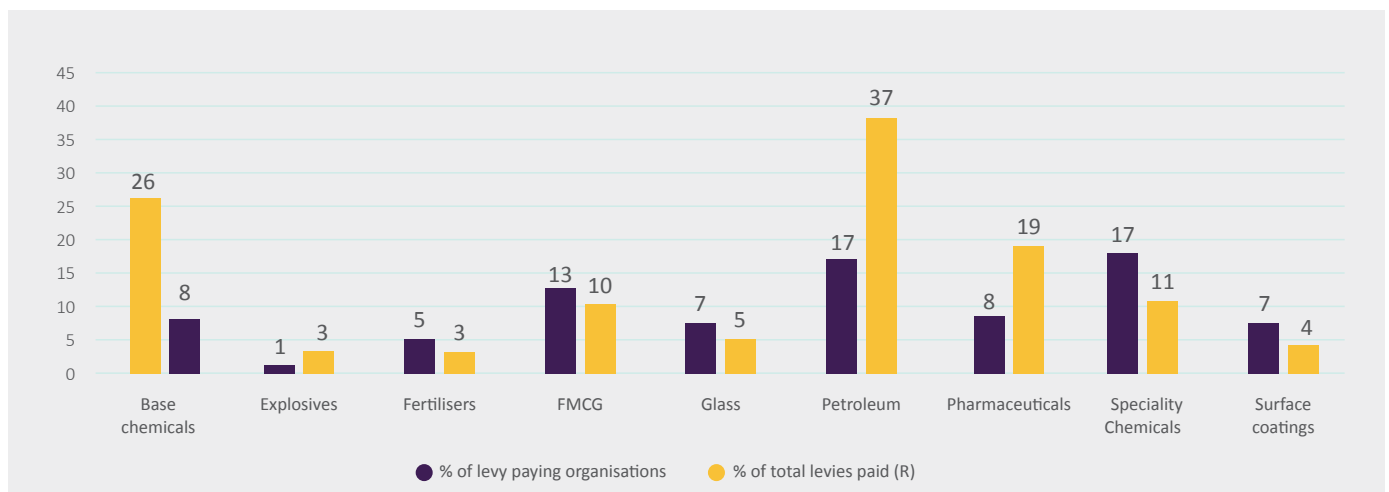
Table 1: Industrial coverage, subsectors and chambers of the chemical industry

SIC Code	Scope of Coverage/Description	Subsector	Chamber
33410	Manufacture of basic chemicals, except fertilisers and nitrogen compounds	Base chemicals	Petroleum and base chemicals
33430	Manufacture of plastics in primary form and synthetic rubber		
34000	Manufacture of other non-metallic mineral products		
41210	Manufacture of industrial gases in compressed, liquefied or solid forms		
33100	Manufacture of coke oven products	Petroleum	
33200	Petroleum refineries/synthesisers		
61410	Wholesale trade in solid, liquid and gaseous fuels and related products		
87140	Industrial research, e.g. fuel		
33501	Chemically-based general household and personal care products	Fast moving consumer goods	Fast moving consumer goods and pharmaceuticals
33541	Manufacture of soap and other cleaning compounds		
33543	Manufacture of beauty products		
33530	Manufacture of pharmaceuticals, medicinal chemicals and botanical products	Pharmaceuticals	
33592	Manufacture of explosives and pyrotechnic products	Explosives	
11600	Production of organic fertiliser	Fertilisers	Explosives and fertilisers
33420	Manufacture of fertilisers and nitrogen compounds		
33421	Manufacture of raw materials and chemical compounds used in agriculture		
33502	Manufacture, sale and/or distribution of diversified speciality chemicals for industrial use	Speciality chemicals	Speciality chemicals and surface coatings
36400	Manufacture of accumulators, primary cells and primary batteries		
33520	Manufacture of paints, varnishes and similar coatings, printing ink and mastics	Surface coatings	
39005	Powder coating		
34110	Manufacture of glass and glass products	Glass	
34112	Manufacture of glass containers, glass kitchenware and tableware, scientific and laboratory glassware, clock and watch glasses and other glass products		

In 2020/21, 2 830 companies paid skills development levies to CHIETA. This was an increase of 16 from the previous financial year. This increase can mainly be attributed to very small companies that started to pay the SDL – possibly due to their payrolls exceeding the levy threshold of R500 000 per year - and companies transferring to CHIETA from other SETAs. The petroleum subsector contributed 37 per cent of the levies paid in 2020/2021 although companies in this subsector only comprised 17 per cent of the total number of levy-paying companies in the chemicals industry (Figure 1.1). The reason for this is the presence of a few very large companies in this subsector.

The employers/entities in the sector include a few strategic state owned companies. These companies play key roles in government strategies to stimulate the local economy. The majority (57 per cent) of the companies in the chemicals industry are classified as either micro or small, 24 per cent are categorised as medium and 19 per cent as large. The high prevalence of micro and small companies in the sector has major implications for the nature of the support which the CHIETA is required to provide to workplaces in relation to skills development.

**Figure 1.1: Subsectoral distribution of levy paying organisations and levy amounts paid: 2020/21**



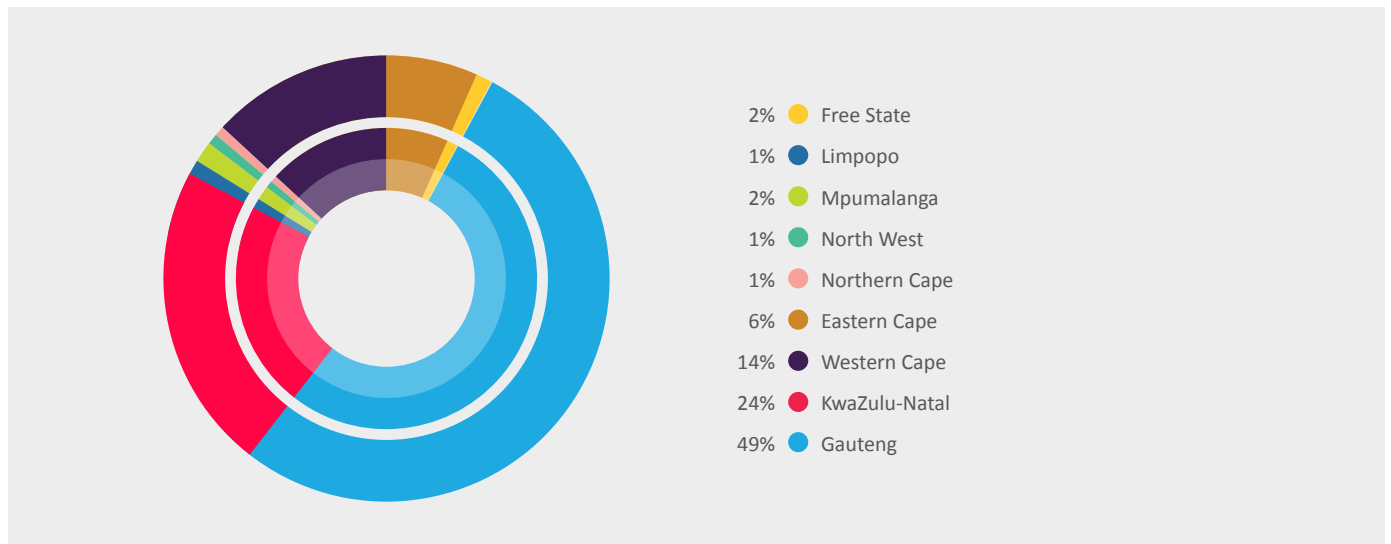
Note: Due to rounding, percentages do not necessarily add up to 100.  
Source: CHIETA's data system, extracted June 2021

<sup>1</sup> This categorisation is based on a combined methodology of employment size as well as the levy amounts paid by organisations in the sector. Micro organisations paid less than R10 000 or have less than 10 employees, small organisations between R10 000 and R99 999 or 10 to 49 employees, medium organisations between R100 000 and R999 999 or 50 to 149 employees, and large organisations paid R 1 mil and above or 150 and above employees.

Figure 1.2 shows that half of the companies that paid levies to CHIETA in 2020/21 were in Gauteng, followed by KwaZulu-Natal, the Western Cape and the Eastern Cape. The rest of the provinces had around 1% of companies. The companies in the Chemicals Industry are mostly located in urban areas.



**Figure 1.2: Provincial distribution of levy paying organisations 2020/21**



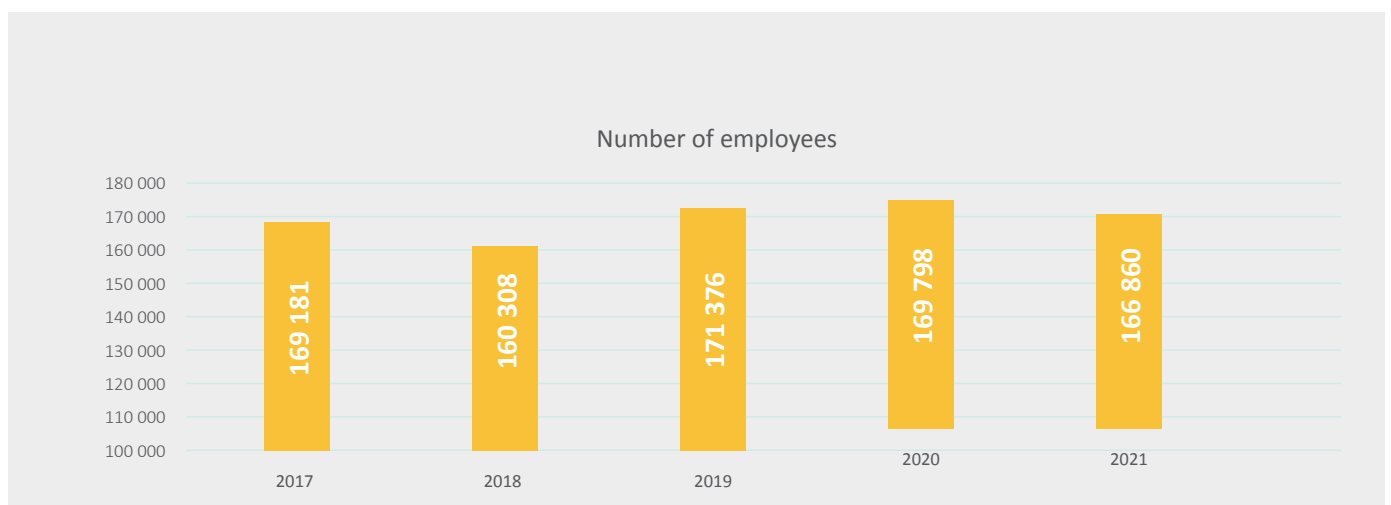
*Note: Due to rounding, percentages do not necessarily add up to 100.  
Source: CHIETA data system, extracted June 2021*

## LABOUR MARKET PROFILE

### EMPLOYMENT IN THE SECTOR

Estimates of total employment in the Chemicals Industry from 2017 to 2021 are shown in Figure 1.3. In 2021, employment decreased by about 2 938 from the previous year to estimated employment of 166 860. This affected the employment trajectory to a -0.3% annual average growth rate over the total period. Due to the pandemic and based on surveys conducted, CHIETA has seen a decrease in employment figures for 2021.

**Figure 1.3: Estimate of total employment in the chemical industry: 2017 – 2021**



*Source: CHIETA source-data system June 2021*

In 2021, the Petroleum Subsector employed the largest contingent of workers in the Chemicals Industry, representing about 24% of the total workforce. The Pharmaceuticals Subsector is the second largest subsector with 15%, followed by Base chemicals (14%), Speciality Chemicals, FMCG (14%), Glass (7%), Surface Coatings (5%) and Fertilisers (4%). The Explosives Subsector employs the lowest number of workers (3%). The CHIETA Stakeholder Survey, which assessed the impact of the pandemic from organisations of various sizes covering all subsectors, revealed that some organisations are implementing retrenchments, while others face indefinite closure.

## PROVINCIAL DISTRIBUTION OF EMPLOYEES

**Table 2: Provincial distribution of employees: 2017 – 2021**

Province	2017	2018	2019	2020	2021
	%	%	%	%	%
Eastern Cape	8	7	8	8	5
Free State	5	6	6	6	3
Gauteng	41	42	40	42	50
KwaZulu-Natal	18	18	18	17	18
Limpopo	1	1	1	1	0
Mpumalanga	13	12	12	7	10
North West	3	3	3	3	1
Northern Cape	0	1	1	1	0
Western Cape	11	11	11	15	11
Total	100	100	100	100	100

Source: CHIETA source-data system, June 2021

The provincial distribution of employees observed over the period 2017 to 2021 is shown in Table 2. In all five years, Gauteng was the province with the largest number of employees followed by KwaZulu-Natal.

## EDUCATIONAL QUALIFICATIONS OF EMPLOYEES

The qualification levels of employees in the Chemicals Industry are shown in Figure 1.4. In 2021, 38% of the employees in the sector had post-matric qualifications (National Qualifications Framework (NQF) Level 5 and above), while 48% held qualifications at NQF Level 4.

**Figure 1.4: Educational qualifications of employees: 2017 – 2021**



Source: CHIETA data system, June 2021.

**OCCUPATIONAL DISTRIBUTION OF EMPLOYEES**

Table 3 shows that the occupational distribution of employees remained more or less the same over the five years from 2017 to 2021, with the exception of clerical support workers and plant and machine operators and assemblers, which experienced an approximate 22% and 12% decrease respectively.

**Table 3: Occupational composition of the chemicals industry: 2017 – 2021**

OFO Major group	2017		2018		2019		2020		2021	
	N	%	N	%	N	%	N	%	N	%
Managers	19 190	11	18 885	12	18 900	11	20 647	12	20 238	12
Professionals	22 416	13	19 794	12	21 375	12	21 432	13	21 470	13
Technicians and associate professionals	29 633	18	28 017	17	34 668	20	35 373	21	34 036	20
Clerical support workers	19 381	11	16 991	11	17 445	10	16 405	10	15 054	9
Service and sales workers	6 795	4	7 026	4	7 533	4	7 932	5	7 312	4
Skilled and related trades workers	12 243	7	12 505	8	12 498	7	13 059	8	12 419	7
Plant and machine operators and assemblers	33 140	20	30 949	19	32 131	19	28 172	17	29 077	17
Elementary occupations	25 289	15	24 647	15	25 481	15	25 445	15	25 985	16
Learners	1 089	1	1 346	1	1 341	1	1 332	1	1 269	1
Unknown	4	0	148	0	4	0	0	0	0	0
<b>Total</b>	<b>169 181</b>	<b>100</b>	<b>160 308</b>	<b>100</b>	<b>171 376</b>	<b>100</b>	<b>169 798</b>	<b>100</b>	<b>166 860</b>	<b>100</b>

Source: CHIETA data system, June 2021.

Note: Because of rounding percentages may not add up to 100.

### AGE, POPULATION GROUP AND GENDER DISTRIBUTION OF EMPLOYEES

Table 4 shows the age distribution of workers in the Chemicals Industry. The youth make just over a third of the workforce in comparison to 7% of those approaching retirement. The youth are in various occupations with the top five being Chemical Production Machine Operator, Visual Merchandiser, Chemical Plant Worker, Chemical Plant Controller, and Packer (Non Perishable Products). There is a small number (5%) of workers who continue to offer their knowledge and experience to the Chemicals Industry after retirement age.

**Table 4: Age distribution of workers in the chemical industry: 2017 – 2021**

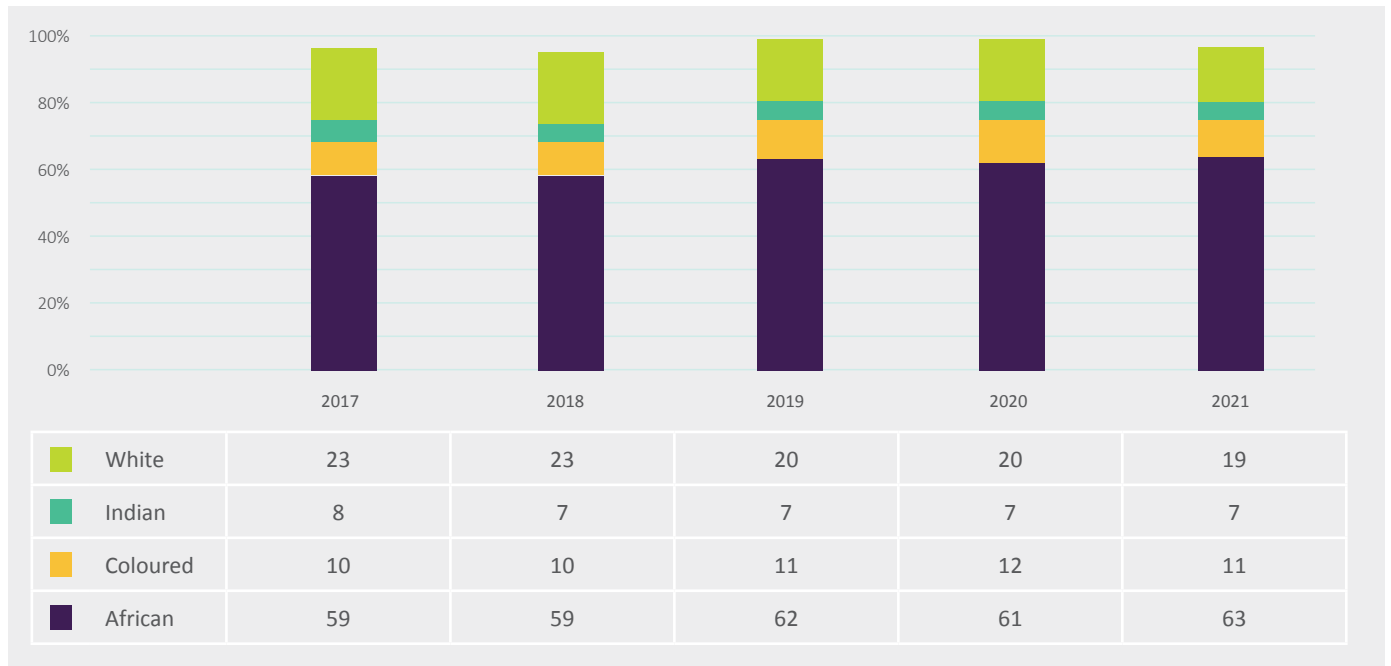
OFO Occupational group	2017		2018		2019		2020		2021	
	N	%	N	%	N	%	N	%	N	%
< 35	66 521	39	61 648	38	64 805	38	63 038	37	58 485	35
36-54	81 541	48	78 472	49	85 313	50	86 248	51	87 588	52
55-59	12 409	7	11 414	7	12 105	7	11 406	7	11 628	7
60+	8 710	5	8 774	5	9 153	5	9 106	5	9 159	5
<b>Total</b>	<b>169 181</b>	<b>100</b>	<b>160 308</b>	<b>100</b>	<b>171 376</b>	<b>100</b>	<b>169 798</b>	<b>100</b>	<b>166 860</b>	<b>100</b>

Source: CHIETA data system, June 2021.

Note: Because of rounding percentages may not add up to 100.

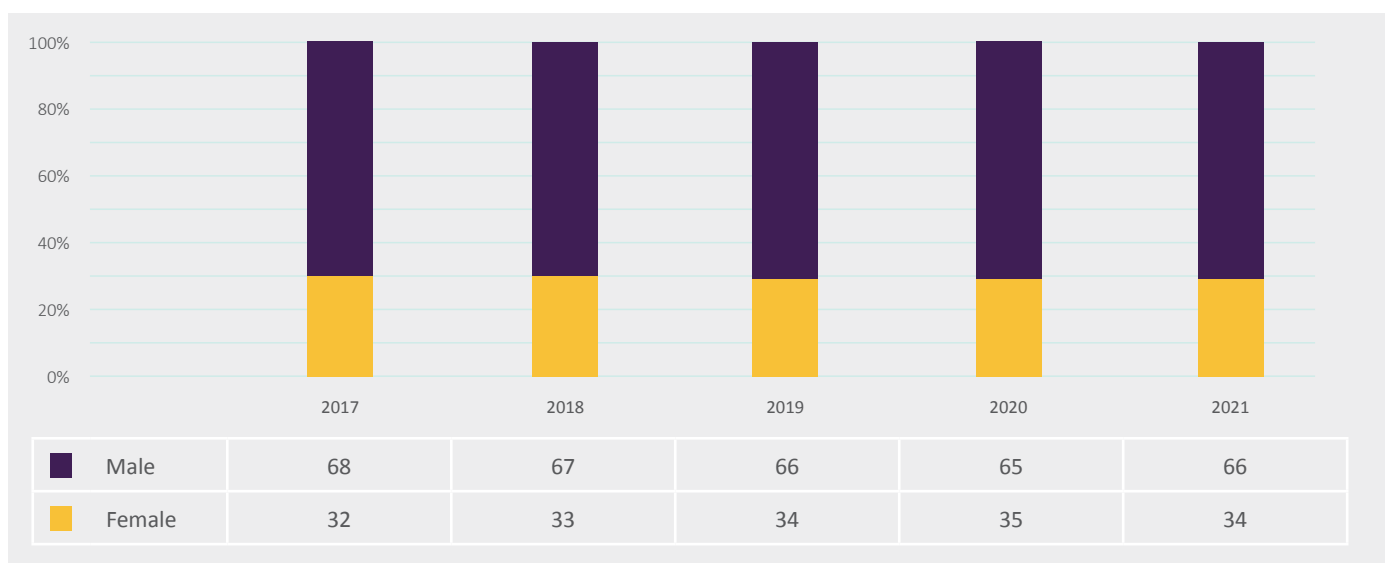
Monitoring of the population group and the gender distribution of employees is important to keep track of employment transformation in the sector. Figure 1.5 shows that the percentage of whites decreased from 23% in 2017 to 19% in 2021, while Africans’ share in employment increased from 59% in 2017 to 63% in 2021. Indians’ employment percentage has been the same for the past 4 years at 7% and Coloureds slightly decreased by one percentage point from 2020 to 2021.

**Figure 1.5: Population group composition of employees in the chemicals industry: 2017 – 2021**



Source: CHIETA data system, June 2021.

**Figure 1.6: Gender composition of employees in the chemical industry: 2017 – 2021**



Source: CHIETA source-data system June 2021

There have been minor changes year-on-year and a lack of tangible gender transformation in the sector.

## PEOPLE WITH DISABILITIES

Table 5 contains a profile of workers with disabilities according to population group, gender and age. The proportion of workers with disabilities over the 2017 to 2021 period has been around 1%. In 2021, there was a 0.1% decrease in workers with disabilities employed in the sector. Females only form approximately a third (34%) of the total workforce, but they constitute close to half (46%) of the workers with disabilities.

**Table 5: Workers with disabilities according to population group, gender and age: 2017 – 2021**

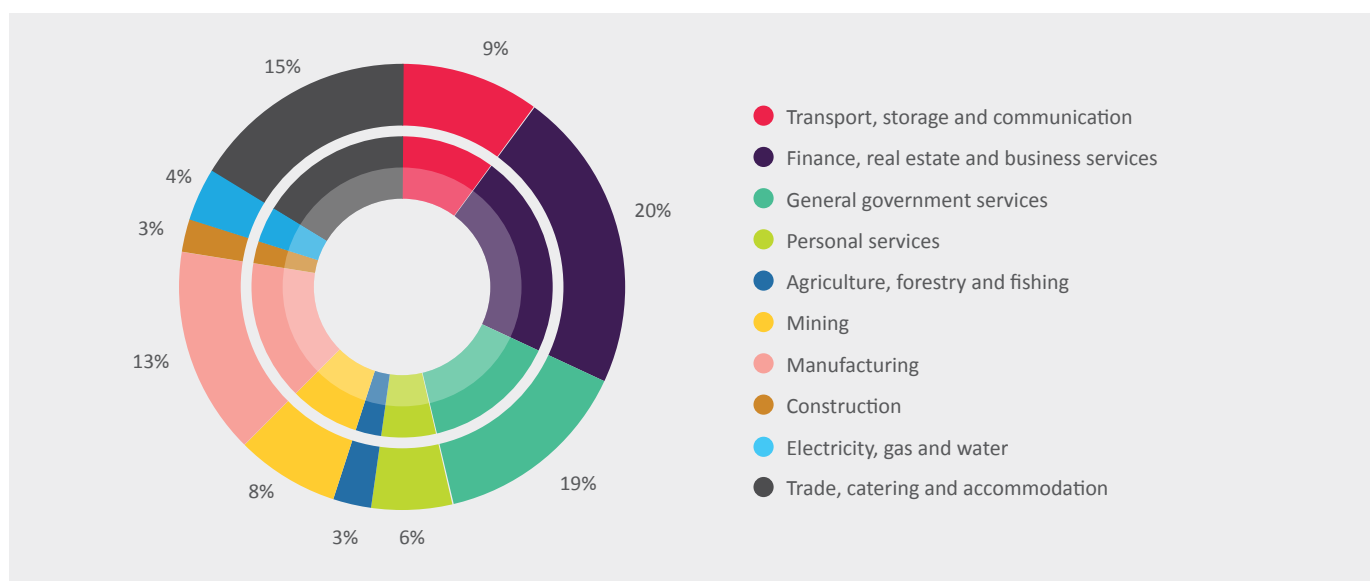
Disabled workers		2017		2018		2019		2020		2021	
		N	%	N	%	N	%	N	%	N	%
Population group	African	751	52	875	56	863	56	1 032	58	1 103	63
	Coloured	250	17	203	13	223	14	231	13	218	12
	Indian	99	7	113	7	113	7	126	7	103	6
	White	338	24	365	23	343	22	406	23	318	18
	Total	1 437	100	1 557	100	1 541	100	1 795	100	1 742	100
		N	%	N	%	N	%	N	%	N	%
Gender	Female	613	43	664	43	668	43	785	44	809	46
	Male	824	57	893	57	873	57	1 011	56	933	54
	Total	1 437	100	1 557	100	1 541	100	1 795	100	1 742	100
		N	%	N	%	N	%	N	%	N	%
Age	16-34	476	33	552	35	510	33	571	32	739	42
	35-54	638	44	711	46	721	47	855	48	688	40
	55-59	167	12	174	11	193	13	192	11	176	10
	60-64	139	10	101	7	94	6	152	8	108	6
	60+	18	1	19	1	23	1	25	1	31	2
	Total	1 437	100	1 557	100	1 541	100	1 795	100	1 742	100
Percentage of total employment			0.8		1.0		0.9		1.1		1.0

Source: CHIETA data system June 2021

## ECONOMIC PERFORMANCE

Figure 1.7 shows a comparison of South African industries' contribution to the gross domestic product (GDP) by looking at GVA at basic prices. In 2020, the Manufacturing Industry was the fourth-largest contributor to GDP. The largest contributor was the Finance, Real Estate and Business Services Industry.

**Figure 1.7: Industries’ share of GDP 2020**



Source: Statistics South Africa, 2020.

In 2020, the Chemicals Industry contributed 2.4% to the total economy and 19% of total manufacturing GVA at basic prices. The Coke and Refined Petroleum Products Subsector contributed 0.7% and the Other Chemicals and Man-made Fibres Subsector contributed 0.8%. The industry was responsible for 18.2% of the country’s imports. The Coke and Refined Petroleum Products Subsector was responsible for 5% of imports and the Other Chemicals and Man-made Fibres Subsector was responsible for 7.6%. At the same time, the Chemicals Industry contributed 7.7% to the country’s exports.

The Chemicals Industry is capital intensive. In 2020, it accounted for 4.8% of the gross fixed capital formation, while contributing only 1.4% of total formal employment and 1.0% of total informal employment in the country, consisting mainly of high-level skills.

**Table 6: The chemicals industry’s contribution to the South African economy: 2020**

Subsector	Gross Value Added	Imports	Exports	Gross Fixed Capital Formation	Employment Formal	Employment Informal
Coke & refined petroleum products	0.7%	5.0%	1.9%	1.4%	0.2%	0.1%
Basic chemicals	0.5%	4.5%	2.6%	1.4%	0.2%	0.1%
Other chemicals & man-made fibres	0.8%	7.6%	2.8%	0.6%	0.5%	0.3%
Glass & glass products	0.1%	0.3%	0.8%	0.8%	0.1%	0.0%
Non-metallic minerals	0.3%	0.8%	0.6%	0.6%	0.4%	0.4%
<b>Total petroleum, chemicals &amp; glass</b>	<b>2.4%</b>	<b>18.2%</b>	<b>7.7%</b>	<b>4.8%</b>	<b>1.4%</b>	<b>1.0%</b>

Source: Quantec

## THE DEMAND FOR SKILLS IN THE INDUSTRY

The skills requirements of the chemical industry have changed gradually over the last few decades. While the demand for low-skilled and semi-skilled workers declined, the need for skilled workers has increased. The chemical sector employs people in 770 different occupations. The largest major group occupation was technicians and associate professionals (34 036), followed by plant and machine operators and assemblers (29 077), elementary occupations (25 985), professionals (21 470), managers (20 238), and clerical support workers (15 054). The rest were in occupations that made less than 9 per cent of the total employment respectively. These were skilled and related trades workers (12 419) and service and sales workers (7 312). Learners and those who were not mapped to occupational titles made up 1 per cent of the total employment.

## THE SUPPLY OF SKILLS TO THE INDUSTRY

The supply of skills is split into two categories, namely new and current. New supply emanates from the output of basic education (TVET colleges and HET institutions) whereas current supply is sourced from the development of skills among those that are already employed in the chemical sector as well as people unemployed but available to work in the industry.

In respect of the new supply to the industry the growth in the average annual output for national diplomas is reported to be -4.0 per cent for diplomas in chemical engineering and 0.2 per cent for first degrees in the same field. The growth rate is evidently insufficient to meet the needs of the national economy in general, and the chemical industry in particular. In order to ensure future growth, it will be necessary to support higher education institutions through a variety of initiatives such as:

- Bridging programmes to promote access and success
- Increased physical and teaching resources to engineering departments
- Programmes that promote workplace training opportunities for students from the universities of technology.

The output from the school system in terms of quantity and quality remains a concern, specifically with regard to school leavers with mathematics and physical science passes becoming engineers, technologists and technicians (at HET level) and artisans (at TVET level). Education levels of the general workforce who enter the chemical sector without previous training are also inadequate. The supply of newly skilled workers from TVET colleges into the chemical industry has traditionally been very limited; however, government's focus on increasing both the quality and quantity of output from these colleges may result in these institutions playing a more significant role in the supply of skills to the industry.

Current supply includes people who are currently employed in addition to those who are unemployed but are available for work. The training and development of the current workforce forms a critical aspect of skills supply and in the annual training reports (ATR) submitted to CHIETA, employers reported that approximately over half of the employees in the chemical industry had received training in 2020.

Since its inception, the CHIETA has developed many interventions and mechanisms to address the skills needs of the industry and to overcome skills shortages. The skills development priorities and plans for the coming five years build on the work carried out in previous years. The CHIETA interventions span the full skills development pipeline and include:

Interventions at school level, particularly in respect of mathematics and science teaching

- Support for TVET colleges
- Support for and co-operation with higher education and training institutions
- Artisan development
- Qualification development
- Quality assurance
- Institutes or centres for training excellence
- HIV/AIDS interventions
- Chamber-specific responses to skills needs
- Partnerships with government departments
- Provincial engagements
- Support for rural learners
- Support for small and micro enterprises
- Recognition of prior learning and PIVOTAL programmes to address critical skills needs.



The CHIETA has also made good progress in the development of a credible mechanism for skills planning. The skills planning processes in the industry include:

- various research projects
- the collection of WSP/ATR data according to individual employee records using CHIETA's source data platform.

The in depth analysis of this data has yielded excellent time series data that is giving the CHIETA an opportunity to analyse trends and impacts a partnerships conference with the aim of expanding and deepening partnerships for the continued impactful skills development interventions for the chemical industry.

## THE SKILLS NEEDS OF THE INDUSTRY

It is important for the CHIETA to monitor mismatches in the sectoral labour market on a continual basis by communicating with employers about the experiences with recruitment and finding the skills that they require. The annual mandatory grant applications (WSPs) provide the SETA with the opportunity to obtain this kind of information from employers across the whole sector in a systematic and consistent manner. For this reason, the grant applications include a table regarding hard to fill vacancies (HTFV) that employers need to complete. The methodology used in compiling the HFTV list is described in the research methodology section at the beginning of the SSP.

As part of their WSP submissions, employers report on occupations for which they have difficulties finding suitable candidates and the number of vacancies that they find hard to fill. In the WSPs submitted in March 2021, 19 per cent of employers reported that they experienced occupational shortages in that they could not find suitable people to fill positions in their organisations. The total number of vacancies reported was 1 156 equating to 0.7 per cent of the total number of positions in the industry. The total number of HTFVs reported in the period 2017 to 2021 is shown in Table 7. The total number of vacancies decreased by half between 2020 and 2021. The number of professional vacancies decreased from 2020 to 2021 by 306. The number of vacancies for skilled craft and related trades workers declined in 2021 by 333 and the number of vacancies for elementary occupations decreased by 151.

On the right-hand side of the table the HTFVs are expressed as a percentage of the total number of positions in the occupational group. The percentage vacancies for managers decreased from 1 per cent in 2020 to 0.9 per cent in 2021. The vacancies for professionals decreased from 2.6 per cent in 2020 to 1.2 per cent in 2021. The vacancy rate for skilled craft and related trades workers (mostly artisans) decreased from 4.3 per cent in 2020 to 2.0 per cent in 2021.

**Table 7: Hard to fill vacancies reported by employers: 2017 - 2021**

Occupational Category	Number of vacancies					Vacancies as % of positions *				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Managers	225	468	338	213	189	1.2	2.4	1,8	1,0	0,9
Professionals	565	946	476	569	262	2.5	4.6	2,2	2,6	1,2
Technicians and associate professionals	313	512	326	395	229	1.0	1.8	0,9	1,1	0,7
Clerical support workers	77	89	62	91	33	0.4	0.5	0,4	0,6	0,2
Service and sales workers	46	202	87	101	44	0.7	2.8	1,1	1,3	0,6
Skilled craft and related trades workers	1076	838	681	592	259	8.1	6.3	5,2	4,3	2,0
Plant and machine operators and assemblers	263	348	253	174	119	0.8	1.1	0,8	0,6	0,4
Elementary occupations	153	129	40	173	22	0.6	0.5	0,2	0,7	0,1
<b>Total</b>	<b>2 718</b>	<b>3 552</b>	<b>2 263</b>	<b>2 312</b>	<b>1 156</b>	<b>1.6</b>	<b>2.2</b>	<b>1,3</b>	<b>1,3</b>	<b>0,7</b>

Note: The total number of positions is determined by the total employment plus the number of hard to fill vacancies reported  
Source: CHIETA data system, June 2021

Although employers identified a total of 157 occupations in which they experienced hard to fill vacancies, the overall impression is that the chemical industry is currently not experiencing major occupational shortages. Occupational shortages are, however, experienced at the specialisation level within key occupations and in certain cases non-specialised occupations that require a certain level of experience. To prioritise the skills that are in short supply in the industry, a shortened list of hard to fill vacancies was developed.

Skills gaps are sometimes linked to a critical element of an occupation. The glass subsector for example, reported that a number of glaziers also needed to be qualified scaffolders as they work extensively on scaffolding and need to take responsibility for their own safety and for that of their co-workers.

Skills shortages were reported across all occupational categories, with subsectors common skills needs being:

- Instructing/leadership (coaching and mentoring)
- Management (financial resources, material resources, personnel resources)
- Complex problem solving
- Professionals in chemistry, engineering, and sales of industrial and pharmaceutical products
- Digitalisation, automation and problem-solving skills
- Critical thinking
- Time management
- Technicians that can work at the level of chemical plant coordinators
- Operations (control, monitoring, and analysis)
- Judgement and decision making
- Quality control analysis
- Mathematics (basic maths computing)
- Speaking (communication), writing, and reading comprehension

The industry has to compete for some of these skills with other manufacturing sectors and is also affected by national skills shortages. Apart from skills shortages, other skills need to be addressed, including a number of cross-cutting and general skills (critical skills), many of which involve large portions of the existing workforce. These skills include:

- Core chemical skills including specialist/contextual knowledge, artisan and management development particularly in relation to historically disadvantaged individuals (HDIs)
- Professional skills
- Environmental skills
- Health and safety
- Foundational learning
- Recognition of prior learning
- New and emerging skills
- New technology and research

It is important that the CHIETA and industry work together in solving the skills challenges of the industry. The CHIETA continues to support the development of artisanal and other skills related to the occupations identified for SIPS.

## 2. ORGANISATIONAL PERFORMANCE REPORT FOR 2020/21

The CHIETA Governing Board mandated the CHIETA Strategic Plan 2020-2025 and 2020/21 Annual Performance Plan with clear performance targets defined in Four (4) specific Performance Programmes. In terms of governance and organisational performance management principles, CHIETA Management reports quarterly and annually to the CHIETA Governing Board on actual organisational performance against pre-determined targets in order to assist the Governing Board in discharging of their oversight function in a responsible and pro-active manner.

The performance report and performance scorecard is structured in direct correlation with the adjusted CHIETA Strategic Plan and Annual Performance Plan (APP) 2020/21 approved by the Executive Authority, in response to the four months skills levy holiday announced by the President of South Africa early in the 2020/21 financial year. The report reflects the four (4) CHIETA Performance Programmes, relevant performance indicators and annual performance targets against the actual performance achievement for the financial year.

**As indicated the performance dashboard/score card illustrate actual performance against the annual pre – determined performance targets and in accordance with the under mentioned robot system namely:**

**The performance dashboard illustrate actual performance against the annual pre–determined performance targets on the undermentioned robot system namely:**

1. An **amber robot** indicates actual performance that was below the annual target set for the financial year.
2. A **green robot** indicates achievement or exceeding of the annual target set for the financial year.

Explanatory comments are also provided in the performance dashboard against each reported performance indicator to provide further context to the reported performance information.

**The under mentioned table indicates a green CHIETA Baseline achievement against each of the four (4) CHIETA Performance Programmes in the CHIETA Annual Performance Plan 2020/21.**

CHIETA STRATEGIC PROGRAMMES BASELINE PERFORMANCE DASHBOARD COMPARATIVE							
Programme number	Strategic Programme	2020/21 Target	Actual Achievement 2020/21	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2020/21	Percentage Achieved	Status 2020/21
Programme 1	Administration	31	44	34	13	142%	
Programme 2	Research and Skills Planning	625	626	836	1	100%	
Programme 3	Occupationally directed programme	6 257	8 424	17 820	2 117	134%	
Programme 4	ETQA	506	558	671	52	110%	
<b>TOTAL CHIETA BASELINE ACHIEVEMENT</b>		<b>7 419</b>	<b>9 651</b>	<b>19 361</b>	<b>2 232</b>	<b>129%</b>	

Green indicates actual achievement or performance exceeding the annual target.

Baseline targets are calculated on the collective target and actual achievements of all the performance indicators within a specific Performance Programme. With specific reference to Performance Programme three (3) on Occupationally Directed Programmes being in a green baseline status, four (4) individual performance indicators in the programme are however reported in an amber status.

These four performance indicators relate to employed and unemployed learner continuation bursaries and candidacy programme learners entered and completed.

Out of a total of **seventy-seven (77) performance indicators, CHIETA achieved or exceeded seventy-three (73) indicators at a performance percentage of 94.8% for the financial year under reporting.**

## **ANALYSIS OF LEARNERS PARTICIPATING IN LEARNING PROGRAMMES**

A total of **8374** learners participated in all learning programmes in 2020/21 demarcated as follows namely:

Employed learners made up **2578 (31%)** and unemployed learners **5776 (69 %)** of the total number of learners supported.

- Total male learners participating in learning programmes were **5265 (63%)**, while **3109 (37 %)** were female learners.
- People living with disabilities comprised **185** learners representing **2.2 %** of the total number of learners supported.
- The number of youths participating in all learning programmes was **4236** representing **51 %** of the total number of learners supported.
- The number of learners from TVET Colleges was **1683** representing **20 %** of the total number of learners supported.
- The number of learners from Rural Districts was **5078** representing **61%** of the total number of learners supported.
- A total of **82** SMMEs were supported to sustain their Small and Medium Enterprises on learning programmes.

## **1. DISCUSSIONS/DELIBERATIONS**

### **PROGRAMME 1: ADMINISTRATION**

This programme focuses on sound governance, risk and financial management in support of the execution of the CHIETAs Skills Development mandate in an accountable, ethical and transparent manner. Effective governance oversight from the CHIETA Accounting Authority impacted positively on the achievement of the targets of not only this programme but on all four (4) Performance Programmes of CHIETA.

The adjusted Administrative Budget threshold for the financial year has also been approved by the Minister of Higher Education, Science and Technology and subsequently implemented.

In accordance with the requirements of the Public Finance Management Act, the CHIETA has sustained an effective organisational wide Risk Management Framework to pro-actively mitigate organisational risks preventing CHIETA from achieving its contracted Organisational Performance deliverables.

The CHIETA conducts risk assessments (both strategic and operational) on an on-going basis to identify opportunity risks as well as new and emerging risks that may impact negatively on service delivery capacity and the realisation of pre-determined objectives. These risks are monitored frequently so as to ensure the effective implementation of associated risk mitigation strategies. The CHIETA has a fully functional Risk Management Steering Committee, which assists the CHIETA governance structures, CHIETA CEO and management with their oversight role on risk management.

The status of the programme is in a **green status with a baseline achievement of 142%**.

## PROGRAMME 2: RESEARCH AND SKILLS PLANNING

This programme reports on performance indicators relating to specific research and skills planning interventions in support of the CHIETA Sector Skills Plan, track and trace system for learners and relevant research reports. Two (2) research reports inclusive of research partnerships, one (1) research report identifying the skills needs of small and emerging enterprises and one (1) impact study were achieved for the year under review.

The status of the programme is in a **green status with a baseline achievement of 100%**.

## PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMMES

This programme reflects primarily the DHET Service Level Agreement targets that CHIETA reports quarterly to the Department of Higher Education and Training. This is the largest CHIETA performance programme with recurring quarterly targets being reported on throughout the financial year. This programme is designed to provide optimal access and delivery on learning programmes that will contribute to the production of high-level priority skills in support of the Chemical Industry in partnership with Industry, Institutions of Higher Learning and TVET colleges in pursuit of sustainable employment, entrepreneurship and economic growth.

The performance targets are mainly categorised for employed and unemployed learners entered and certified in inter alia the following indicators:

- Learnerships
- Bursaries
- Internships
- Skills Programmes
- Artisans
- Centres of Specialisation
- Candidacy Programmes
- Recognition of Prior Learning
- TVET College/ University Programmes
- Youth and Adult Language Numeracy skills
- Support to Coops, Small Enterprises, NGOs, CBCs and CBOs
- Support to SMME's
- Career and Vocational Guidance
- Medium Term Government Strategic Priorities & Rural Development Projects
- Maintaining and operationalising the two (2) CHIETA TVET College offices

The status of the programme is in a **green status with a baseline achievement of 134%**.

## PROGRAMME 4: ETQA

This performance programme is primarily concerned with quality standards around the implementation of CHIETA skills development interventions and focuses on reportable indicators such as workplace approvals, skills development provider programmes, assessors and moderator's registration/accreditation, assessment sites approved for learnerships and skills programmes, external integrated summative assessment tools and qualification /skills programme development and review.

The status of the programme is in a **green status with a baseline achievement of 110%**.

**PROGRAMME 1 ADMINISTRATION - Strategic Objective: A disciplined and transparent functioning of CHIETA business, financial and governance frameworks**

Performance Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target (Annual Target after re-Tabling)	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Revisions to Outputs/Output Annual Targets
1.1.1 Maintaining an unqualified Audit Report at the end of the financial year 2020/21.	1	1	1	1	0	0	100%	😊	Unqualified audit opinion received from the AGSA.	No Revision of Target.
1.1.2 Ensuring the effective functioning of the CHIETA 5 Governance and Constitutional structures.	27	27	24	24	37	13	154%	😊	Target exceeded as per scheduled Governance Meetings and engagements. Special Governing Board & EXCO Meetings were arranged to further strengthen Governance oversight on key organisational areas.	No Revision of Target.
1.1.3 Ensuring the planned CHIETA annual admin budget to be a 10% reduction.	1	1	1	1	1	0	100%	😊	Target achieved as per the adjusted APP budget approved by the Executive Authority.	No Revision of Target.
1.1.4 Effective functioning of CHIETA Risk Management Framework: One Framework.	1	1	1	1	1	0	100%	😊	Target achieved through the maintaining of a CHIETA Strategic Risk Management Framework inclusive of strategic risk registers and cross functional business unit risk registers.	No Revision of Target.
1.1.5 Providing 4 Governance Charter Reports.	4	4	4	4	4	0	100%	😊	Target achieved through quarterly submissions and verifications by DHET.	No Revision of Target.
<b>Baseline</b>	34	34	31	31	43	13	139%	😊	<b>Baseline Target Exceeded</b>	





PROGRAMME 2: RESEARCH AND SKILLS PLANNING - Strategic Objective: Implementing a total number of 625 interventions in support of a quality SSP										
Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target (Annual Target after re-tabling)	Actual Achievement 2020/21	Deviation from Planned Target to Actual for 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Revisions to Outputs/ Output Indicators/ Annual Targets
2.1.1	1	1	1	1	1	0	100%		Target Achieved.Online evaluation of WSPs & ATRs provided a credible analyses and report.	No Revision of Target.
2.1.2	5	6	1	1	2	1	200%		Target Exceeded.This was supported through credible and independent research undertaken as per the Research Agenda of the CHIETA in 2020/21.	No Revision of Target.
2.1.3	9	9	9	9	9	0	100%		Target Achieved.The commitment to scheduled Chamber Meetings/ Workshops and input from Chamber Subject Matter Experts enabled the achievement of this target.	No Revision of Target.
2.1.4	1	1	1	1	1	0	100%		Target Achieved.The Skills Supply and Demand Database that matches supply of learners looking for placement and the learner demand of industry. The platform allows for the successful tracking and tracing of these learners.	Revision based on National Priorities.
2.1.5	1	1	1	1	1	0	100%		Target Achieved.This is the result of all Chamber activities to provide a credible Sector Skills Plan.	Targets Revised due to Skills Levy Holiday.
2.1.6	7	4	0	0	0	0	0%		No Target set due to Skills Levy Holiday.	Targets Revised due to Skills Levy Holiday.

**PROGRAMME 2: RESEARCH AND SKILLS PLANNING - Strategic Objective: Implementing a total number of 625 interventions in support of a quality SSP**

Performance Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target (Annual Target after re-Tabling)	Actual Achievement 2020/21	Deviation from Planned Target to Actual for 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Revisions to Outputs/ Output Indicators/ Annual Targets
2.1.7	0	0	0	0	0	0	0%	🟢	No Target set due to Skills Levy Holiday.	Targets Revised due to Skills Levy Holiday.
2.1.8	0	0	0	0	0	0	0%	🟢	No Target set due to Skills Levy Holiday.	Commitment to support continuing learners.
2.1.9	0	0	1	1	1	0	100%	🟢	Target Achieved.	Target revised due to the uncertainty of HET Institutions opening.
2.1.10	120	129	120	120	120	0	100%	🟢	Target Exceeded through the Regional online Skills Forums were conducted to ensure participation from large firms.	Targets Revised due to Skills Levy Holiday.
2.1.11	170	245	170	170	170	0	100%	🟢	Target Exceeded through the Regional online Skills Forums were conducted to ensure participation from medium firms.	Targets Revised due to Skills Levy Holiday
2.1.12	320	439	320	320	320	0	100%	🟢	Target Exceeded through the Regional online Skills Forums were conducted to ensure participation from small firms.	Targets Revised due to Skills Levy Holiday.
2.1.13	1	1	1	1	1	0	100%	🟢	Target Achieved.	No Revision.
<b>Baseline</b>	<b>635</b>	<b>836</b>	<b>625</b>	<b>625</b>	<b>626</b>	<b>1</b>	<b>100%</b>	🟢	<b>Baseline Target Exceeded</b>	<b>No Revision</b>








PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME: Strategic Objective - Optimal access and delivery on Occupationally Directed Programmes: Ensuring 6257 learners are participating in Occupationally Directed Programmes										
Performance Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target (Annual Target after re-Tabling)	Actual Achievement 2020/21	Deviation from Planned Achievement for 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Revisions to Outputs/ Output Indicators/ Annual Targets
3.1.1	0	0	62%	62%	62%	0	100%	😊	Target Achieved.	No Revision of Target.
3.1.2	0	0	37%	37%	37%	0	100%	😊	Target Achieved.	No Revision of Target.
3.1.3	0	0	1%	1%	1%	0	100%	😊	Target Achieved.	No Revision of Target.
3.1.4	0	0	20	40	40	0	100%	😊	Target Achieved.	Revision based on National Priorities.
3.1.5	1570	1150	1000	514	574	60	112%	😊	Annual Target Exceeded due to the acceleration of concluding outstanding Learnership agreements for reporting in Q4.	Targets Revised due to Skills Levy Holiday
3.1.6	840	509	500	385	415	30	108%	😊	Annual Target Exceeded. ETOA Certification processes were accelerated to certificate all outstanding learners in the pipeline awaiting their certificates.	Targets Revised due to Skills Levy Holiday.
3.1.7	98	109	97	0	24	24		😊	No target set due to the skills levy holiday and uncertainty of HET Institutions completing the curriculum within the academic year. The pipeline of 24 Bursary students that were enrolled through CHIETA Employers were reported.	Targets Revised due to Skills Levy Holiday
	0	0	0	219	38	-181	17%	😞	Employers did not apply for continuing bursaries due to COVID 19.	Commitment to support continuing learners.

PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME: Strategic Objective - Optimal access and delivery on Occupationally Directed Programmes: Ensuring 6257 learners are participating in Occupationally Directed Programmes										
Performance Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target after re-Tabling)	Actual Achievement 2020/21	Deviation from Planned Target to Actual for 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Revisions to Outputs/ Output Indicators/ Annual Targets
3.1.8 Employed Bursars complete their studies.	69	50	45	0	16	16			No target set due to the skills levy holiday and uncertainty of HET Institutions completing the curriculum within the academic year . The pipeline of 16 Bursary students that were enrolled completed their levels of qualifications.	Target revised due to the uncertainty of HET Institutions opening.
3.1.9 Enrolling 100 Employed Skills Programme entered.	3018	2260	1000	100	339	239	339%		Annual Target Exceeded. This is because Employees participated on several unit standards skills programmes to eventually complete a qualification. This was a preferred option of training on these short courses due to COVID -19. Most of these were unit standard based credits that lead to Skills Programmes. This was participated through the Discretionary Grants Funding Window.	Targets Revised due to Skills Levy Holiday.
3.1.10 50 Employed learners are certificated on skills Programmes.	1525	1020	500	50	241	191	482%		Annual Target Exceeded. Employers were able to certificate more of their employees through the accelerated certification processes and backlog and also due to the backlog of learners forthcoming from the Regional pipelines for certification.	Targets Revised due to Skills Levy Holiday.
3.1.11 Enrolling 480 on Artisan programmes.	1751	1740	1230	480	940	460	196%		Annual Target exceeded due to the backlog of learners enrolled by Training Providers on artisan programmes in the second and third quarters. 300 of these learners were sector funded.	Targets Revised due to Skills Levy Holiday

PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME: Strategic Objective - Optimal access and delivery on Occupationally Directed Programmes: Ensuring 6257 learners are participating in Occupationally Directed Programmes										
Performance Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target after re-tabling)	Actual Achievement 2020/21	Deviation from Planned Target to Actual for 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Revisions to Outputs/ Output Indicators/ Annual Targets
Enrolling 120 continuing learners on Artisan programmes for Centres of Specialisation.	120	140	120	120	140	20	117%		Target Exceeded. CHIETA increased its support to 5 COS TVET Colleges.	No Revision.
	0	0	0	0	0	0			No target set due to the skills levy holiday.	No Revision.
3.1..12 413 learners are certified on completion of their Artisan qualification.	797	675	615	413	570	157	138%		Annual Target Exceeded. This was due to the QCTO Acceleration Certification process.	Targets Revised due to Skills Levy Holiday.
3.1.13 Enrolling Unemployed bursary holders.	65	65	60	0	30	30			No target set due to the skills levy holiday due to the uncertainty of HET Institutions completing their curriculum within the academic year. The pipeline of 30 Bursary students that were enrolled through CHIETA Employers and were reported through the Strategic Projects.	Target revised due to the uncertainty of HET Institutions opening.
585 continuing unemployed bursaries.	0	0	0	585	444	-141	76%		Employers did not apply for continuing unemployed bursaries due to COVID 19.	Commitment to support continuing learners.
3.1.14 Unemployed bursary holders are certificated on completion of their qualification.	35	35	30	0	36	36			No target set due to the skills levy holiday. 34 Bursary students were reported on completion of their levels of qualifications emerging from regional pipelines	Targets Revised due to Skills Levy Holiday.

**PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME: Strategic Objective - Optimal access and delivery on Occupationally Directed Programmes: Ensuring 6257 learners are participating in Occupationally Directed Programmes**








Performance Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target (Annual Target after re-Tabling)	Actual Achievement 2020/21	Deviation from Planned Target to Actual for 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Revisions to Output Indicators/ Annual Targets
3.1.15 Enrolling learners on RPL.	975	605	600	0	78	78			No target set due to the skills levy holiday. 47 RPL learners were certificated from the regional pipelines.	Targets Revised due to Skills Levy Holiday.
3.1.16 Learners are certificated on RPL..	0	0	300	0	47	47			No target set due to the skills levy holiday. 47 RPL learners were certificated from the regional pipelines.	Targets Revised due to Skills Levy Holiday.
3.1.17 Number of SETA/ Employer partnerships established	173	145	170	85	85	0	100%		Annual Target Achieved.	Targets Revised due to Skills Levy Holiday
3.1.18 Enrolling learners on Work Integrated Learning (HET) programmes.	175	107	170	0	62	62			No target set due to the skills levy holiday. 62 HET WIL learners were reported from the regional pipelines.	Targets Revised due to Skills Levy Holiday.
3.1.19 Learners are certificated on completion of their Work Integrated Learning (HET) programmes.	96	50	85	0	105	105			No target set due to the skills levy holiday. 105 HET WIL learners completed WIL from the regional pipelines.	Targets Revised due to Skills Levy Holiday.
3.1.20 Enrolling unemployed learners to enter internships/ workplace experience programmes.	588	695	320	0	0	0	0%		No target set due to the skills levy holiday.	Targets Revised due to Skills Levy Holiday.
3.1.21 Unemployed learners are certificated on completion of internships/ workplace experience programmes.	317	345	160	0	0	0	0%		No target set due to the skills levy holiday.	Targets Revised due to Skills Levy Holiday.

PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME: Strategic Objective - Optimal access and delivery on Occupationally Directed Programmes: Ensuring 6257 learners are participating in Occupationally Directed Programmes										
Performance Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target (Annual Target after re-Tabling)	Actual Achievement 2020/21	Deviation from Planned Target to Actual 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Output Revisions/ Output Indicators/ Annual Targets
3.1.22 Enrolling 100 Unemployed learners on skills programme.	2048	1015	2000	100	154	54	154%		Target Exceeded due to the regional pipelines . Outstanding enrolment forms from Employers and Providers were accelerated for capturing and reporting in Q4.	Targets Revised due to Skills Levy Holiday.
3.1.23 50 Unemployed learners are certificated on skills programmes.	1080	506	1000	50	186	136	372%		Target Exceeded due to the regional pipelines. Statement of results were accelerated from Employers and Providers for capturing for certification.	Targets Revised due to Skills Levy Holiday.
3.1.24 Enrolling 1845 learners to enter Learnships programmes.	3434	3032	1500	1845	1959	114	106%		Target Exceeded.Outstanding Learnership agreements were accelerated from Regional Offices for capturing and reporting in Q4.	Support to continuing learners and CHIETA Priorities.
3.1.25 923 Unemployed learners are certificated (Non – Artisan) on Learnership Programmes.	1662	1515	750	923	1175	252	127%		Target Exceeded.Outstanding Learnership agreements rejections were corrected and returned to CHIETA ETQA for certification, were accelerated from Regional Offices for capturing and reporting in Q4.	Support to continuing learners and CHIETA Priorities.
3.1.26 Enrolling 30 learners on Candidacy programmes.	33	31	30	30	49	19	163%		Target not achieved. DG MoAs was received late from stakeholders and was dated in the 2021/22 financial year.	No Revision.
3.1.27 15 learners are certificated on Candidacy Programmes for completion after 3 years.	0	16	15	15	15	0	100%		Target not achieved. Candidates will be certificated at the end of 2021/22 for the full qualification.	No Revision.

**PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME: Strategic Objective - Optimal access and delivery on Occupationally Directed Programmes: Ensuring 6257 learners are participating in Occupationally Directed Programmes**

Performance Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target (Annual Target after re-tabling)	Actual Achievement 2020/21	Deviation from Planned Target to Actual for 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Output/ Revisions to Output Indicators/ Annual Targets
3.1.28 2 SETA offices established and maintained in TVET colleges.	2	2	2	2	2	0	100%	😊	Target Achieved.	No Revision.
3.1.29 Number of centres of specialisation.	0	0	4	4	4	0	100%	😊	Target Achieved.	No Revision.
3.1.30 60 TVET lecturers enrolled on skills programmes.	84	82	60	60	64	4	105%	😊	Target Exceeded. CHIETA partnerships with TVET Colleges increased participation of TVET Lecturers.	No Revision.
3.1.31 TVET managers receiving training on curriculum related studies.	0	0	0	0	0	0	0%		No target set due to the skills levy holiday.	No Revision.
3.1.32 Enrolling TVET College lecturers for bursaries.	0	0	5	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.33 TVET College infrastructure development support (Equipment/ Workshops).	0	0	1	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.34 CET College lecturers enrolled on skills programmes.	0	0	20	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.

PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME: Strategic Objective - Optimal access and delivery on Occupationally Directed Programmes: Ensuring 6257 learners are participating in Occupationally Directed Programmes										
Performance Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target after re-Tabling	Actual Achievement 2020/21	Deviation from Planned Achievement for 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Revisions to Outputs/Annual Targets
3.1.35 CET College infrastructure development support (Equipment/Workshops).	0	0	1	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.36 CET learners enrolled on AET programmes.	0	0	50	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.37 12 TVET College partnerships established.	18	23	12	12	16	4	133%	😊	No target set due to the skills levy holiday.	No Revision.
3.1.38 HEI partnerships established.	7	0	4	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.39 CET partnerships established.	0	0	2	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.40 TVET students requiring Work Integrated Learning.	901	852	300	0	103	103		😊	No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.41 TVET students complete their Work Integrated Learning.	456	547	150	0	209	209		😊	No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.42 Worker initiated training interventions are entered.	5	6	5	1	2	1	200%	😊	No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.43 Co-ops participating on learning programmes.	40	46	50	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.

PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME: Strategic Objective - Optimal access and delivery on Occupationally Directed Programmes: Ensuring 6257 learners are participating in Occupationally Directed Programmes										
Performance Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target (Annual Target after re-tabling)	Actual Achievement 2020/21	Deviation from Planned Target to Actual for 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Revisions to Outputs/ Output Indicators/ Annual Targets
3.1.44	122	121	130	10	10	0	100%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.45	54	55	80	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.46	0	0	20	20	32	12	160%		No target set due to the skills levy holiday.	No Revision.
3.1.47	7	6	5	1	2	1	200%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.48	0	6	5	1	1	0	100%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.49	0	0	10	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.50	0	0	3	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.51	11	12	10	0	0	0	0%		No target set due to the skills levy holiday.	No target set due to the skills levy holiday.
3.1.52	260	160	250	112	131	19	107%		No target set due to the skills levy holiday.	Support to continuing learners and CHIETA Priorities.
3.1.53	230	87	125	80	86	6	108%		No target set due to the skills levy holiday.	Support to continuing learners and CHIETA Priorities.
<b>Baseline</b>	22 666	17 820	13 621	6 257	8 374	2 167	134%		<b>Baseline Target Exceeded</b>	



PROGRAMME 4: ETQA / Quality Assurance -Strategic Objective: Ensure the sustainability of Chemical Industry accreditation of Service Providers, curriculum development of qualifications and sustaining effective certification processes :Accreditation and management of CHIETA Training Providers ,Moderators & Assessors											
Performance Indicator	2020/21 Target	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/20	Annual Target before re-tabling	2020/21 Target after re-tabling (Annual Target)	Actual Achievement 2020/21	Deviation from Planned Target to Actual 2020/2021	Percentage Achieved	Status 2020/21	Comments	Reasons for Revisions to Outputs/ Output Indicators/ Annual Targets
4.1.1	A total number of 75 workplaces to be approved.	82	81	75	75	76	1	101%		Target Exceeded.	No Revision of Target.
4.1.2	250 Skills Development Provider are accredited, re-accredited and monitored and Quality Assurance of learner achievements conducted per learning intervention.	419	393	250	250	266	16	106%		Target Exceeded.	No Revision of Target.
4.1.3	175 Assessors and Moderators registered.	238	197	175	175	207	32	118%		Target Exceeded.	No Revision of Target.
4.1.4	No. of Assessment sites/ centres approved for learnership and skills programmes.	0	0	1	1	1	0	100%		Target Achieved.	No Revision of Target.
4.1.5	Number of EISA tools developed.	0	0	4	4	6	2	150%		Target Exceeded.	No Revision of Target.
4.1.6	Number of qualifications /skills programmes developed/reviewed.	0	0	1	1	2	1	200%		Target Exceeded.	No Revision of Target.
	<b>Baseline</b>	739	671	506	506	558	52	110%		<b>Baseline Target Exceeded</b>	





# PART C

RESEARCH AND SKILLS PLANNING

# PART C

## RESEARCH AND SKILLS PLANNING

The Research and Skills Planning business unit exists to ensure a strategic, systematic, and coordinated Skills Planning effort in the industry to enable skills development interventions that are relevant and contribute to the National and Global Competitiveness of the South African Chemical Industry. Through its research, planning, development, monitoring and evaluation role, the business unit manages the processes that inform and underpin the credibility, understanding and implementation of the skills development strategy by the Board and Executive Management of the CHIETA.

This is done through the skills development planning tool for the Chemical Industry articulating sector realities and needs and agreed sector strategies to address skills need. The unit also plays a role of the Development Quality Partner (DQP) thereby facilitating the design and development of occupational qualifications to address the skills needs identified during the skills planning processes within the chemical sector.

The unit is made up of the following key performance unit areas:

- Planning, Monitoring and Evaluation
- Research Projects
- Qualifications Design and Development
- Subsector stakeholder engagements

### INTRODUCTION

The introduction of the National Skills Development Strategy (NSDS) III in 2011 placed greater emphasis on research and analysis. The strategy also mandated SETAs to become authoritative voices on skills planning in their respective industrial sectors. As a result, CHIETA formally established and capacitated the then Research and Skills Planning unit to ensure alignment to the strategic guidance document. In so doing it recognised the importance of sound research in guiding decision making.

Research within CHIETA and the industry is critical in skills planning, stakeholder engagement, consultation, the identification of needs, and setting of priorities. One of the goals of the National Skills Development Plan (NSDP) is to ensure that South Africa has adequate, appropriate and high quality skills that contribute towards economic growth, employment creation and social development. Central to the realisation of this goal is the need for quality and timely data and information from the industry. This data can then

be analysed and supplemented by credible research that will address skills needs and priorities, and a strategic direction for the sector. The research undertaken by CHIETA is guided by its research policy framework and strategic research agenda, both of which are approved by the Accounting Authority. The purpose of this policy framework and research agenda is to guide the implementation of research in areas of strategic importance.

The five research themes identified in the strategic research agenda are:

- Core labour market research
- Technical Vocational Education and Training (TVET) including Work integrated learning (WIL)
- Impact assessment
- Sustainability and socio-economic development and
- Other

### THE ROLE OF GOVERNANCE STRUCTURES IN SKILLS PLANNING

Skills planning, together with the development and finalisation of the Sector Skills Plan (SSP) update, Strategic Plan (SP) and Annual Performance Plan (APP), are key elements of the governance structures of CHIETA and its stakeholder constituencies. The strategic direction for CHIETA is set by the Accounting Authority, which provides effective leadership to ensure that CHIETA implements the goals/outcomes of the NSDP and its performance agreement with the Minister. The Accounting Authority's Governance and Strategy Committee (GSC) oversees the skills planning and reporting processes.

The GSC's responsibilities include:

- Overseeing CHIETA's SSP process and research agenda.
- Informing and guiding CHIETA on relevant Hard- To-Fill Vacancies (HTFV) and sectoral priority skills for the chemical industry.
- Overseeing CHIETA's strategic planning process in terms of its strategic focal areas in support of the SSP, also based on industry needs, and
- Overseeing organisational performance and monitoring of deliverables against the SSP, SP and APP.

The Accounting Authority has delegated the approval of CHIETA's SSP to the Chairperson of the GSC. Subsequent governing board meetings ratify decisions made in terms of this delegated authority. As the process unfolds the governing board ratifies

and approves SSP development and progress. The functional work of the GSC is carried out by the research and skills planning committee (RSPC). This is a GSC subcommittee consisting of five chairpersons of the CHIETA chambers set up for this purpose. The core mandate of the RSPC is skills planning. The chambers represent all nine economic subsectors in the chemical sector.

The functions of the RSPC are:

- Recommending the CHIETA's research policy framework and research agenda to the GSC.
- Oversee relevant research projects undertaken by CHIETA and reported on, on a quarterly basis in respect of the CHIETA SSP.
- Receive and discuss reports from the chambers on skills needs and priorities in the sector.
- Advise CHIETA on HTFVs and skills gaps for the sector.
- Support and advise CHIETA on the qualifications framework/matrix by identifying priority areas for learning programme development.
- Monitor the implementation of the SSP, and
- Review and make recommendations on the SSP process to the GSC and seek board mandates on the SSP through this committee.

The five chambers have played a central role in skills planning in line with their constitutional mandate. Nine subsectors are represented by these chambers. They are:

CHAMBERS	SUBSECTOR
1	Petroleum
	Base Chemicals
2	Fast Moving Consumer Goods
	Pharmaceuticals
3	Explosives
	Fertilizers
4	Speciality Chemicals
	Surface Coatings
5	Glass

The chambers consist of employers, trade unions, government departments (The Department of Trade, Industry and Competition and the Department of Mineral Resources and Energy) and

critical interest groups. They meet on a quarterly basis to carry out their mandate.

The roles of the chambers are:

- Facilitate and participate in the development of the SSP, reflecting skills requirements of the sector and subsectors.
- Submit a chamber skills plan, Qualifications Matrix and contribute to the HTFV list and skills gaps for the relevant subsectors and a PIVOTAL list for the sector.
- Monitor the implementation of the chamber skills plan to support the SSP.
- Identify and assist, where possible, relevant research projects undertaken by CHIETA in support of the SSP.
- Review the SSP process and make recommendations to governance structures via the RSPC to the GSC.

### Highlights for the 2020/21 financial year

The highlights of the financial year are reported hereunder as key performance areas:

## 3.1 PLANNING, MONITORING AND EVALUATION:

### STRATEGIC PLANNING

CHIETA determines its strategic focus areas on national priorities. These areas provide an important compass in setting the organisation's sectoral goals and objectives while reflecting on priorities emanating from research.

### SECTOR SKILLS PLAN

CHIETA's SSP is the culmination of rigorous research processes, inclusive of several research projects that are conducted throughout the year in line with the research agenda. While we endeavour to maintain credibility and ensure quality, the information presented in this report is based on the research available and information as reported by our member companies.

Each year the SSP continues to receive good reviews from the Department of Higher Education and Training (DHET). The CHIETA produces a well-researched SSP to enable effective skills planning for the sector. The SSP is informed by research, which analyses the sector and establishes baselines for employment in the sector in terms of equity concerns. It provides a sound analysis of industrial sectors and articulated sector strategies that address current and future HTFVs and occupations in demand within the sector. The SSP

aims to identify employment and growth trends, the skills requirements of the relevant sectors and prioritise these in terms of skills development. The process takes account of the environment, the nature of the sector and the demand and supply of skills.

CHIETA once again achieved its mandate in 2020/21. During this period, it developed and submitted the SSP final submission for the chemical sector for the period 2020 to 2025 to the DHET. Endorsed by CHIETA's board, the SSP update was prepared in accordance with the NSDP for the period 2020 to 2030 and guided by the DHET's revised SSP framework and requirements.

Skills development initiatives in the Chemical Industry are based on guidance and information provided annually by the SSP. The report is the result of a sound research process and extensive stakeholder consultation. Such consultation takes place through the involvement of CHIETA's chambers. CHIETA stakeholders took ownership of this plan and committed themselves to working with CHIETA over the next five years to address skills development priorities in the chemical sector, and to achieve the goals and objectives set out in the SSP. As the plans become operational, annual revisions and updates will be undertaken to ensure alignment with sector relevant government policies and growth plans.

As part of its skills development planning function, CHIETA collects data annually from employers on occupations that they consider hard to fill (critical and scarce). The information on these vacancies was obtained by analysing the results set out in the HTFV table of the WSPs-ATRs submitted for 2020/21, and in discussion with the chambers.

At the end of March 2021 the Chemicals Industry employed 12 419 people in 105 designated and related trades. The largest group of artisans was Mechanical Fitter, followed by Quality Controller (Manufacturing), and Instrument Mechanician. At the same time there were 14 119 employees in the Chemical Industry working in occupations identified on the OFO 2019 as 'green'. The largest occupational group is Chemical Plant Controller followed by Chemistry Technician.

Once shortages in skills have been reported and analysed, it is imperative that stakeholders are consulted to contextualise and triangulate the statistical analysis. This is an important aspect of skills planning in CHIETA as numbers and lists need to find qualitative expression. Based on the HTFV and incorporating relevant factors and variables, CHIETA has developed a priority skills list that, once endorsed by the Accounting Authority, is submitted to the DHET.

## MONITORING AND EVALUATION

Monitoring and evaluation play a critical role in planning and will be used to strengthen partnerships and establish high-impact projects.

CHIETA has an M&E policy that aims to sustain and increase the effectiveness of CHIETA as a value-adding business partner to all its stakeholders. It takes cognisance of the need to continuously evaluate the organisation's performance, impact, and service delivery outcomes. Thus, M&E with regard to CHIETA predominantly focuses on programme implementation. This is done by reporting accurate, valid, and complete organisational performance information to CHIETA's governance structures and stakeholders. It furthermore ties the importance of a functional M&E framework with the delivery of CHIETA's mandate and strategic objectives. Table 5-1 provides CHIETA's approach to M&E, which is programme specific.

The highlights on planning, monitoring and evaluation for the year under review are:

- The SSP has been well received by the department with the department's SSP evaluation committee rating it a score of 495 out of 500 and recommended it to the Minister for approval.
- The Strategic Plan (SP) was received well by the department with no further amendments required.
- The Annual Performance Plan (APP) was received well by the department, noting the correct alignment with performance and strategy.

## RESEARCH

Research is the backbone of the CHIETA, and we believe that proper research always contributes to effective implementation and impact. Research is a planning tool that allows for a better understanding of unknown and unforeseen features, necessary in government strategies, projects, and policies. It is in these times of scarce resources and uncertain global economic conditions that policies and strategies need to be backed by accurate evidence. Through research we can systematically collect and present information that serves our planning purpose and allows for a better understanding of unknown and unforeseen aspects, necessary labour market strategies, projects, and interventions.

CHIETA uses the application of proper research in the formulation of development strategies, in a bid to help and ensure that communities and targeted beneficiaries of these strategies are afforded the best possible outcomes. It is through adequate research that policies can be based on real

issues that affect people and these can be better identified when holistic research is undertaken that considers both the qualitative and quantitative aspects of a policy or strategy.

Thus, CHIETA places great store in creating a comprehensive foundation for all its interventions. The research based SSP is the SETA's guiding document in focusing initiatives and implementation to produce the desired impacts. It is developed in consultation with stakeholders to develop a highly skilled workforce, improve firm-level productivity and increase the competitiveness of the sector through skills development. The SSP is now a more structured document and its development is guided by a new framework that requires it to take heed of most of the research conducted at the SETA.

Year-on-year there has been a marked improvement in the overall quality and alignment of the CHIETA's Strategic Plan, Annual Performance Plan and Sector Skills Plan. These strategic documents are fully aligned to the core mandate and strategic objectives of the National Skills Development Strategy (NSDS), the 2030 vision of the National Development Plan (NDP), the key priorities of the Medium-Term Strategic Framework of Government (MTSF), the Medium-Term Expenditure Framework of Government (MTEF), the Human Resource Development Strategy of South Africa (HRDSSA) and the Industrial Policy Action Plan (IPAP).

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

CHIETA prides itself on its achievements and impact as a Sector Education and Training Authority and as a value adding business partner to the Chemical Industry in South Africa. Through sustained partnerships with its stakeholders, skills development interventions contributed to continuously capacitating the various occupational groups within the sector and ensured that the supply was adequate to contribute to the sustainability and competitiveness of the sector at a national and global level.

The advent of the 4th industrial revolution with its unprecedented scale of disruption requires us to understand, plan and develop skills for the future for the industry. Our sector skills' plan, based on credible data and empirical research, has afforded the CHIETA the ability to plan optimally for skills

for the sector and for the socio-economic development of South Africa. We remain a relevant partner to the chemical manufacturing industry as it continues its endeavours to be innovative on the one hand, and to achieve economic growth on the other.

In addition to the quantitative data sources outlined above, CHIETA has also undertaken a range of research projects contributing to the overall understanding of the chemical sector. This research is augmented by research conducted by government departments, national research institutions and industry bodies.

The research drivers and topics implemented in the 2020/21 financial year helped to develop a better understanding of the variables which affect the performance of the chemical sector and provided information to advise the CHIETA on the direction that should be taken in forecasting change that will ultimately see the sector benefit.

It is critical that our research agenda focuses on what the future skills will look like, and how to prepare for this new reality. The research agenda is largely based on making intensive efforts to address the country's skills development priorities from a research perspective through participation and contribution into the academic and research community. This requires CHIETA to establish strong partnerships with the academic, research and development institutions that work within the skills planning and development fraternity. One must also consider that due to the specialised and highly technical nature of the chemical industry, the need for knowledge-based workers with high-level skills and competencies has been highlighted as a priority need therefore research must thus also inform planning of skills for the next 30 years if we are to address competitiveness and sustainability of our industries in the long term.

In our quest to improve research capacity and expertise the CHIETA depends on quality research to inform decision making, process improvements, impact assessment and to better understand the sector for planning. Research is at the center of credible skills planning and the CHIETA continues to provide quality research by employing, accurate and evidence-based data for the development of our key documents which are the Sector Skills Plan (SSP), the Scarce and Critical skills list and overall skills planning related information.

## 3.2 RESEARCH PROJECTS:

The CHIETA's Governing Board reviews and approves the Strategic Research Agenda and the Research Policy Framework on an annual basis. The main purpose of this is to guide research based on themes relevant to the sector. CHIETA commissions research projects that look at specific skills issues in the Chemicals Industry that are aligned to the research agenda.

One of the key highlights in this performance area is quick desktop research on "How the CHIETA can pursue training of our learners using simulation technology for all our training programs" which resulted in a discussion paper that aims to provide balanced information on the area of e-learning, e-assessment, and simulated skills application through technology in the chemical sector.

The study will be piloted into e-learning (blended) learning projects in the next financial year before being rolled out as widely as possible as a fully fledged e-learning platform for the sector.

Covid 19 has also impacted the Chemical sector from a competitive and skills development perspectives. Literature reviewed highlighted that the impact in real terms is still to be realised.

The pandemic accelerated the Chemicals Industry into an oversupply situation, with demand for chemicals falling by 30%. The pandemic also triggered decline in both demand and oil prices. However, a crisis is often a catalyst for innovation, establishing new industry structures and cost levels. In this regard, the chemicals Industry stepped up to produce raw materials for safety products needed for restricting the spread of the virus.

From a manufacturing perspective the industry is central in the production of the vaccines and other strategies aimed at curbing the pandemic. The CHIETA continues to support and fund research into the impact on the sector and did so for the year under review.

Furthermore, some of the key projects were commissioned, concluded, and now reported for the financial year 2020/2021 are:

- Impact Assessment: Artisans Developed Research, and the objectives were to assess the impact of the CHIETA

artisan development efforts since NSDS 1, determine the contribution CHIETA has made towards artisans produced in SA to date, determine and quantifying the chemical sector's needs and requirements for artisans for the NSDP period.

- In a study on Chemicals produced in South Africa the objectives were to determine which chemicals are produced and where and by whom as well as quantities exported and imported, and identify growth areas.
- Nanotechnology Study, the objectives were to determine the key growth areas for the chemical sector as well as to determine skills development requirements.
- Bio-Economy Study, and its objectives were to identify key levers for the CHIETA to focus its strategy and identify growth areas that can be exploited for skills and economic development.
- Qualifications Design and Development The skills planning processes in which the stakeholders within the chemical sector participate, culminates in the confirmation of a need for skills or training interventions to be developed to support economic activities. Once such needs are identified, these are deliberated upon for alignment, approved and subjected to the process of design and development of occupational qualifications and skills programmes.

## 3.3. TWO OF CHIETA'S MOST HIGH-PROFILE RANKING PROJECTS INCLUDED THE CHEMICALS PRODUCED IN SOUTH AFRICA STUDY AND THE NANOTECHNOLOGY STUDY. WE DELVE INTO EACH OF THESE RESEARCH PROJECTS IN DETAIL BELOW:

### 3.3.1. THE CHEMICALS PRODUCED IN SOUTH AFRICA STUDY

#### INTRODUCTION

The CHIETA Discretionary Grant is available for employers and enterprises within the chemical sector and is aimed at addressing the scarce and critical skills needs identified through the CHIETA Sector Skills Plan.



The CHIETA invited applications from qualifying chemical sector employers and enterprises to apply for Discretionary Grants funding windows to support its Annual Performance Plan. One of the proposed research topics under the Research Agenda Theme Sustainability and Socio-Economic Development was: Chemicals Produced in South Africa.

To focus its strategic direction and support entrepreneurial development and innovation, the CHIETA was looking at conducting a comprehensive study to find out all chemicals produced in the following sub-sectors in South Africa:

- Base Chemicals;
- Fine Chemicals;
- Speciality Chemicals (including surface coatings).

The other sub-sectors that form part of the CHIETA, i.e., Petroleum, Pharmaceuticals, Fast-Moving Consumer Goods (FMCG), Explosives, and Fertilisers, are excluded from the scope of this project. The purpose was to profile the South African chemical industry by producing a handbook that will assist the sector to understand What is imported and exported? What are the gaps? available opportunities that can be exploited, potential revenue streams, and support required by the South African Government and the SETA's, specifically for Small, Medium and Micro Enterprise (SMME) development. Ozone Business Consulting (Pty) Ltd (Ozone) was appointed to undertake this project, and the findings are shown below.

The South African chemical sector comprises of 11 sub-sectors as classified by the dtic, of which five were covered in this project. These include base chemicals (commodity organics, primary polymers & rubbers, commodity inorganics, and fine chemicals) and pure functional and formulated speciality chemicals (including surface coatings).

The commodity organics, inorganics, primary polymers and rubbers are generally not well placed for SMMEs as they mostly require large, world-scale plants to obtain economies-of-scale and competitiveness against imports. There are however, some medium-sized operations that are sustainable, including those that produce plant-derivatives (commodity organics), polyurethane blenders (primary polymers) and metal derivatives (commodity inorganics).

Fine chemicals generally require research and development involving multi-step fine chemical synthesis and product registrations. Most pure functional and formulated speciality

formulated chemical operations can be regarded as medium-sized or smaller operations, but they require access to formulation-based technology.

## DEMAND AND SUPPLY

The total demand for chemicals was estimated at 19 million tons worth R25 billion in 2019. This excludes plastic and rubber conversion that are not part of the CHIETA, as well as liquid fuels. Base, fine, and pure functional and speciality chemicals are estimated to contribute to 84% of this volume and 63% of this value estimate. The remainder will be for other sub-sectors which did not form part of the scope of this project.

There is an estimate of 95 base chemical manufacturing operations, i.e., commodity organics (25), commodity inorganics (60), primary polymers (6), polyurethane blenders (3 majors), and synthetic latex (1).

There are only a handful of fine chemicals manufacturers, i.e., active pharmaceutical ingredients (2), enzymes (2), pesticides actives (1), food additives (1), flavour actives (1) and two others. 18 essential oil manufacturers have been identified, but there are many other smaller unidentified operations too.

Pure functional chemicals are more sophisticated than formulated speciality chemicals in that they mostly require chemical reactions. There are 30-40 manufacturing sites in South Africa, i.e., catalysts (3), inorganic pigments (3), emulsions (9 non-captive), food acids (2), mining chemicals (2), plasticizers (2), resins (9 non-captive) and surfactants (2). Speciality chemicals require less complex chemistry, i.e., formulation rather than synthesis, and there are hundreds of manufacturing sites, e.g., adhesives and sealants (30-40), agricultural chemicals (50-60), building and construction chemicals (30-40), flavours and fragrances (12), industrial cleaning chemicals (70-80), metal treatment chemicals (6), surface coatings ( $\pm$  200), textile/paper chemicals (9), water treatment chemicals (11) and others.

The commodity chemicals sub-sector was the only one with a positive trade balance in 2019 and 2020, i.e. exports were larger than imports at R10.9 billion in 2020. The other sub-sectors had trade deficits, i.e. primary polymers and rubbers (R3.4 billion), commodity inorganics (R9.9 billion), fine chemicals (R12.1 billion), pure functional and formulated speciality chemicals (R18.2 billion) in 2020. Overall trade was similar in 2020 compared to 2019.

Even though there is significant import replacement potential for many chemical products, various factors need to be considered before starting up new operations, e.g. the availability of raw materials (does it have to be imported), cost of raw materials (small volume imports can be very costly), economies of scale (size of the plant for feasible production), level of technology and R&D required (international partners could be beneficial), cost of marketing, regulatory requirements (environmental impact assessments and/or basic assessments and product registrations), and global competition.

### STRENGTHS AND WEAKNESSES

- Strengths identified in the chemical sector that could support SMME development include availability of bio-feedstock for organic plant derivatives, availability of metals for metal-based inorganic chemicals, and well-developed markets for pure functional and formulated speciality chemicals.
- Weaknesses identified in the chemical sector that may be prohibitive for SMME development include lack of competitive feedstock, large integrated international suppliers that provide end products at low costs, quality constraints related to minimum quality standards, high real interest rates, expensive and inefficient logistics costs, and infrastructure (road and rail) needing upgrades.

### OPPORTUNITIES AND THREATS

- Opportunities identified in the chemical sector mostly relates to feedstock development such as ethylene and aromatic derivatives, but this will be part of a large integrated new oil refinery or shale gas developments.
- Threats specifically related to SMMEs include global competitors with little import protection, regulatory issues, poor downstream market demand growth, cost of feedstock, and insecure and erratic electricity supplies. The high cost of local manufacturing also renders exports uncompetitive.

### FINDINGS AND SOLUTIONS

The chemical sector is well developed in South Africa, with hundreds of manufacturing operations already active in areas where SMMEs can operate, e.g., speciality formulated chemicals. Several smaller operations in base chemicals have closed down, or are in business rescue, as they could not compete with global manufacturers. Any new local

production development will require product specific market investigations and techno-economic assessments to evaluate the feasibility of identified opportunities.

CHIETA could assist in SMME development by supporting identified feasible opportunities with skills development in areas such as:

- Bookkeeping and business management skills.
- Advanced fourth industrial revolution (4IR)-related technology is becoming important in both manufacturing and providing services to customers. This will also impact SMME's and proper skills development support for advanced technologies will become more important in the future.
- Health, safety and environmental (HSE) compliance, which is changing continuously, e.g. in formulation chemistry the product recipes may not be that complicated, but employees of a small operation will work with dangerous chemical products.

## 3.3.2. NANOTECHNOLOGY STUDY

### INTRODUCTION

Plus 94 Research was commissioned by The Chemical Industries Education and Training Authority (CHIETA) in December 2020, to conduct research to investigate existing knowledge of the market conditions regarding nanotechnology across all relevant chemical industries in South Africa. Specifically, the aimed to:

- Establish an understanding of how nanotechnology is used.
- Identify gaps and opportunities for training in the chemical sector of effective engagement in nanotechnology.
- Ascertain the different customer segments and profiles that impact the chemical sector.
- Establish what types of skills are needed.
- Explore the possibility of growth areas and opportunities in the chemical sector.

### METHODOLOGY

A two-phased research approach was used to fulfill the aims of research objectives. The initial phase of the research took the form of a desktop research review and analysis. This approach was employed in order to ensure that the primary research work offers value to existing knowledge. The desktop study also focused on nanotechnology from a global perspective, with the aim of establishing an international benchmark. Lastly, the findings of the desktop research informed the second phase of the research. The second phase of the research was conducted

using a quantitative approach.

### PRELIMINARY FINDINGS

Nanotechnology has been identified as a necessity for industrial development and an integral part to the improvement of the lives of South Africans through the improvement of health care services, safe water, and low-cost clean energy in an effort to use Nanotechnology optimally and ensure the achievement of the aforementioned goals, South Africa has established companies and institutions on the African continent and has also filled the most patent withing this area. However, South Africa has been faced with a few challenges which have staggered the growth and development process of nanotechnology within the country. Nanotechnology is currently used in the form of nanomembranes; used for water filtration and desalination. This use has ensured that water is clean and safe to drink, particularly in remote areas of the country. In addition, nanotechnology is used in the chemical sector for catalysis, and coating, paints, and cosmetics. While there is limited use of nanotechnology in South Africa, it is growing in usage in other parts of the world.

The limited use of nanotechnology is a result of the challenges in implementation. The challenges include barriers in moving research into the marketplace, the overreliance on the government sector where universities and science councils perform the bulk of nanotechnology product life cycles with minimal contribution from the private sector; a reduction in R&D expenditure which is led by a drop in funding from business and non-profit organisations and the limited focus areas/applications in South Africa. Therefore, while there are products and applications currently in use in South Africa, the field of nanotechnology continues to be mainly a research area.

Great strides have been made in South Africa to develop the field of nanotechnology. South African universities play a pivotal role in growing the area through offering various programmes and training that enable students to enter these professions. However, professionals are then limited in exercising their skillset due to the lack of an established nanotechnology field.

It is reported that there is a gap in training and implementation/innovation. In order to bridge the gap in innovation between research in academia and development in industry, the Nanotechnology Innovation Centre in MINTEK initiated strategic partnering of researchers and industry within the area of health. This has led to the establishment of national facilities to promote the implementation of nanotechnology. Evidently, efforts have been made to further the application of

nanotechnology, there remains to be numerous other sectors which require effort to bridge the gap between research and application. Thus, the South African government ought to focus on establishing more partnerships between researchers and industry in the other areas of application of nanotechnology, such as: energy, the environment, and improved materials. In addition, the establishment of international collaborations for training within the industry would be beneficial as South African scientists and researchers could learn from other countries which would be advantageous to the industry in South Africa.

Nanotechnology is expected to continually develop on a national and global scale. The predicted growth will be directly influenced by factors such as technology advancements, government support, private investment and the heightening demand for smaller devices.

During this financial year the highlights reported are:

- The Coded Welding Skills Programme aimed at training of unemployed youth;
- The development of 5 qualifications assessment frameworks (QAS) that provide guidelines and parameters for the development of external integrated summative assessment tools (EISA) or examinations
- 6 EISA tools developed are for the maintenance planner, chemical plant operator, mobile explosive manufacturing unit, glass forming operator with its 3-part qualifications
- 12 Learnerships were registered and ready for implementation thereby providing opportunities for tax rebates at commencement and completion

### 3.4 Stakeholder engagements and consultation - Chambers

The SETA with the approval of the Minister established five (5) chambers which consult with the nine (9) sub-sectors of the chemical industry in areas of Skills Development and Planning. The objective of such consultation is to compile a sector skills plan for the sector that takes into consideration areas of skills demand, skills supply, scarce and pivotal skills, strategic plan, and other relevant skills planning activities.

The work of the chamber culminates into the Research and Skills Planning Committee (RSPC), comprising of the chairpersons of the five chambers who then engage with the drafts and have the opportunity to make inputs and comments. They then endorse the drafts to the Governance and Strategy Committee, which is a Standing Committee of the Board with

the delegated responsibility for research and skills planning. During the financial year, the chambers and RSPC were fully constituted and functional with new members appointed. Four meetings were attended by these members, including the research colloquium. In addition, an induction was conducted for these new members including the new RSPC chairperson.

## BUILDING PARTNERSHIPS

As partners, CHIETA's stakeholders play a key role in cooperating to advance their mutual interests. The NSDP suggests that SETAs should improve the linkages between themselves and universities, colleges and employers. This includes promoting training to meet the needs of both public and private industry employers and increased university research collaboration with industry. Partnerships should also be extended to building international links as well as supporting the role of communities in planning and delivering local employment and skills support services.

CHIETA has fully embraced this partnership approach and has seen the value of implementing skills development projects and interventions as a result. The success of CHIETA can be largely attributed to the functioning and successful partnerships across the skills development value chain.

Traditionally, partnerships have been viewed mainly as comprising funding from the SETAs. In recent years, however, CHIETA has adopted a far more collaborative approach and has engaged stakeholders in many different ways.

## THE CHIETA PARTNERSHIP MODEL

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

A partnership can be defined as an arrangement where parties agree to cooperate to advance their mutual interests. DHET (Department of Higher Education, Science and Technology, DHET, 2019) contextually defines partnerships as "a collaborative agreement between two or more parties intended to achieve specified outcomes directed towards addressing mutually inclusive skills priorities or objectives within a specified timeframe". The purpose of this chapter is to identify successes and challenges in creating and maintaining partnerships and propose measures for deepening TVET college partnerships.

The chapter will also outline research conducted in the 2018/19 year to build on TVET college support and collaboration. The National Skills Development Plan (NSDP) 2030 affirms the role of SETAs as facilitators of both the supply and demand side of skills development. Outcome 2 maintains that SETAs should link education and workplaces. Core to the achievement of this objective is a collaborative or partnership approach that improves the linkages with universities, colleges, and employers.

Outcome 5 of the plan sees supporting the growth of the public college institutional type as a key provider of skills required for socio-economic development. The promotion of training to meet employers' needs at public institutions is therefore a priority.

A key finding of this SSP in Chapter 2, which also translates into a key change driver articulated by industry, is the need to improve the quality of the TVET sector. The chemical sector relies significantly on and uses artisanal and technical skills. The TVET and University of Technology (UoT) sector therefore remains a very important component of skills supplied to the sector

CHIETA uses a structured approach that leverages the unique skills and expertise of each stakeholder. Stakeholders with shared interests and mutual benefits are brought together to achieve alignment while CHIETA acts as the coordinator, funder, and facilitator in the process. Evidence of this collaborative and consultative approach is seen in the establishment of task or steering committees for strategic projects. The advantage of the model is that it leads to the correct identification of supply and demand side needs and fit-for-purpose projects and project outcomes.

The role played by CHIETA's constitutional structures and stakeholders in the skills planning process and hard to fill vacancies identification forms part of the successful partnership model for skills planning. CHIETA's governance structures, including stakeholder constituencies, are central to skills planning, including the development and finalisation of the SSP updates, strategic plans and annual performance plans.

As partnerships are established and enhanced, they are often characterised by challenges. Some of these include inadequate project management, some leaders not taking skills development as an imperative, general administrative inefficiencies, and delays in delivery of projects often resulting from inadequate capacity especially at TVET colleges. On the other hand, partnerships with other institutions including industry and universities are characterised by challenges such as change of management affecting specific projects, change

requests from initial planned skills development interventions, requests for extensions on projects timeframes, and inadequate evidence submitted to process grants payments.

The CHIETA continues to engage its stakeholders and explore various ways to address these challenges. Some of the interventions put in place include the capacity building of new skills development facilitators, developing of relevant skills planning and implementation tools, continuous improvements on the credible system for skills planning and quality assurance and sharing best practices during regional skills forums.

The NSDP sees the core role of SETAs as linking the workplace and industry through collaborations and partnerships. Over the last few years CHIETA has continued to engender the partnership approach as its project delivery mode and achieved success in the implementation of its projects. New partnerships that innovatively advance the skills development mandate take forward the objectives of the plan and enrich the post-school education and training sector were and continue to be prioritised. Planned partnerships linked to the strategic pillars of innovation, digitization, collaboration and transformation are the following:-

NAME OF INSTITUTION/ PARTNER ORGANISATION	GAPS THAT THE PARTNERSHIP WILL BE ADDRESSING	OBJECTIVES OF PARTNERSHIP
CHIETA /UJ Multi -SETA Project	InterSETA collaboration and cross-sectoral SMME development	Grow collaboration among SETAs (envisioned partnership with EWSETA, ETDPSETA, Services SETA, AgriSETA & INSETA). Co-funding to increase budget for SMME development across sectors Industry-Institution partnership
CHIETA/CHEMIN Innovation Hub	Under the Small Enterprise Development Agency (SEDA) incubation project, development of early-stage technology-based businesses and start-ups.	Incubation of early-stage businesses and start-ups in the Chemicals Industry.
5 Trade Unions in the Chemical Sector	Reskilling of the Chemicals Industry’s retrenched workers focusing on: <ul style="list-style-type: none"> <li>• Support &amp; work readiness</li> <li>• Career development</li> <li>• Entrepreneurial skills</li> </ul>	Reskilling of the Chemicals Industry’s retrenched workers
SMART Skills Centres	Close the digital divide and give access to digital services or technology to SMMEs in rural communities	SMMEs/ Entrepreneurial digital support Provide internet, WiFi and e-learning services. Digitization of skills development
Coded-Welding E-learning with TVET colleges	Digitization of technical skills at TVET colleges	A pilot e-learning project to develop coded welders in order to curb youth unemployment, improve livelihoods and support economic development.

## QUALIFICATIONS DESIGN AND DEVELOPMENT

The skills planning processes in which the stakeholders within the chemical sector participate, culminate in the confirmation of a need for skills or training interventions to be developed to support socio-economic activities in the sector. Once such needs are identified and submitted to the CHIETA, they are deliberated upon by chambers for alignment and relevance. Once applications to develop identified skills needs are approved by QCTO, they are subjected to the process of design and development of occupational qualifications and skills programmes, which are reported below.

### DURING THIS FINANCIAL YEAR THE ACHIEVEMENTS ON QUALIFICATIONS DEVELOPMENT ARE:

- The Coded Welding Skills Programme now registered by QCTO is aimed at training of unemployed youth thereby contributing towards reducing importing of coded welders from overseas by South Africa;
- The 4 qualifications assessment frameworks (QAS) that provide guidelines and parameters for the development of external integrated summative assessment tools (EISA) or examinations were developed and 3 of these are already approved by QCTO. These 4 qualifications are the maintenance planner, chemical plant operator, mobile explosive manufacturing unit, glass forming operator with its 3 part qualifications, namely: Annealing Operator, Spout Operator and Bath Operator.
- 6 EISA tools were developed for chemical plant operator and maintenance planner occupational qualifications. 1 set per qualification were published as exemplars to sensitise the stakeholders on the new formats and layout of these new form of external assessments.
- 11 Learnerships were registered through QCTO and DHET. These Learnerships are chemical plant operator, chemical plant controller, glass forming operator, glass melt operator, maintenance planner, mobile manufacturing explosives unit, annealing operator, bath operator, spout operator, chemical manufacturing machine operator, chemical manufacturing technician (glass manufacturing). These learnerships are now ready for implementation, thereby providing opportunities for tax rebates at their commencement and completion.



# PART D

ETQA



## 1. BACKGROUND

As a result of the QCTO revoking of the SETA's oversight and development role relating to its delegated functions as provided for in Section 26 of the Skills Development Act No 97 of 1998 (SDA) as amended, the QCTO developed the rules of engagement through a Service Level Agreement (SLA) to enable it to perform the oversight and policy development, whilst the CHIETA continues to implement the delegated functions.

The five domains upon which the Service Level Agreement is executed are the following:

- Qualification Development
- Accreditation
- Assessment
- Certification
- Workplace Approval

The Quality Council for Trades and Occupations (QCTO) delegated its quality assurance functions, in accordance with Section 26 of the Skills Development Act, 1998 (Act No. 97 of 1998) as amended, on 1 October 2012 to SETAs and various other professional bodies. These quality assurance bodies (ETQAs) are now called Quality Assurance Partners (QAPs) and their responsibilities include ensuring the quality delivery of historical qualifications. The QCTO remains responsible for ensuring that occupational standards and assessment integrity are upheld.

## 2. THE ROLE OF THE EDUCATION AND TRAINING QUALITY ASSURANCE (ETQA) DEPARTMENT AS A QUALITY ASSURANCE PARTNER (QAP):

- Centralised Administration Sub-Unit: Receipt, capture and log all documents submitted to the ETQA department for processing.
- Accreditation Sub-Unit: Accredite and approve skills development providers (SDPs) for specific skills programmes and qualifications. Monitor SDPs in order to improve quality and relevance of education and training in the sector and in this way support skills development and provider development.
- Quality Assurance of Learner Achievements (QALA) and Certification Sub-Unit: Veto QALA endorsed by registered assessors in accordance with required standards and criteria. Establish and maintain a database for the recording of learner achievements. Provide for the certification of learners and accredited skills development providers. Register assessors and moderators for specific unit standards, skills programmes and qualifications. Certify learners for skills programmes or qualifications achieved.
- Data Management Sub-Unit: Quality assurance of documents submitted, learner enrolments and verifications of competency to ascertain learner completions on NQF learnerships and skills programmes.
- Artisan Development and Workplace Approval Sub-Unit: Quality assurance on approval, monitoring and evaluation of workplaces, enrolment and completions on apprenticeship programme, artisan recognition of prior learning (ARPL) and trade tests.



The above structure mainly provides for the administrative support requirements for quality assurance activities. In addition to the above personnel, the ETQA department uses technical teams of subject matter experts (SME), known as stakeholder support teams (SSTs).

The role of the SSTs is to assist the ETQA department to evaluate the following:

- Whether SDPs have sufficient capability to provide learning interventions. This would not have been possible without collaboration between the chemical industry and the CHIETA.
- Whether workplaces are adequate for providing structured learning and externally moderate learners achievements.

The Technical Functional Advisory Committee (TFAC) has also been established to endorse the quality assurance activities conducted. The TFAC is required to approve recommendations presented for accreditation, de-accreditation, suspension, appeals by organisations and monitoring and evaluation of provider workplaces, decentralised trade test centres and training related matters pertaining to artisan and NQF training programmes. They further provide an advisory role in technical, strategic and policy related matters and activities with regards to artisan and NQF training programmes.

The strategic direction is set by the Accounting Authority who has delegated the governance and strategic committee to oversee the implementation of the quality assurance functions.



N<sub>2</sub>H

Murray Bridget Alyssa: SAPREF - Bursary Beneficiary



# PART E

GRANTS, STRATEGIC PROJECTS  
AND REGIONS

# PART E

GRANTS, STRATEGIC PROJECTS  
AND REGIONS

It was a positive year for strategic projects, which are flagship organisational interventions that yield a significant and sustainable impact on all of the delivery areas of the CHIETA.

Strategic projects are funded through discretionary grant funding. They are continuously monitored in terms of project and financial performance and reported on quarterly to the Accounting Authority. They cover a range of functional areas, across the CHIETA business units assuming accountability for the deliverables and in line with the pre-determined performance standards.

Of further significance is the linkage of each strategic project to the various goals, outcomes and outputs as defined in the NSDS III. This ensures resource and organisational focus and relevance to the skills development challenges and opportunities in the strategic framework. The strategic projects initiative has established key industry partnerships with all stakeholders.

Strategic projects are also implemented in rural areas. Through its partnerships with the Free State Education Trust, the CHIETA is prioritising bursaries in the Free State province. In line with this, the CHIETA has since increased the number of projects funded to support learners with disabilities in the rural areas.

## **STRONGER TIES WITH PARTNERS BY THE CHIETA IS KEY TO STIMULATION OF THE SECTOR**

Strategic partnerships and strengthening relationships with all the regions (nine provinces) and TVET colleges have been in the forefront as the CHIETA has incessantly built relationships throughout the year. The CHIETA plays a key role in the chemical sector by providing guidance and information to the sector, while stimulating new ventures that facilitate training opportunities.

During the year a concept paper was produced exploring SMME development and optimisation of the CHIETA's relationships with TVET colleges. This is being further explored through an external research service provider.

The role of the regional offices of the CHIETA is important, not least because of the vast geographical areas some of them cover. For instance, the KwaZulu-Natal and Eastern Cape offices, in particular, both cover large rural areas. The Western Cape office also covers the rural areas of the Northern Cape. The importance of these offices is self-evident given the need for training in outlying areas.

The past year has been one in which the need to work more closely with our stakeholders, and to develop strategies for partnerships, was imperative. The CHIETA adopted a dynamic approach to developing new partnerships, and seized opportunities wherever relevant. SMMEs have been identified to become full partners in this initiative, assisting in training in the workplace and, where able, providing on-site working opportunities. Whilst the CHIETA maintains a vigilant guiding role in this process.

The Department of Higher Education, Science and Technology (DHST) has asked the CHIETA to enter into close relationships with TVET Colleges, ensuring that relevant vocational courses are offered and experiential learning occurs. The launch of the fulltime presence at the Flavius Mareka College, following the Port Elizabeth TVET office, was exciting and puts a marker down for even greater success in learners experiencing the reality of the workplace, thus providing a sound foundation for their learning and future productive participation in the South African economy. This has all been done with a view to ensuring that we are better able to align other TVET colleges to our work, and to decentralise regional offices, where possible, so that the CHIETA's active presence on college campuses means that we can have greater flexibility to respond dynamically to the needs of those being trained. The foundation laid in 2018/19 ensures that we can directly be in contact with the learner at his or her place of training.

This is integral to the strategy of the CHIETA - ensuring that we actively support our learners. During the year under review the CHIETA awarded more grants towards the continuation of Centres of Specialisation projects. Part of the CHIETA's progressive approach to training is going to companies, including SMMEs, and seeking placement training, both to obtaining work for the learners, but

also for companies to provide training programmes. CHIETA is further looking for various partnerships with all type of stakeholders, including employers, government departments, and institutions of higher learning to ensure adequate absorption of learners after they complete their training programmes. This is consistent with our Workplace Integrated Learning Programme (WIL). These educational activities, integrating theoretical and academic learning of a discipline with its practical application in the workplace, is a prerequisite as we prepare learners for the challenges that they will have to meet in the actual job environment. It's a win-win situation, because WIL involves a deliberate, professional approach that benefits both employer and student.

Discretionary grant continues to remain a priority to deliver on the SETA mandate. Since the call for free education, the CHIETA has been proactive in awarding bursaries for training learners in skills relevant to the chemical sector. For example, bursaries awarded at the University of Johannesburg in programmes related to skills required in the chemical sector have increased to more than 250 per annum.

## 1. INTRODUCTION

The discretionary and mandatory grants are overseen by the Executive Manager for Grants and Strategic Projects.

This division is made up of five units:

- Grants Management
- Strategic Projects & WIL
- KwaZulu-Natal Regional Office
- Western Cape Regional Office
- Gauteng and Central Regional Office.

## 2. MANAGEMENT OF GRANTS FOR 2020/21

From 1 April 2020 to 31 March 2021, R130 573 985,98 was disbursed for discretionary grants and R27 521 831,35 for strategic projects. As of 31 March 2021, the total CHIETA commitment base on contractual obligations was R139 242 358,47 for discretionary grants and R56 292 767,33 for strategic projects.

During the year under review, the discretionary grants policy, framework, internal controls, processes, procedures, funding guidelines and models of the discretionary grant allocation were reviewed in line with relevant legislation. A number of improvements to the grants system were made in 2020/21, including drawing up discretionary grants (DG) processes for the development of a Management Information System (MIS).

The CHIETA discretionary grants funding policy in particular was revised to address and keep up with the critical areas in the strategic framework of the business, national imperatives, and some of the critical areas of the National Skills Development Strategy (NDSP). The discretionary funding windows (among other critical focus areas) address and emphasise strong partnerships between employers, public education institutions (TVET colleges, universities, universities of technology) and private training providers to promote work integrated learning (WIL).

Key functional areas directly involved with the organisational performance management are the CHIETA's regional offices in Gauteng and Central Regions, KwaZulu-Natal, the Western Cape and the Eastern Cape. Through these offices the CHIETA ensured increased stakeholder support, increased monitoring and verification of projects, and the roll out of an integrated project management framework with all the business units at head office.

### 3. DISCRETIONARY GRANT (DG) LEARNING AND STRATEGIC PROJECT SUPPORT (SP) SUMMARY FOR 2020/21

**Table 13: Learning Projects**

Programmes	Total learners supported	Total amount approved (R )
AET Provision Incentive	607	R1 504 000,00
Artisans	2 801	R63 556 000,00
Bursaries	1 542	R34 252 088,00
Learnerships	9 807	R54 795 312,00
RPL	3 482	R3 040 000,00
Skills Programmes	8 762	R3 865 140,00
Work Placement/Employment Creation	875	R6 860 000,00
Workplace Experience/WIL	2 839	R11 736 000,00
Grand total	30 715	R179 608 540,00

**Table 14: Strategic projects**

Programmes	Pivotal (P)/Non Pivotal (NP)	Total budget 2020/21 (R)
Chemical Industry Stakeholder support (SST and M/E)	NP	R12 050 000,00
World Skills Competition	NP	R527 929,15
Regional Stakeholder Support	NP	R2 850 000,00
Public Sector Capacity	P	R700 000,00
Small Business Support (PIVOTAL)	P	R11 600 000,00
Career Guidance Projects	NP	R10 500 000,00
CEO Strategic Projects	NP	R7 200 000,00
Bursary Project	P	R3 000 000,00
Career and Vocational Guidance Integrated Marketing and relationship management	NP	R4 000 000,00
Maths & Science, Career Guidance Projects	NP	R1 543 271,20
Rural & Cooperatives Development	P	R1 523 932,02

Programmes	Pivotal (P)/Non Pivotal (NP)	Total budget 2020/21 (R)
Learners with Disabilities	P	R1 558 505,25
Institutional & Industry Partnership	P	R5 000 000,00
Strategic Infrastructure Projects (SIPs) - Centres of Specialisation	p	R13 500 000,00
Trade Union Learning Practitioner Program	P	R 5 000 000,00
Programme 2 Research and Skills Planning (NON-PIVOTAL)	NP	R 8 946 233,60
Qualification development	NP	R1 100 000,00
Cooperatives, NGOs, CBOs, CBCs support	P	R2 200 000,00
Candidacy Project	P	R3 000 000,00
Technical and Vocational Education and Training(TVET) Support	p	R1 000 000,00
Grand total		R96 799 871,22

#### 4. MANDATORY GRANT (MG) FOR 2020/21

Figure 1.8: Total WSPs

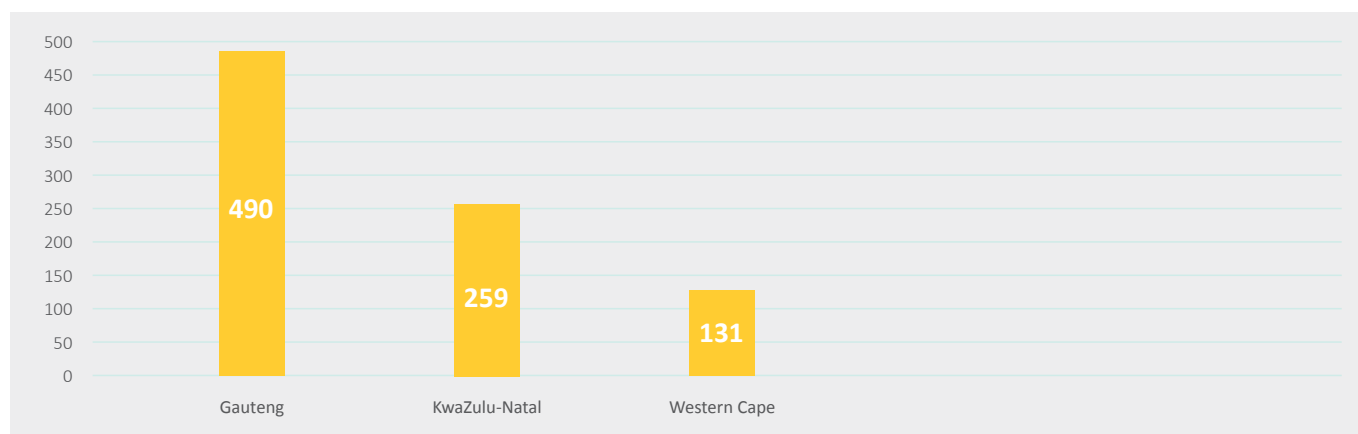
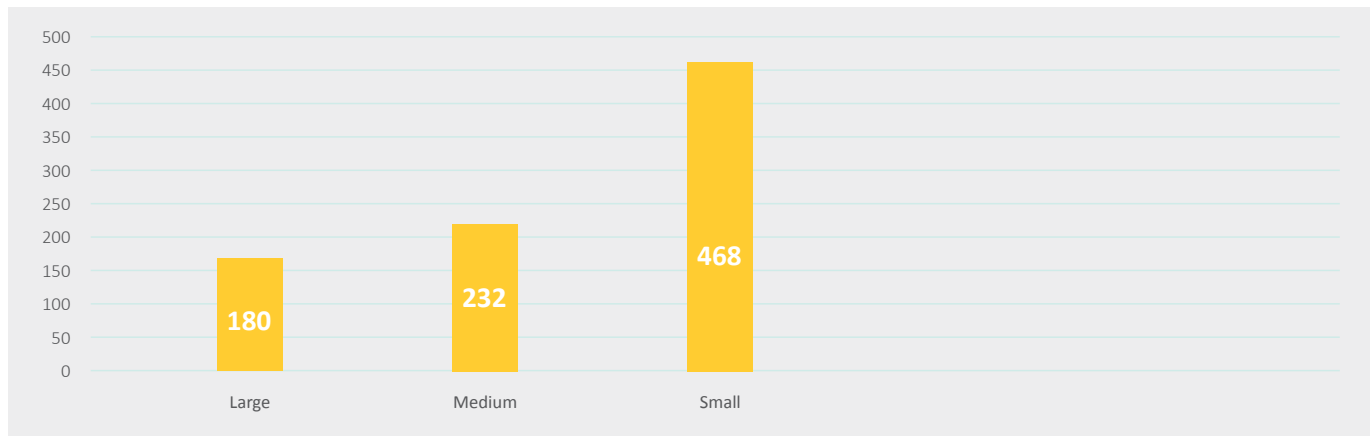


Figure 1.9: Total WSPs by size



## Partnerships for the 2020/21 financial year

- CHIETA partners with SAPREF- Bursary Support Program

CHIETA supported approximately 16 Engineering students (Chemical/Mechanical/Electrical Engineering) – by establishing a Bursary Program in partnership with SAPREF. The students underwent a Structured Engineering Training at the Petroleum Refinery- thus adding towards the Talent Pool of Engineers in the industry. This program was awarded amid the Covid-19 pandemic, bringing hope and inspiration for those distressed students to continue their Engineering Studies. By providing the much-needed Bursary Funds, CHIETA was pivotal in reviving and restructuring the foundation of future leaders.

Learners not only benefitted from the funding, but also gained valuable work experience in the Petroleum industry; and were paired with Experienced Engineers, taking on various projects, allowing them to gain vital experiential on-the-job training and practical skills.

### **Murray Bridget Alyssa : Bursary Beneficiary comment:**

“I received funding from SAPREF to study a degree in Chemical Engineering via the University of Kwazulu Natal. A great relief for my parents and I as we had no idea how they were going to be able to pay for my tertiary education. Since then the Bursary has continued to lighten the load for me as a student as the funds ensured I always was able to afford the materials ( textbooks, stationary as well as software) that I needed to excel in this course. I am eternally grateful to SAPREF and CHIETA.”

- Umfolozi College TVET Partnership

CHIETA’s partnership with Umfolozi College TVET, located in the Ilembe District Municipality, has resulted in numerous successful skills development initiatives. Partnering consistently with CHIETA in ARPL, Apprenticeships, WIL and various skills programmes, allows the learners to gain valuable workplace exposure and/ facilitate their application to trade test and ultimately allowing the introduction of Apprentices into the South African workforce. In addition, CHIETA embarked on funding Motor Mechanic skills programmes for unemployed learners, where a basic skills set is completed to enable them to open micro businesses in the area. Through these CHIETA funded skills development initiatives, the unemployed youth are provided with the skills to enter the workforce or start their own business.

- Aspen

Aspen is one of our larger stakeholders, a global multinational specialty pharmaceutical company whose manufacturing facility is based in the Eastern Cape. The company hosted President Cyril Ramaphosa accompanied by other government delegates on 29 March 2021. Through this collaboration announced between Aspen and Johnson & Johnson, Aspen became the only



manufacturing site on the African continent and in the southern hemisphere, selected by Johnson & Johnson to compound, fill, finish, and package the Janssen (a Johnson & Johnson company) Covid-19 vaccine. Aspen and Johnson & Johnson's commitment to Africa is further underpinned by continued collaboration to enhance the number of vaccines produced at this facility, with most of the production serving the needs of Africans. CHIETA is proud to have funded many of their learning interventions on this site.

During the past financial year, we as CHIETA celebrated many milestones in the quest to transform the lives of our youth through education by providing them with many opportunities to advance their skills in order to be employable as well as to create the much-needed employment opportunities in our country. Our ARPL project has provided quick wins in this regard, creating job opportunities to many of our youth by certifying them, resulting in significant economic mobility. Impact studies conducted by our research unit cites several cases of such beneficiaries.

- Trade Union Learning Practitioner Programme (TULP) Project with University of Johannesburg

Trade Unions (TU) play a much bigger role in facilitating skills development in this country. The purpose of this project is to build capacity within Trade Unions in Skills Development Facilitation aligned with national standards and best practice. TULP provides information, advice on and promote skills development and related issues to its representatives within the workplace. The programme further provides an additional formal learning opportunity within the worker education space. The programme is fully funded by CHIETA and aims to support representatives from at least 5 different unions in support of the CHIETA APP.

University of Johannesburg registered 24 representatives on the programme from the following listed unions: CEPPWAWU, NUMSA, SACWU, GIWUSA and Solidariteit. The programme is also made available throughout the country and is delivered as an online programme. The programme covers 5 modules as follows: Orientation, on-Boarding the Learning Revolution, Igniting Fires of change, The Skills Planning Journey and Championing the Learning Revolution.

- Small business support project with University of Johannesburg (Johannesburg Business School Centre of Entrepreneurship)

CHIETA partnered with the University of Johannesburg Business School Centre of Entrepreneurship (JBSCE) to implement the Small Business Enrichment Programme (SBEP) that will develop small businesses in the chemicals manufacturing sector. The programme focuses on speciality and commodity chemicals, with a keen focus on black female entrepreneurs who are in the start-up phase of their chemical businesses. The CHIETA provided discretionary grant funding to the JBSCE to initiate the SBEP and support 75 SMMEs within the Chemicals sector.

Despite the economic downturn caused by Covid-19, the beneficiary entrepreneurs successfully pivoted from manufacturing detergents to manufacturing hand sanitisers. Other SMMEs formed co-operatives to create economies of scale that would enable them to supply the growing need in the market for said products. Our partnership with JBSCE has had a significant and transformative impact on the chemicals manufacturing sector. All 75 beneficiaries completed the Small Business Enrichment Programme.



Small Business Enrichment Programme learners complete in 2021



# PART F

GOVERNANCE



## 1. INTRODUCTION

The Governance and Risk Business Unit is responsible for Corporate Governance, Risk Management, Performance Planning, Monitoring and Reporting, Governance and administrative support to CHIETA Board and Board Committees as well as the DHET liaison office. Corporate governance embodies the processes and systems that hold the CHIETA accountable as a public institution. Its corporate governance system occurs within a legislative environment and best practice governance frameworks as articulated in the KING IV code on Corporate Governance.

The CHIETA's mandate is derived from the Skills Development Act, 1998 (Act No. 97 of 1998) and its responsibilities include the following:

1. Developing a Sector Skills Plan (SSP) within the framework of the National Skills Development Plan (NSDP) 2030
2. Establishing and promoting learnerships and learning programmes through:
  - Identifying the need for a learnership
  - Developing and registering learnerships
  - Identifying workplaces for practical work experience
  - Supporting the development of learning materials
  - Improving the facilitation of learning and
  - Assisting in the conclusion and registration of learnership agreements.
3. Collecting and disbursing of the skills development levies in its sector, approving workplace skills plans and allocating grants in the prescribed manner to employers, education and training providers and workers.
4. Fulfilling the functions of an ETQA as delegated by the QCTO.
5. Monitoring of education and training in the sector.

The legislative and policy framework which directs and guides CHIETA functions is as follows:

1. National Skills Development Plan 2030 (NSDP 2030)
2. Skills Development Act, 1998 (Act No. 97 of 1998).
3. Skills Development Amendment Act, 2003 (Act No. 31 of 2003).
4. Skills Development Amendment Act, 2008 (Act No. 3 of 2008).
5. Service Level Agreement Regulations under regulation No. R716 of 18 July 2005.
6. Skills Development Levies Act, 1999 (Act No. 9 of 1999).
7. Regulations regarding the establishment of Sector Education and Training Authorities under Notice R106 of 4 February 2005, (SETA Establishment Regulations).
8. Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended) (PFMA).
9. Treasury Regulations issued in terms of the PFMA (Treasury Regulations) of 2005.
10. Public Audit Act, 2004 (Act No. 25 of 2004).
11. Directive: Public Finance Management Act under GN647 of 27 May 2007.
12. Economic and Recovery Reconstruction Plan (ERRP)
13. Constitution for the Chemical Industries Education and Training Authority (CHIETA).
14. Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).
15. Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000).

17. Employment Equity Act, Labour Relations Act, Basic Conditions of Employment Act and Occupational Health and Safety Act.
18. Tax laws.
19. Sector Education and Training Authorities (SETAs) grant regulations regarding monies received by a SETA and related matters (Government Notice R990) in terms of the Skills Development Act, 1998 (Act No. 97 of 1998) dated 3 December 2012
20. Protection of Personal Information Act, 2013 (Act No. 4 of 2013).
21. Broad Based Black Economic Empowerment Act, 2003 (Act 53 of 2003)
22. Cobit 5 framework for the governance and management of enterprise ICT.
23. DPSA public services corporate governance ICT framework.

The CHIETA strategic plan, its annual performance targets for 2020/21 and financial disbursement model is strongly aligned to achieving the intent and objectives of the December 2012 grant regulations, namely to:

- Regulate the proportion of funds available for skills development spent on administration
- Provide for Sector Education and Training Authorities (SETAs) to contribute to the cost of the work of the Quality Council for Trade and Occupations (QCTO)
- Discourage the accumulation of surpluses and the carry over of unspent funds at the end of each financial year
- Improve the quantity and quality of labour market information received by CHIETA in the form of workplace skills plans, annual training reports and PIVOTAL training reports, to inform planning
- Promote the National Qualifications Framework (NQF) and quality assured PIVOTAL programmes that address priority scarce and critical skills needs identified in sector skills plans and
- Create a framework in which expanded use is made of public education and training providers for the provision of skills development programmes.

## 2. PORTFOLIO COMMITTEES

Parliament exercises its role through evaluating the performance of CHIETA by interrogating its financial statements, performance reports and other relevant documents that are tabled from time to time.

The Standing Committee on Public Accounts (SCOPA) reviews the annual financial statements and audit reports of the Auditor-General of South Africa.

The Portfolio Committee on Higher Education, Science and Innovation exercises oversight over the service delivery and performance of the CHIETA. It primarily reviews the non-financial information in the CHIETA's annual report and is concerned with service delivery and impact in support of the enhancement of socio-economic growth.

## 3. EXECUTIVE AUTHORITY

The Minister of Higher Education, Science and Innovation is the Executive Authority of CHIETA and exercises oversight on the prescripts of the PFMA and relevant skills development legislation.

The Executive Authority also appoints the CHIETA Accounting Authority in accordance with the approved CHIETA constitution, and ensures that an appropriate mix of competency, skills and experience exists in the Accounting Authority in order to disperse its fiduciary duties in an efficient, transparent and value adding manner.

## 4. ACCOUNTING AUTHORITY

The CHIETA Accounting Authority appointed by the Minister of Higher Education, Science and Innovation has oversight of CHIETA's activities to ensure the implementation of its mandate in a performance and accountability driven framework. It takes cognisance of sound corporate governance principles required in legislation and best practice.

The Accounting Authority is representative of government and stakeholders in all nine subsectors of the chemical industry, thus ensuring a sound and clear strategic direction for CHIETA.

The CHIETA **Accounting Authority** is responsible for the following:

- Govern and manage CHIETA in accordance with the PFMA, skills development legislation and any other applicable legislation.
- Ensure that CHIETA achieves the objectives contemplated in the approved CHIETA constitution.
- Provide effective leadership and ensure that CHIETA implements the goals of NSDP 2030 and the performance agreement with the Minister of Higher Education, Science and Technology as defined in the CHIETA strategic plan and predetermined performance targets.
- Provide strategic direction for CHIETA.
- Liaise with stakeholders.
- Ensure that CHIETA complies with all relevant statutory and CHIETA constitutional requirements.
- Manage institutional risk.
- Monitor and support the organisational performance of CHIETA.
- Ensure that Accounting Authority members and the members of the committees, stakeholders and employees comply with CHIETA's code of conduct and ethical framework.

#### **Composition of the Accounting Authority**

The CHIETA Accounting Authority comprises members representing the following constituencies and stakeholders in the chemical industry:

- Organised labour
- Organised employers
- Relevant government departments
- Relevant professional bodies recognised by the Minister of Higher Education, Science and Innovation.

#### **Accounting Authority committees**

In terms of the approved CHIETA Constitution and relevant Accounting Authority mandate, five Accounting Authority committees with specific terms of reference are functional in assisting the Accounting Authority with its oversight responsibilities. These are:

- EXCO
- Grants Committee
- Governance and Strategy Committee
- Finance and Remuneration Committee
- Audit and Risk Committee

## **5. RISK MANAGEMENT**

Refer to 107 in Accounting Authority report.

## **6. INTERNAL CONTROL**

Refer to 107 in Accounting Authority report.

## 7. INTERNAL AUDIT/AUDIT COMMITTEE

Refer to the audit risk committee report on page 95 of the annual report.

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

CHIETA maintains a legal compliance risk register where CHIETA Business Units provides assurance on their respective compliance areas for reporting to the CHIETA Governance structures.

## 9. FRAUD AND CORRUPTION

CHIETA has adopted a zero tolerance to fraud and corruption at the SETA. A fraud hotline is operational and fraud hotline reports are provided on a regular basis to the CHIETA Audit and Risk Committee and reported to the Accounting Authority. Fraud awareness and training is regularly done with CHIETA staff and stakeholders. The CHIETA also maintains a fraud risk register with mitigating controls.

## 10. MINIMISING CONFLICT OF INTEREST

CHIETA maintains a Conflict of Interest Policy framework which defines the required organisational behaviour in respect of the CHIETA's values and ethical framework. Governance structures and CHIETA staff defined as affected parties in the policy are required annually to provide a detailed declaration of interest. The responsibility is placed on each affected party to disclose accurately and ethically as well as update the conflict of interest declaration when relevant. At all Accounting Authority committees, Accounting or Authority approved stakeholders and management meetings, a declaration of private and personal interests pertaining to any agenda items under discussion is a standard item on the agenda of each meeting.

## 11. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

In terms of the required business processes in the chemical industry, a strong focus on health and safety standards as part of an integrated training and development model is evident.

Ongoing research in terms of environmental issues relating to chemical production processes is done, informing skills development interventions and providing and assisting with integrated solutions on skills growth and environmental matters. This knowledge is captured and combined into the CHIETA skills planning processes which ultimately culminate in the CHIETA sector skills plan and annual pre-determined organisational performance targets.

## 12. COMPANY SECRETARY

Company secretary duties are performed in-house through the governance and risk business unit of CHIETA.

### **13. SOCIAL RESPONSIBILITY**

Social responsibility forms an integral part of the skills development and organisational processes of CHIETA. This is consistent with the CHIETA's mandate, core functions and values

### **14. CONCLUSION**

Highlights for the past financial year ending 31 March 2021 included the following:

- Functional and mature Organisational Risk Management Framework
- Green baseline Organisational Performance Scorecard
- Effective Corporate Governance environment
- Functional and effective Accounting Authority and Accounting Authority Committees.
- Organisational Policy Alignment





# **PART G**

**CORPORATE SERVICES**



## 1. DEPARTMENT OVERVIEW

The Corporate Services Department (CSD), established in October 2019, plays a key role in supporting the functions of CHIETA for optimal performance. Corporate Services is an integral part of the support structures of the organisation. The CSD of the organisation is strategically positioned to enable the organisation to achieve its mandate. A strong functioning corporate services department will ensure that the organisation carries out its mandate and mission.

The business unit now comprises of the following functionalities:

- Marketing and Communications
- Stakeholder Management
- Facilities Management
- Information and Communication Technology (ICT)
- Human Resources
- Legal Services

The Corporate Services business unit also provides administrative support to core departments aimed at improving service delivery and ensuring compliance in accordance with the strategic objectives of CHIETA are achieved within all legal provisions. The unit in addition promotes and provides sound governance administrative support to ensure that the applicable legislative mandate is adhered to with regard to labour practices, human resources, information management, communication and technology as well a stakeholder management practices.

The following support services are provided to the organisation:

- Stakeholder Management
- Marketing and Communications
- To facilitate rapid response of the organisation
- To promote the company's objectives and service offerings.
- To build and strengthen stakeholder relationships.
- Communicate and market the CHIETAs offerings to stakeholders and the public.
- Build brand image, innovation and reputation.
- Develop policies and procedures pertaining to the unit and abide by them.
- Develop and implement the communication strategy of the organisation.
- Manage CHIETA's external and internal events.
- Website development and management.
- Participate in exhibitions to showcase its offering including career guidance as part of CHIETAs mandate.
- Responsible for the Corporate Identity of the CHIETA.
- Manage effective communication with external stakeholders.

## 2. MARKETING AND COMMUNICATIONS

The Marketing and Communications business unit is responsible for leading, developing and implementing integrated communication strategies so that stakeholders are regularly informed about the CHIETA, its service offerings and management.

Formulation of a Communications Plan to ensure that the public is well informed of the CHIETA developments and the formation of internal communication to ensure a structured system is available to increase output of the CHIETA brand.

### Projects Undertaken

- Updating of the website
- Updates on the website included: a section on COVID-19 matters
- Welcoming of the new CEO in November 2020
- Welcoming of the new Board that started in April 2020
- Open tender advertisements,
- Opening MG and DG windows
- Advertisement of positions/jobs at CHIETA
- Drafting of opinion Pieces by CEO
- Staff engagements
- SMME support and implementation programmes
- Social Media analysis

## 3. STAKEHOLDER MANAGEMENT

The CHIETA embarks on stakeholder engagement sessions each year, during which the CHIETA management visit provinces to engage with key stakeholders. These stakeholders include both levy paying and non-levy paying members as well as partners. The sessions also provide for an opportunity to increase awareness about the CHIETA and its sectors with the focus on:

- Increasing Access and Participation in the CHIETA 's offerings
- Strengthening the CHIETA's Capacity for Supply
- Information Dissemination
- Intelligence Gathering; and
- Engagement of Skills Development Facilitators (SDFs) to ensure maximum participation of member companies

## 4. FACILITIES MANAGEMENT

The Facilities Management team was appointed in September 2019. This department is responsible for the security, maintenance and services of work facilities to ensure that they meet the needs of the organisation and its employees. The Facilities Manager oversees all facilities that help CHIETA run efficiently. Responsibilities include:

- Security and Safety
- Provision of offices space
- Assist in implementation of internal operating rules.
- Office movement in July 2021 for the head office and the KwaZulu Natal regional office. The COVID-19 pandemic disrupted the planned move. A temporary accommodation was provided by the landlords for head office for the period July to September 2020, subsequent movement to the permanent rental office was made towards the end of September 2020. Planning, and implementation activities included furniture movement, ICT device

security, internet for the temporary and permanent buildings and regional offices.

- During the covid-19 pandemic implementation of the new policy and protocols that were managed by this department included PPE purchase and use, sanitizer purchase and use, creating posters for putting up on walls and capacitation of staff, deep-cleansing of offices,
- Security measures were undertaken jointly between the CHIETA and the landlord for the protection of assets as well as the installation of CCTV cameras and the appointments of security guards.

## 5. INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

The purpose of the Department is to provide an ICT infrastructure, computers, application software, mobile communication and first-line support to all the tools of trade to achieve the purpose of acquiring and using information and communication technologies in a manner which is robust, secure, flexible and based upon industry standards; and to undertake detailed management of infrastructure capacity, including future needs and monitor the availability of corporate systems in line with business needs and agreed service levels.

- The Information and Communications Technology Strategy is aligned to the organisational strategy.
- Ensures security of the CHIETA information systems.
- Uses information and communication technologies to develop and enhance service delivery to CHIETA and stakeholders.
- Aligns the use of information and communication technology by staff to attain good service levels.
- To provide reliable, secure, innovative, and cost-efficient ICT systems (The CHIETA Management Information System) in support of business operations and service delivery programmes.
- Plans for system development and integration such as the ERP systems.
- To provide effective project management and managerial support.
- To offer timely and efficient technical support to end-users.

Actions undertaken in the period under review:

- Procurement, installation/configuration of laptops, servers, UPS, internet/wifi installation for both the temporary and permanent head office rental space.
- The Office 365 package was purchased and installed.
- A private network (virtual desktop) was purchased and implemented for better remote working capability, a remote working strategy was compiled, and implemented.
- Assist and support with SETMIS and NLRD reporting.
- Assisted with DG and MG windows queries and reporting.

The following was developed for the CHIETA MIS:

- WSP/ATR submissions module
- Started with the ETQA and Supply-Side and Demand Database
- The MG Levy processing module

## 6. LEGAL SERVICES

Legal Services providers were procured for the period where assistance was provided on legal opinions, providing chairpersons functions at disciplinary hearings and grievance processes. In addition, a legal representative was appointed for a disciplinary hearing.

## 7. HUMAN RESOURCES

### INTRODUCTION

CHIETA regards its people as its most important asset. Human resources (HR) assists in creating a work environment that is supportive and conducive to performance and delivery against the strategic objectives of CHIETA. The HR unit in CHIETA plays a vital role in developing, implementing and overseeing an integrated strategy in which all HR functions

work together in a cohesive manner to create a positive work environment characterised by performance, cross functional teamwork and accountability.

The HR priorities for CHIETA are clearly defined. The main focus is on effective organisational architecture management: people resourcing, people performance, people utilisation and people retention or conservation.

Workforce planning is an important area of HR management. This ensures that the organisation maintains and attracts the best possible talent to further strengthen the already highly competent and experienced business unit teams. Special care and attention is placed on effective recruitment and selection processes, career pathing and succession planning initiatives to ensure that staff capacity is optimised, competent and provides value for money.

CHIETA prides itself on its performance driven management culture. The strategic plan and annual organisational performance goals are clearly linked and aligned to business unit targets. These become individual performance agreements with staff. This framework provides the assurance that all activities performed by CHIETA business unit or staff members adds direct value to the agreed delivery areas between the CHIETA Accounting Authority and Executive Authority.

HR policy development is a continuous process of improvement. Its annual assessment is based on specific business needs. This is carried out by the executive management team with oversight from the CHIETA finance and remuneration Accounting Authority committee and CHIETA Accounting Authority.

### Some of the highlights for the year included:

- Positive performance profile of CHIETA staff which culminated in effective business unit delivery, ultimately leading to CHIETA meeting and exceeding all organisational performance targets agreed with DHET.
- CHIETA being a true South African organisation where diversity is celebrated and regarded as one of its key business assets. Representation of designated groups has advanced, and opportunities were continuously taken to enhance diversity.
- Various successful employee wellness engagements with staff, during which staff is also supported on a physical and emotional level, took place. These had a direct impact on staff delivery and performance.
- Staff actively participated in the happiness challenge hosted by the wellness service provider. CHIETA team won the challenge out of the ten companies that participated.
- The work from home arrangement was successfully introduced at CHIETA and staff managed to meet organisational targets despite the challenges related to the pandemic.
- Three positive COVID-19 cases were reported during the 2020/21 financial year and all three employees have recovered from the pandemic.
- Staff turnover and vacancy rates are within reasonable and acceptable benchmarks to strengthen organisational stability and business continuity. This is primarily due to the CHIETA's positive work environment, service conditions and retention management framework.

The CHIETA not only invests in chemical industry skills development, but also understands that training and development has an important and positive impact on staff. The organisation aims to strengthen its learning culture by exposing all employees to capacity building initiatives and interventions. Personal development plans are actively managed for all CHIETA staff.

## Human Resources Oversight Statistics

**Table 16: 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.	No. of employees	Average personnel cost per employee (R'000)
Administration	92 451	61 446	18%	41	1 499
Projects	246 744	11 465	3%	55	208
<b>Total</b>	<b>339 195</b>	<b>72 911</b>	<b>21%</b>	<b>96</b>	<b>759</b>

**Table 17: Personnel cost by salary band for Administration and Projects Programme**

Level	Total expenditure for the entity (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management (Executives & CEO)	10 541	17%	6	1 757
Line Management (Managers)	12 212	20%	11	1 110
Professional Qualified (Specialists)	20 453	33%	25	818
Skilled (Practitioners)	6 915	11%	11	629
Semi-skilled (Administrators & Assistant Administrators)	9 012	15%	29	311
Unskilled (Cleaners & Interns)	2 313	4%	14	165
<b>Total</b>	<b>61 446</b>	<b>100%</b>	<b>96</b>	<b>4 790</b>

**Table 18: Performance Rewards for Administration and Projects Programme**

Programme/activity/objective	Performance rewards (R'000)	Personnel expenditure (R'000)	% of performance rewards to total personnel cost
Top Management (Executives)	1 450	10 541	14%
Line Management (Managers)	1 901	12 212	16%
Professional Qualified (Specialists)	2 651	20 453	13%
Skilled (Practitioners)	854	6 915	12%
Semi-skilled (Administrators & Assistant Administrators)	1 126	9 012	12%
Unskilled (Cleaners & Interns)	72	2 313	3%
<b>Total</b>	<b>8 054</b>	<b>61 446</b>	<b>70%</b>

**Table 19: Staff establishment and staff complement for Administration and Projects Programme (as at 31 March 2020)**

Programme/activity/objective	2019/20 No. of employees (admin)	2019/20 No. of employees	2019/20 approved posts	2019/20 vacancies
Top management	6	0	7	1
Senior management	6	5	11	0
Professional qualified	10	15	25	0
Skilled	9	2	12	1
Semi-skilled	20	9	30	1
Unskilled	4	12	16	0
<b>Total</b>	<b>55</b>	<b>43</b>	<b>101</b>	<b>3</b>

The total CHIETA staff complement post establishment was 104 and the current head-count is 96. Dedicated projects were worked on by 43 project staff members. These were funded from the CHIETA internship budget and the CHIETA project administration and management budget.

**Table 20: CHIETA training costs**

Programme/ activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	Number of employees trained	Avg training cost per employee (R'000)
Administration	61 446	1 214	2%	30	40
Projects	11 465	0	0%	0	0
<b>Total</b>	<b>72 911</b>	<b>1 214</b>	<b>2%</b>	<b>39</b>	<b>40</b>

All members of staff underwent cross functional and/or individual training as per their individual personal development plans, whether it was funded from the administration, project administration management or internship budgets.

**Table 21: Reasons for staff leaving**

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	3	14.29%
Dismissal	-	-
Retirement	-	-
ill Health	-	-
End of contract	18	85.71%
Other	-	-
<b>Total</b>	<b>21</b>	<b>100%</b>



**Table 22: Employment changes**

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	6	1	1	6
Senior management	12	0	1	11
Professional qualified	26	2	3	25
Skilled	12	0	1	11
Semi-skilled	29	1	1	29
Unskilled	17	5	8	14
<b>Total</b>	<b>102</b>	<b>9</b>	<b>15</b>	<b>96</b>

**Table 23: Labour relations: Misconduct and disciplinary action**

Nature of disciplinary Action	Number
Verbal warning	0
Written warning	4
Final written warning	0
Suspension	2
Disciplinary Action	2
Dismissal	0
Mutual Separation	1
<b>Total</b>	<b>9</b>

## Total CHIETA Employment Equity status

CHIETA is far advanced in the representation of designated groups as defined by employment equity legislation. CHIETA optimises opportunities presented in terms of positive appointment patterns of designated groups in support of its employment equity policy and plan.

For the purposes of employment equity reporting, both the administrative and project administration and management/ internship staff are included in the employment equity profile of CHIETA.

**Table 24: CHIETA Employment Equity**

Occupational level	Female				Male				Foreign Nationals		Disability		
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Male	Female	Total
Top Management (CEO & Executive Managers)	1	0	1	0	1	0	2	1	0	0	0	0	6
Senior Management (Line Managers)	4	0	0	0	3	1	3	0	0	0	0	0	11
Senior Management (Line Managers)	7	2	1	1	10	0	2	0	2	0	0	0	25
Skilled (Practitioners)	6	0	0	0	4	1	0	0	0	0	0	0	11
Semi-Skilled (Administrators and Assistant Administrators)	18	1	0	0	10	0	0	0	0	0	0	0	29
Unskilled (Cleaners & Interns)	10	0	0	0	4	0	0	0	0	0	0	0	14
<b>Total</b>	<b>46</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>32</b>	<b>2</b>	<b>7</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>96</b>



# PART H

FINANCIAL INFORMATION



## FINANCE OVERVIEW FOR THE YEAR ENDED 31 MARCH 2021

### Unqualified audit opinion

The CHIETA obtained an unqualified audit opinion for the financial year ended 31 March 2021. This achievement confirms the high levels of integrity and commitment to sound financial management practices and accountability within the organisation. An unqualified audit opinion indicates that the financial statements submitted for audit were presented fairly, in all material respects, the financial position of CHIETA at 31 March 2021 and its financial performance and cash flows for the year then ended, in accordance with Standards of Generally Recognised Accounting Practices (SA Standards of GRAP), and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998).

### Revenue:

Skills development levy (SDL) income decreased by 30.7%, from R533.48 million for the year ended 31 March 2020, to R369.53 million for the year ended 31 March 2021. Total revenue earned decreased by 30.6%, from R558 million in the prior period, to R386.93 million in the current financial year.

The contribution of the return on invested funds to total revenue was R10.3 million, representing approximately 1.86% of total revenue.

- Trends in skills development levy income excluding Admin levies

Figure 1.10 illustrates the trend in SDL income excluding penalties and interest over the last five financial years. SDL income for the year ended 31 March 2021 has decreased by 30.7% in comparison with SDL income received for the year ended 31 March 2020. This is the 2nd successive year since inception that SDL income had a negative growth.

Skills Levy Income

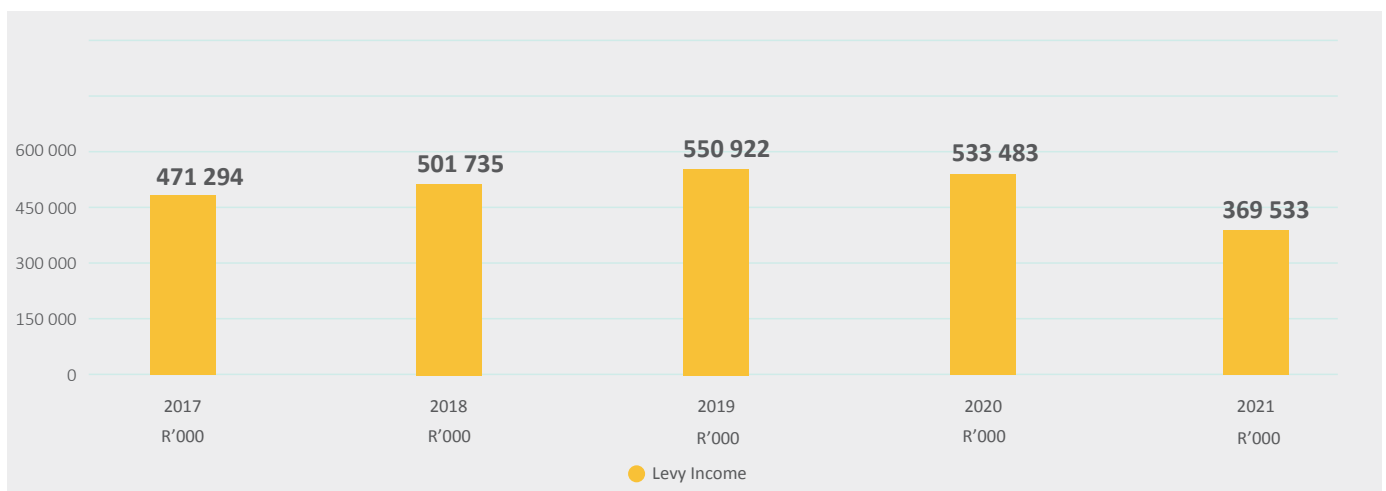


Figure 1.10

## Expenditure:

Administration expenditure exceeded the 10.5% Skills Development Act legislated limit but prior approval was obtained from the Executive Authority. In this administration expenditure was an amount of R12.39 million relating to projects salaries absorbed for the year. The organisation failed to disburse sufficient funds to recoup the 7.5% project administration allowed by the Skills Development Act. This was one of the negative effects and resulted in the CHIETA incurring a net deficit on administration of R44 678 million for the financial year ended 31 March 2021. This deficit together with the total investment return of R10.3 million and unclaimed mandatory grants to the value of R9.9 million, were transferred to the discretionary reserve at year end, to be utilised for discretionary grants and approved strategic projects for sector skills priorities.

The CHIETA expended over R246.74 million in grants and projects, representing 76.8% of grant levy income received of R321.03 million for the financial year ended 31 March 2021. A total of R228.641 million was available as discretionary grant and project levy income and of this amount R164.33 million, representing 71.87% of discretionary grant funds received, was expended in discretionary grants and project expenses for the financial year ended 31 March 2021.

Expenses on mandatory grants amounted to R91.31 million, represented 98% of the skills development levy income received for that purpose.

- Financial viability and sustainability of operations

Figure 1.11 shows administration income received against administration expenditure for the financial years ended 31 March 2017 to 31 March 2021. This was the 1st time since inception that the CHIETA exceeded the 10.5% legislated administration ceiling. The financial year ended 31 March 2021 was a difficult one. Despite this, the organisation managed to deliver on its mandate.

**Administration income received against administration expenditure**

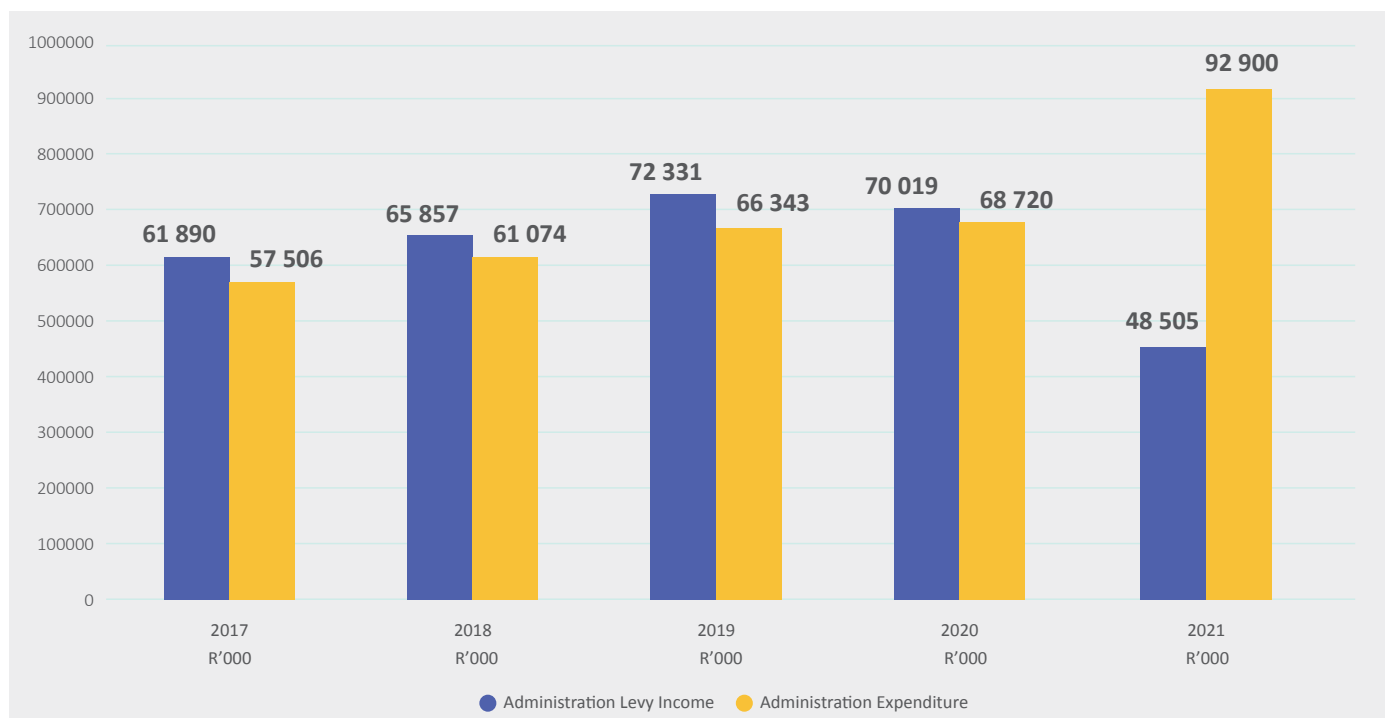


Figure 1.11

- Employer grants and project expenses Vs SDL income

Figure 1.12 shows the total SDL income received for employer grants and project expenses in each of the last five financial years from 2017 to 2021 compared to the total employer grants and project expenses during the same period. During the financial year ended 31 March 2021, CHIETA expended over 71% of the SDL income received for the purpose of discretionary grants and project expenses.

**Employer grants and project expenses Vs SDL income**



**Net deficit, reserves and commitments:**

The total amount available in the discretionary grant reserve at 31 March 2021 increased by the net surplus and adjusted amount of R40.8 million for the financial year from R199.6 million at 31 March 2020 to R240.4 million at 31 March 2021. The surplus was a consequence of Covid-19 negatively impacting on the CHIETA delivery. The increased reserves will present an opportunity to the CHIETA to achieve on discretionary grant and projects in future periods.

The deficit on administration (R44.6 million), unclaimed mandatory grants (R9.9 million), investment income (R10.3 million), and SDL: penalties and interest received (R6.9 million), were transferred to the discretionary reserve during the financial year ended 31 March 2021.

The CHIETA total commitments amounted to R195.5 million. This is made up of R139.2 million in discretionary grants and R56.3 million in strategic projects.

## AUDIT AND RISK COMMITTEE REPORT 2020/21

The report of the Audit and Risk Committee has been prepared in accordance with the Treasury Regulations for Public Entities 3.1; 27.1 issued in terms of the Public Finance Management, (Act No. 1 of 1999) (PFMA) as amended by Act 29 of 1999.

We are pleased to present our report for the financial year ended 31 March 2021.

### AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The Audit and Risk Committee consists of the members listed hereunder and is required to meet at least once a quarter as per its approved terms of reference. During the current financial year, six (6) meetings were held.

Summary of meetings attended per Audit and Risk Committee member:

Name	09 June 2020	23 July 2020	18 Aug 2020	15 Sept 2020	22 Oct 2020	11 March 2021
Nandipha Madiba	✓	✓	✓	✓	✓	✓
Lerato Mothae	✓	✓	✓	✓	✓	✓
Mokgadi Olgar Morata	✓	✓	✓	✓	✓	✓
Thabo Masombuka	✓	✓	✓	✓	✓	✓
Gerhard Cloete	✓	✓	✓	✓	✓	✓

- ✓ Attended meeting
- ✗ Apology

### AUDIT AND RISK COMMITTEE RESPONSIBILITIES

The Audit and Risk Committee has adopted appropriate formal terms of reference as per its Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter as well as the recommendations of the King IV code of corporate governance and has discharged all its responsibilities as contained therein.

### EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls within the CHIETA is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are properly managed in line with the PFMA and the protocol on corporate governance for public entities. This is achieved by means of the risk management process which includes the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management letter of the Auditor – General, we concluded that the existing control environment, during the year under review was adequate and effective and provides reasonable assurance that the organisation’s goals and objectives are being achieved. We are also pleased to report that the CHIETA has received an unqualified audit opinion from the Auditor General for the 2020/21 financial year, despite the abnormal and challenging environment within which CHIETA Personnel operated in, due to the impact of the pandemic, and related Government Regulations which introduced various restrictions and economic recovery initiatives.

## EVALUATION OF FINANCIAL STATEMENTS AND ORGANISATIONAL PERFORMANCE

The Audit Committee has

- Reviewed and discussed the Audited Financial Statements and Audited Organisational Performance Report to be included in the Annual Report with the Auditor General and the Accounting Authority;
- Reviewed the Auditor General's Management Report and management's response thereto;
- Reviewed adjustments resulting from the audit;
- Reviewed monthly and quarterly reports submitted by management.

The Audit Committee concurs with and accepts the Auditor General's conclusion on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be adopted.



Nandipha Madiba CD (SA)  
Independent Chairperson of the Audit and Risk Committee  
Date: 24 August 2021



# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON CHEMICAL INDUSTRIES EDUCATION AND TRAINING AUTHORITY

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

1. I have audited the financial statements of the Chemical Industries Education and Training Authority (CHIETA) set out on pages 102 to page 154 which comprise the statement of financial position as at 31 March 2021, statement of financial performance, statement of changes in net assets, cash flows statement and statement of comparison of budget and actual for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the CHIETA as at 31 March 2021, and its 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 this auditor's 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 the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter

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

### Restatement of corresponding figures

7. As discussed in note 27 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2021.

### Responsibilities of the accounting authority for the financial statements

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

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

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### Introduction and scope

12. In accordance with the Public Audit Act 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 programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. 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 also do not extend to any disclosures or assertions relating to 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.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the annual performance report
Programme 3: occupationally directed programme	41 – 48

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. The material findings in respect of the usefulness and reliability of the selected programme are as follows:

### Various indicators

17. The achievements were reported in the annual performance report for the listed indicators. However, some of the achievements reported in the annual performance report materially differed from the supporting documentation. This was because the information for some of the achievements did not relate to the current financial period.

Indicator description
Enrolling 1845 Unemployed learners to enter Learnership programmes
112 Learners in AET Programmes
Enrolling 30 learners on Candidacy programmes
Learners are certificated on completion of their Work Intergrated Learning (HET) programmes
15 learners are certificated on Candidacy programmes for completion after 3 years

### Indicator: employed bursaries complete their studies

18. The achievement reported in the annual performance report materially differed from the supporting documentation, as it was reported that some of the learners had completed their studies even though their academic records indicated that some modules/study units were not successfully completed and therefore the learners did not progress to the next level.

### Other matter

19. I draw attention to the matters below.

### Achievement of planned targets

20. Refer to the annual performance report on page 35 to 49 for information on the achievement of planned targets for the year and management's explanations provided for the under/over-achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 17 to 18 of this report.

### Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the occupational directed programme. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### Introduction and scope

22. 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.
23. The material findings on compliance with specific matters in key legislation are as follows:

### Annual financial statements and annual report

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 55(1)(b) of the PFMA.
25. Material misstatement of the employee performance bonus accrual and financial instrument note identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving unqualified audit opinion.

## OTHER INFORMATION

26. The accounting authority is responsible for the information. The other information comprise the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.
27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
28. 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 financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this, 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 correct this will not be necessary.

## INTERNAL CONTROL DEFICIENCIES

30. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
31. Instances of non-compliance with the public entity's own internal policies and procedures were identified and management review was not sufficient to prevent these non-compliances.
32. Management did not adequately monitor, review and reconcile the information reported in the annual performance report to the supporting performance schedule and supporting documentation on a monthly/quarterly basis to ensure that the information reported in the annual performance report was accurate and complete. This resulted in material misstatements identified during the audit.
33. The public entity submitted annual financial statements and annual performance report for audit that contained material misstatements which were subsequently corrected and therefore, management's review and monitoring processes was not always adequate.

*Auditor-General*

Pretoria  
31 July 2021



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 the selected programme 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 use of the going concerns basis of accounting by the accounting authority, 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 CHIETA 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 confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## AUDITED

The Annual Financial Statements for the year ended 31 March 2021, set out on page 109 to page 154, have been approved by the Accounting Authority in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999, as amended, on 31 July 2021, and are signed on their behalf by:



Yershen Pillay

Chief Executive Officer

31 July 2021



Wezi Khoza

Chairperson of Accounting Authority

31 July 2021

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GRAP	Generally Recognised Accounting Practice
DHET	Department of Higher Education and Training
PFMA	Public Finance Management Act 1 of 1999
SETA	Skills Education and Training Authority
SDA	Skills Development Act 97 of 1998
SDLA	Skills Development Levies Act 9 of 1999
CHIETA	Chemical Industries Education and Training Authority
QCTO	Quality Council for Trades and Occupations
MERSETA	Manufacturing, Engineering and Related Services SETA
HWSETA	Health and Welfare Sector Education and Training Authority
MQA	Mining Qualifications Authority
FASSET	Finance, Accounting, Management Consulting and Other Financial Services sector
W&RSETA	Wholesale and Retail SETA
ETDP SETA	Education, Training and Development Practices SETA
SLA	Service Level Agreement
APP	Annual Performance Plan
PIVOTAL	Professional, Vocational, Technical and Academic Learning programmes
SARS	South African Revenue Services
NSDP	National Skills Development Plan

## REPORT OF THE ACCOUNTING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2021

### General review of the state of affairs

#### 1. Services rendered by the Public Entity and Tariff policy

The Chemical Industries Education and Training Authority (CHIETA) is a PFMA schedule 3A public entity enacted by the Minister of Higher Education and Training in terms of the Skills Development Act and governed by the Public Finance Management Act (PFMA), Act no. 1 of 1999, as amended. The CHIETA facilitates skills development in the chemical industry sector. No tariff is charged for services rendered. The CHIETA is funded through skills development levies contributed in terms of the Skills Development Levies Act (SLA) by employers in the chemical industry sector.

#### 2. Capacity constraints

Whilst CHIETA experienced minor capacity constraints for the year under review, these did not impact on CHIETA's service delivery to its stakeholders, nor was the achievement of the CHIETA's strategic objectives or SLA targets compromised.

#### 3. Utilisation of donor funds

No donor funds were received or expended by the CHIETA for the period under review.

#### 4. Controlled entities and Public entities

The CHIETA does not exercise control over any other entities, agencies, organisations or public entities.

#### 5. Re-licensing

The CHIETA was re-established by the Minister of Higher Education and Training for a further 10 year period ending on 31 March 2030.

#### 6.

The Accounting Authority of the CHIETA takes pleasure in presenting its report for the year ended 31 March 2021 to the Executive Authority, Provincial Legislature and Parliament of the Republic of South Africa. The 2020-21 financial year, has been successful in building on prior year achievements and has again exceeded key requirements of the Sector Education and Training Authorities (SETA's) Grant Regulations in relation to SETA finances, financial management, mandatory and discretionary grants. This is complemented by the achievement and exceeding of all expanded CHIETA Service Level Agreement (SLA) targets as agreed with our Executive Authority for the financial year ended 31 March 2021.

The SETA's Grant Regulations resulted in a number of positive changes in the overall strategy and fostered an accelerated delivery model designed by the CHIETA to ensure that CHIETA achieves and exceeds financial management and performance targets outlined in the grant regulations and the National Skills Development Plan (NSDP). A summary of the key requirements in the area of SETA finances, financial management, discretionary and mandatory grants are, inter alia:

(a) A SETA is required to allocate a minimum of 80% of its available discretionary grants within a financial year to PIVOTAL programmes. (PIVOTAL programmes result in occupational or part qualifications whereas non-PIVOTAL are not credit bearing qualifications).



(b) A SETA may allocate a maximum of 20% to funding of programmes, other than PIVOTAL programmes, to develop the sector in accordance with the priorities outlined in the Sector Skills Plan (SSP).

(c) A SETA is required to annually set-out the amount of discretionary funds available for the ensuing financial year in the Annual Performance Plan (APP) and indicate the programs (PIVOTAL and non-PIVOTAL) that will be funded through discretionary grants and sector projects as well as indicate the impact of these interventions and how this impact will be measured.

(d) A SETA must, on an annual basis, and in accordance with any guidelines issued by DHET, approve a Discretionary Grants Policy, specifying how the SETA discretionary funds will be allocated to meet sector needs as set out in the SSP.

In order to obtain discretionary grant funding for PIVOTAL programmes from a SETA, a legal person employing more than 50 employees must complete and submit a PIVOTAL training plan and report.

An application for a mandatory grant must be submitted by 30 April of each year. Due to the COVID-19 pandemic, the announcement of the State of National Disaster and the subsequent extension granted by the Minister of DHET, the mandatory grant application submission was extended by one month to 31 May 2021. The Minister promulgated a further extension of the mandatory grant application to 31 July 2021.

The key achievements within major segments of the CHIETA are summarised below:

## **6.1 Revenue**

During the period under review the CHIETA received R369.5 million in Skills Development Levy (SDL) income and realised a 30.7% (R163.9 million) decrease in comparison to the levy income earned for the year ended 31st March 2020. SDL income: penalties and interest decreased by 4.1% from R7.2 million in 2019-20 to R6.9 million for the current period. Return on invested funds of R10.4 million represented 2.7% of total revenue. Total revenue decreased by 30.6% from R558 million in the prior financial year to R386.9 million for the year ended 31 March 2021. SDL income was below the approved budget by 10.8% (R44.7 million). Total revenue was below the approved budget by 11.6% (R50.7 million).

## **6.2 Expenses**

### **6.2.1 Administration Expenses:**

CHIETA administration expenditure exceeded the 10.5% limit prescribed by the Skills Development legislation however prior executive authority approval was obtained in terms of the Skills Development Levy Act.

### **6.2.2 Employer Grants and Project Expenses:**

The CHIETA expensed over R246.7 million in employer grants and project expenses representing 67% of grant levy income received of R369,5 million for the financial year ended 31 March 2021. Employer grant and project expenses were R282 million below prior year, which equates to a 53.3% decrease in disbursement rate in comparison with the prior financial year.

### **1.2.3 Discretionary Grants and commitments:**

The CHIETA expensed over R164,3 million in discretionary grants and project expenses for the 2020-21 financial year, representing 71.8% of the SDL income received for discretionary grants and project purposes. During the financial year under review, the CHIETA continued its drive to optimise service delivery by expanding and further integrating

platforms, systems and processes, thus allowing for a greater focus on monitoring and evaluation, strategic review and analysis of performance targets and related grant disbursement targets. A strong focus was also placed on expanding existing partnerships and promoting new partnerships with stakeholders to achieve the highest return on our investments and to deliver the substantially expanded SLA targets with the DHET. This approach has once again reduced the overall cost and the unit cost of training in the various projects and programs without compromising the achievement of, and exceeding all CHIETA SLA targets for the 2020-21 financial year.

The objective was also to ensure optimal service delivery and disbursement of discretionary grants and projects expenses during the financial year. Discretionary grant allocations and funding priorities were interrogated, ranked and aligned against the priorities of the NSDP and the SSP. The CHIETA expensed R140.4 million (85%) of its discretionary grant and project expenditure in PIVOTAL programs and R23.9 million (15%) in non-PIVOTAL programs as outlined in note 5 of the annual financial statements for the year ended 31 March 2021.

During the year under review, applications for discretionary grants and projects were once again oversubscribed. After evaluation according to the established criteria, awards of over R179 million were approved for discretionary grant learning programs and a further amount of R33 million was approved and allocated for strategic sector projects during the financial year. The nature of initiatives supported included:

- (a) Programs supporting learners on registered learnerships and workplace experience.
- (b) Supporting of scarce and critical skills as identified in the SSP.
- (c) Honouring apprenticeship and artisan training commitments and prioritising new apprenticeship programmes.
- (d) Supporting partnerships and training initiatives in Further Education and Training, Higher Education and Training in partnership with the chemical industry.
- (e) Providing incentives for workplace experience and employment creation.
- (f) Assisting graduates in entering the workplace and enhancing employability through further graduate development programs and Work Integrated Learning (WIL).
- (g) Promoting Recognition of Prior Learning (RPL) and facilitation of strategic research programs.

It is the opinion of the Accounting Authority that the expenditure incurred during the year under review has been properly accounted for and that the projects and programmes undertaken have considerably benefited the chemical industries sector as a whole, as well as providing support and funding towards national priorities and the achievement of national skills development imperatives.

#### 6.2.4 Mandatory Grant

Mandatory Grant participation was below anticipated projections during the financial period. The mandatory grant expense decreased by 34% from R124.9 million for the financial year ended 31 March 2020 to R82.4 million for the financial year ended 31 March 2021. The mandatory grant disbursement represented 89% of mandatory grant levy income received for the financial year ended 31 March 2021. Unclaimed mandatory grants of R9.9 million were transferred to the discretionary reserve and allocated to prioritised discretionary grants and projects as per the requirements of the SETA grant regulations.

#### 6.2.5 Net Surplus for the year

The CHIETA incurred a Net Surplus of R46.9 million for the year ended 31 March 2021. This was the second time in the last five years that CHIETA had a surplus. The incurring of a surplus in the SETA environment is seen as a negative outcome in respect of sound financial management since the impact is an increase of funds available in the discretionary grant reserve. While CHIETA Accounting Authority promotes the strategy of reducing discretionary grant reserves to an optimum level in order to allow CHIETA to deliver on its mandate and agreed SLA targets annually, this was difficult under COVID 19 environment.

## 7. Corporate Governance

### 7.1 Corporate Governance and Compliance with PFMA

The CHIETA continuously updates and implements recommendations emanating from the PFMA and Treasury Regulations. The CHIETA audit committee met regularly during the financial year in order to provide oversight and governance, inter alia, over the following areas:

- (a) The activities of the internal audit function, its annual work programme, coordination with external auditors Auditor-General (SA) and the responses of management to specific recommendations.
- (b) CHIETA interim and annual financial statements and quarterly management accounts.
- (c) Fraud and Information Technology (IT) risks as they relate to financial reporting.
- (d) Management of IT risks.
- (e) Annual independent review and update of policies, procedures and PFMA compliance by the internal and external audit functions.
- (f) Adequacy and effectiveness of internal controls and management of risks, including financial reporting and fraud related risks.
- (g) Combined assurance required to address significant risks facing CHIETA.

### 7.2 Financial Risk Management and systems of control

Section 51(1)(a)(i) of the PFMA requires the Accounting Authority of a public entity to implement and maintain effective, efficient and transparent systems of financial, risk management and internal controls. The CHIETA has developed detailed financial policies and procedures, and a quality management system to guide internal processes. The CHIETA has implemented various measures to ensure that public funds are managed as required by the PFMA, Treasury Regulations, other applicable acts and regulations and internal and external auditors conduct regular compliance reviews.

The CHIETA Governing Board committed CHIETA to a process of sustained risk management that is aligned to the principles of good corporate governance, relevant legislation and leading practice. Accountability is strongly vested at the Accounting Authority and management level on strategic and operational risk management respectively.

The CHIETA has over the last few years embarked upon a comprehensive organisation-wide risk management process that was implemented in a structured, consistent and integrated manner and that aligns strategy, processes, people, technology and knowledge towards mitigating risks within acceptable risk appetite levels. The CHIETA Risk Management Framework covers the full spectrum of risks taken in pursuit of CHIETA's objectives and are categorised into strategic and operational risks per the respective functional areas and business processes of the organisation.

Management and monitoring of the CHIETA Risk Management framework is facilitated through regular risk assessments and reporting by management into the Governance structures of CHIETA in terms of relevance, progress and status of risks treatment as per committed deadlines and implementation plans.

### 7.3 Expenditure Control and Procurement Framework

The CHIETA has developed a robust framework for expenditure control, governed by policies, procedures, delegations of authority and systems, which are updated on a regular basis. This is done in line with the irregular expenditure framework wherein if elements of non-compliance are identified, these are investigated and consequential management is applied. A supply chain management policy framework is fully implemented in line with the Preferential Procurement Policy Framework Act (PPPFA) and supply chain management regulations. These policies and procedures are reviewed regularly by the CHIETA management, staff, internal and external auditors and adjusted to ensure that current updates in procurement practices are adhered to by the entity.

## 7.4 CHIETA Infrastructure and Security over assets and income

The CHIETA's net asset base was R249,0 million as at 31 March 2021 (R202.7 million as at 31 March 2020). Total net assets increased by the net surplus of R46,9 million for the financial year ended 31 March 2021 in comparison with the prior financial year.

## 7.5 Accounting Authority and Board Committee Meetings

The Accounting Authority and all CHIETA board committee's attend quarterly meetings to discuss strategic matters focusing on delivery of the CHIETA mandate.

## 7.6 Promotion of Accountability and Transparency

### 7.6.1 Audit Committee

The Audit Committee functions in terms of section 51(a)(ii) of the PFMA read in conjunction with Treasury Regulations 76 and 77 and performs a critical governance function. As with the board, the Audit Committee's constitutional structure and operation have been considered in relation to best practice recommendations and the protocols on corporate governance.

### 7.6.2 Management Committee

Through management of day-to-day business activities, the CHIETA Chief Executive Officer and the management team are responsible for ensuring that decisions, strategies and views of the board are implemented and that operations are managed effectively, efficiently and economically.

### 7.6.3 Employees

The Human Resources Strategy is founded on human capital development. It also addresses issues that create the conditions and opportunities for previously disadvantaged individuals to be employed at all levels within the organisation. The CHIETA views transformation and employment equity as a key imperative of skills development and training, economic development and disposal of its mandate.

### 7.6.4 Employment Equity

There is continual monitoring and enforcement of employment equity practices.

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2021

	Note(s)	2021 R'000	2020 R'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	11	343,960	256,467
Receivables from non-exchange transactions	9	4,574	1,253
Receivables from exchange transactions	10	701	1,891
Inventories	22	30	548
		349,265	260,159
<b>Non-Current Assets</b>			
Property, plant and equipment	7	2,791	2,483
Intangible assets	8	5,831	50
		8,622	2,533
<b>Total Assets</b>		<b>357,887</b>	<b>262,692</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable exchange	13	10,535	3,757
Accounts payable Non-exchange	12	88,912	49,807
Provisions	14	9,365	6,951
		108,812	60,515
<b>Total Liabilities</b>		<b>108,812</b>	<b>60,515</b>
<b>Net Assets</b>		<b>249,075</b>	<b>202,177</b>
Net assets represented by:			
Administration reserve		8,622	2,533
Discretionary reserve		240,453	199,644
<b>Total Net Assets</b>		<b>249,075</b>	<b>202,177</b>

## STATEMENT OF FINANCIAL PERFORMANCE

Note(s)	2021 R'000	2020 R'000
<b>Revenue</b>		
<b>EXCHANGE REVENUE</b>		
Investment income	3	10,377
Other income	25	99
Total revenue from exchange transactions	10,476	17,306
<b>NON EXCHANGE REVENUE</b>		
<b>Taxation revenue</b>		
Skills Development Levy: income	4	369,533
Skills Development Levy: penalties and interest	4	6,917
Total revenue from non-exchange transactions	376,450	540,698
Total revenue	386,926	558,004
<b>Expenses</b>		
Employer grant and project expenses	5	(246,744)
Administration expenses	6	(92,900)
Loss on disposal of assets and liabilities		(382)
Total expenses	(340,026)	(598,284)
NET SURPLUS /(DEFICIT) FOR THE YEAR	46,900	(40,280)

## STATEMENT OF CHANGES IN NET ASSETS

	Administration reserve R'000	Employer grant reserve R'000	Discretionary grant reserve R'000	Accumulated surplus R'000
<b>Balance at 01 April 2019</b>	<b>6,094</b>	-	<b>236,363</b>	<b>242,457</b>
Changes in net assets				
Surplus for the year	-	-	-	(39,477)
Allocation of Net accumulated deficit	1,377	8,416	(49,270)	-
Excess reserves transferred to Discretionary	(4,938)	(8,416)	13,354	-
<b>Balance at 01 April 2020</b>	<b>2,533</b>	-	<b>200,447</b>	<b>202,980</b>
Prior period errors - Administration and Discretionary grants expenditure	27 (582)	-	(221)	(803)
Transfer of reserve to Discretionary	582	-	(582)	-
<b>Balance at 01 April 2020 - Restated</b>	<b>2,533</b>	-	<b>199,644</b>	<b>202,177</b>
Surplus/ (Deficit) for the year	-	-	-	46,900
Total recognised income and expenses for the year	-	-	-	-
Allocation of net surplus/(deficit)	(44,678)	9,973	81,605	-
Deficit transferred to Discretionary reserve	50,768	(9,973)	(40,795)	-
<b>Balance at 31 March 2021</b>	<b>8,622</b>	-	<b>240,453</b>	<b>249,075</b>

## CASH FLOW STATEMENT

Note(s)	2021 R'000	2020 R'000
Operating activities		
Cash received from stakeholders		
Levies, interest and penalties received	374,418	540,045
Interest income	10,377	17,201
	<u>384,795</u>	<u>557,246</u>
Cash paid to stakeholders, suppliers and employees		
Compensation of employees	(57,898)	(42,970)
Grants and project payments	(207,596)	(579,092)
Payments to suppliers and other	(24,410)	(25,613)
Cash paid to stakeholders, suppliers and employees	<u>(289,904)</u>	<u>(647,675)</u>
Net cash flows from operating activities	15      94,891	(90,429)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	7      (1,530)	(376)
Proceeds from disposal of property, plant and equipment	7      12	25
Purchase of intangible assets	8      (5,879)	-
<b>Net cash outflow from investing activities</b>	<u>(7,397)</u>	<u>(351)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>87,493</b>	<b>(90,779)</b>
Cash and cash equivalents at the beginning of the year	256,467	347,246
<b>Cash and cash equivalents at the end of the year</b>	11 <u>343,960</u>	<u>256,467</u>



## STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNTS

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R'000	R'000	R'000	R'000	R'000
Statement of Financial Performance					
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Investment income	22,409	(6,909)	15,500	10,377	(5,123)
Other income	-	-	-	99	99
<b>Total revenue from exchange transactions</b>	22,409	(6,909)	15,500	10,476	(5,024)
<b>Revenue from non-exchange transactions</b>					
Skills Development Levy: Income	588,813	(144,169)	414,644	369,533	(45,111)
Skills Development Levy: penalties and interest	13,680	(6,174)	7,506	6,917	(589)
<b>Total revenue from non-exchange transactions</b>	572,493	(150,343)	422,150	376,450	(45,700)
<b>Total revenue</b>	594,902	(157,252)	437,650	386,926	(50,724)
<b>Expenditure</b>					
Employer grant and project expenses	(521,588)	178,858	(342,700)	(246,744)	95,956
Administration expenses	(73,344)	(21,606)	(94,950)	(92,900)	2,050
<b>Total expenditure</b>	(594,902)	157,252	(437,650)	(339,644)	98,006
<b>NET DEFICIT FOR THE YEAR</b>	-	-	-	47,282	47,282
Loss on disposal of assets and liabilities	-	-	-	(382)	(382)
<b>Deficit before taxation</b>	-	-	-	46,900	46,900
Net surplus/(deficit) for the year	-	-	-	46,900	46,900

## ACCOUNTING POLICIES

### 1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in line with Section 91(1) of the PFMA. Accounting policies are in accordance with the Skills Development Act, 97 of 1998 as amended and the Skills Development Levies Act 9 of 1999 as amended.

The amount and nature of any restrictions on cash balances is required to be disclosed.

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

The financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost conventions.

These financial statements are presented in South African Rands, which is the functional currency of the entity and amounts are rounded to the nearest thousand.

#### 1.1 New Accounting Pronouncements

There were no new standards that were issued and effective that are applicable to CHIETA.

#### 1.2 Going concern assumption

The financial statements have been prepared on the going concern basis, as the CHIETA does not see any reason to significantly curtail its operations in the foreseeable future and the entity will continue to operate as a going concern.

#### 1.3 Significant judgements and sources of estimated uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions which may be material to the financial statements. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates in the annual financial statements. Judgements include:

##### Receivables from exchange transactions

The entity assesses its trade and other receivables for impairment at the end of each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

## Receivables from non-exchange transactions

The entity refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected this may result in grants that have been paid to affected employers being in excess of the amount that should have been granted to employers had all information been available at the time of payment. A receivable relating to overpayment made in earlier periods is recognised at the amount of the grant overpayment, net of bad debts and allowance for irrecoverable amounts.

## Statutory debtors

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The entity recognises statutory receivables using the policy on revenue from non-exchange transactions. INITIAL MEASUREMENT The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement - the entity measures statutory receivables after initial recognition using the cost method. The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and less any accumulated impairment losses and any amounts derecognised. The transaction amount (for purposes of the Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations or similar means.

Impairment losses - the entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired. In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

Payables from exchange transactions.

Payables from exchange transactions are stated at their nominal value. The carrying amount of these payables approximates fair value due to the short period to maturity of these instruments.

Payables from non-exchange transactions

Payables from non-exchange transactions are due to employers and are stated at nominal value.

Provisions

Provisions are estimates raised by management using the information available to management.

## 1.4 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period for intangible assets is reviewed at each reporting date.

Amortisation is provided to write down the intangible assets on a straight line basis to their residual values.

Computer software 2 - 20 years

MIS software (Internally generated) 9 years

The entity reassesses the useful life of intangible assets at the end of each financial year.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e impairment losses are recognised).

Gains and losses on disposal of intangible assets are determined by reference to their carrying amount and taken into account in determining operating profit.

### **1.5 Revenue recognition**

SDL transfers are recognised when it is probable that future economic benefit 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).

Skills Development levies are recognised at the fair value of the consideration received.

#### **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 of 1% of the total payroll cost to the South African Revenue Services (SARS). 80% of skills development levies are paid over to SETA ( net of the 20% contribution to the National Skills Fund).

Revenue is adjusted for inter-SETA transfers due to employers changing SETAs. Such adjustments are disclosed separately as inter-SETA transfers. The amount of the inter-SETA adjustment is calculated according to the Standard Operating Procedures issued by the Department of Labour in June 2001. When a new employer is transferred to the SETA, the levies transferred by the former SETA are recognised as revenue and allocated to the respective category to maintain its original identity.

#### **Interest and penalties**

Interest and penalties on the SDL is recognised when 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).

#### **Funds allocated by the National Skills Authority for special projects**

Funds transferred by the National Skills Authority are accounted for in the financial statements of the SETA as a liability until the related eligible special project expenses are incurred, when the liability is extinguished and revenue recognised.

Property, plant and equipment acquired for the project are capitalised in the financial statements as the SETA controls such assets for the duration of the project. Such assets can however only be disposed of in terms of agreement and specific written instructions by the National Skills Authority.

#### **Government grants and other donor income**

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

## Investment income

Interest income is accrued on a time proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

## 1.6 Grants and project expenditure

A registered company may recover a maximum mandatory grant of 20% of its total levy payment by complying with the grant criteria in accordance with the Skills Development Regulations issued in terms of the Skills Development Act 1999 (Act No 9 of 1999).

### Mandatory grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form by 30 April of every year. The grant is equivalent to 20% of the total levies paid by the employer during the corresponding financial period for the skills planning grant and implementation grant.

### Discretionary grants and project expenditure

The funding for discretionary grants and projects comprise 49.5% of the total levies paid by the employers, levy grants that are not claimed by employers, the surplus of administration levies not utilised, investment income, and other income generated by the SETA.

A SETA may out of any surplus monies determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period.

### Project expenditure comprise:

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

A maximum of 7.5% of discretionary grant and project expenditure may be used for project management purposes.

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

Project costs are recognised as expenses in the period in which they are incurred. A receivable is recognised net of a provision for irrecoverable amounts for incentive and other payments made to the extent of expenses not yet incurred in terms of the contract.

## 1.7 Budgeting

The CHIETA is required to comply with the requirements of the Public Finance Management Act and the National Treasury Regulations in respect of budgeting.

## 1.8 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

Irregular expenditure must be removed from the balance of the irregular expenditure notes when it is either:

- (a) condoned by the relevant authority if no official was found to be liable in law.
- (b) recovered from an official liable in law.
- (c) written-off if it's irrecoverable from an official liable in law; or
- (d) written-off if it's not condoned and irrecoverable.

## 1.9 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.

### 1.10 Property, plant and equipment

Property, Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Depreciation is calculated on the straight-line method to write-off the cost of each asset over its estimated useful life.

- |                                 |                |
|---------------------------------|----------------|
| - Computer equipment            | 3 - 5 years.   |
| - Office furniture and fittings | 10 - 20 years. |
| - Office equipment              | 10 - 20 years. |

### 1.10 Property, plant and equipment (continued)

The depreciation charge is to depreciate the book value over the useful life of the asset to its assessed residual value. Depreciation is calculated and provided for on an annual basis. If the residual value of an asset is at least equal to its carrying amount, depreciation will cease.

The entity reassesses the useful life of the property, plant and equipment at the end of each financial year.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

### **1.11 Operating lease**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement based on actual straight lined and accrued payments. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination take place.

### **1.12 Employee benefits**

Employee benefits are forms of considerations given by an entity in exchange for services rendered by employees. The cost of employee benefits is recognised during periods in which the related service is rendered.

The SETA provides for retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Funds Act, 1956 as amended. In terms of the Pension Funds Act, the fund is not required to be actuarially valued. Contributions are at a rate of 14.88% of pensionable emoluments.

Termination benefits are recognised and expensed when an employee withdraws their services.

Liability for annual leave is recognised as it accrues to employees. This liability is based on the amount of leave days due to employees at year end and the total remuneration package of the employee.

The SETA's contribution to the defined contribution plans is charged to the income statement in the year to which they relate and no future liability exists for the CHIETA.

### **1.13 Provisions and contingencies**

Provisions are recognised when the SETA has a present legal or constructive obligation as a result of past events, and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can either be:

- (a) A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or
- (b) A contingent liability is a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

### **1.14 Provision for grants**

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act, 97 of 1998 has been complied with by member companies and it is probable that the SETA will approve the payment. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval for each type of grant.

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

### **1.15 Financial instrument**

#### **Recognition**

Financial assets and financial liabilities are recognised on the SETA's Statement of Financial Position when the SETA becomes a party to the contractual provisions of the instrument.

#### **Measurement.**

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

### **1.16 Financial assets**

The SETA's principal financial assets are exchange and non-exchange receivables and cash and cash equivalents which are categorised as follows:

Cash and cash equivalents - held for trading.

Cash and cash equivalents are measured at fair value.

### **1.17 Financial liabilities**

The SETA's principal financial liabilities are payables from exchange and non-exchange. All financial liabilities are measured at amortised cost, comprising original debts less principle payments and amortisations, except for financial liabilities held-for trading and derivative liabilities, which are subsequently measured at fair value.

A financial liability or a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition, the difference between the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net profit or loss for the period.

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



Financial assets and financial liabilities are offset if there is any intention to realise the asset and settle the liability simultaneously and a legally enforceable right to offset exists.

### 1.18 Reserves

Equity is sub-classified in the balance sheet 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 levy payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act, for the purpose of:

	2020/21	2019/20
	%	%
Administration costs of the SETA	10.5	10.5
Employer Grant Fund Levy	20	20
Discretionary grants and projects	49.5	49.5

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.

The net surplus/deficit is allocated to the administration reserve, the mandatory grant reserve and the discretionary fund reserve based on the above table.

Surplus funds are moved to the discretionary fund reserve from the administration reserve based on unspent funds at year-end and from the mandatory grant based on unclaimed grants after the prescribed time-frames have elapsed.

### 1.19 Related parties

CHIETA operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state controlled entities" in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants. Other related party transactions are also disclosed in terms of the requirements of the accounting standard.

### 1.20 Subsequent events

Subsequent events 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:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date).

(b) 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 estimates 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 Inventories**

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 business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

### **1.22 Commitments**

Commitments comprise those future expenses that CHIETA has committed itself to contractually, but for which a present obligation for the payment thereof does not exist at the reporting date. Accordingly these commitments are not recognised as liabilities but are disclosed in the notes to the annual financial statements. Please refer to note 18.

### **1.23 Segment Reporting**

Segments are identified by the way in which information is reported by management, both for purposes of assessing performance and making decisions about how future resources will be allocated to various activities undertaken by the CHIETA. The major classification of activities identified in budget information reflect the segments for which CHIETA reports information.

Segment information is presented based on services provided. Service segments relate to distinguishable components within CHIETA that provide specific outputs or achieve particular operating objectives that are aligned to the entities overall mission. CHIETA's service segments are mandatory, discretionary and administrative activities.

## 2. ALLOCATION OF NET DEFICIT FOR THE YEAR TO RESERVES FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand

	R'000	R'000	R'000	R'000
	Total per income Statement	Administration reserve	Mandatory skills planning and implementation grants	Discretionary grants and Projects
Admin levy income	48,505	48,505	-	-
Grant levy income	321,028	-	92,387	228,642
Skills Development Levy: penalties and interest	6,917	-	-	6,917
Investment income	10,377	-	-	10,377
Other income	99	99	-	-
Loss on disposal of assets	(382)	(382)	-	-
Transfer to discretionary reserve	-	44,678	(9,973)	(34,705)
<b>Total revenue</b>	<b>386,544</b>	<b>92,900</b>	<b>82,414</b>	<b>211,231</b>
Administration expenses	(92,900)	(92,900)	-	-
Employer grants and projects expenses	(246,744)	-	(82,414)	(164,331)
<b>Net surplus/(deficit) per statement of financial performance allocated</b>	<b>46,900</b>	<b>-</b>	<b>-</b>	<b>46,900</b>

## 2. ALLOCATION OF NET DEFICIT FOR THE YEAR TO RESERVES FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand

	R'000	R'000	R'000	R'000
	Total per income Statement	Administration reserve	Mandatory skills planning and implementation grants	Discretionary grants and Projects
Admin levy income	70,019	70,019	-	-
Grant levy income	463,464	-	133,353	330,111
Skills Development Levy: penalties and interest	7,215	-	-	7,215
Investment income	17,201	-	-	17,201
Other income	105	105	-	-
Loss on disposal of assets	(27)	(27)	-	-
Transfer to discretionary reserve	-	(795)	(8,416)	9,211
Total revenue	557,977	69,302	124,937	363,738
Administration expenses	(69,302)	(69,302)	-	-
Employer grants and projects expenses	(528 955)	-	(124,937)	(404,018)
Net surplus per statement of financial performance allocated	(40,280)	-	-	(40,280)

Figures in Rand

2021  
R'000

2020  
R'000

### 3. INVESTMENT INCOME

Interest income - Bank deposits

10,377	17,201
<b>10,377</b>	<b>17,201</b>

### 4. SKILLS DEVELOPMENT LEVY INCOME

Skills development levies - Administration

48,505	70,019
92,387	133,353
228,641	330,111

Skills development levies - Mandatory grants

Skills development levies - Discretionary grants and special projects

**Skills Development Levy income**

<b>369,533</b>	<b>533,483</b>
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**Skills Development Levies - Penalties and Interest**

<b>6,917</b>	<b>7,215</b>
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Figures in Rand

2021

2020

R'000

R'000

## 5. EMPLOYER GRANT AND PROJECT EXPENSES

### Mandatory grants

Disbursed

91,312

125,221

Movement in provisions and accrual

(8,897)

(284)

### Discretionary grants

Disbursed

177,086

352,046

Movement in provisions and accrual

(36,719)

(44,853)

### Project expenditure

Disbursed

33,860

106,090

Movement in provisions and accrual

(9,898)

(9,265)

**246,744**
**528,955**

### Discretionary Grant expenditure consist of:

Direct Discretionary Grant project costs

130,573

287,343

Direct project administration expenses

9,793

19,849

**140,366**
**307,192**

### Project expenditure consist of:

Direct project costs

22,291

90,543

Direct project administration expenses

1,672

6,283

**23,963**
**96,826**

Figures in Rand	2021	2020
	R'000	R'000
<b>6. ADMINISTRATIVE EXPENDITURE</b>		
Depreciation	829	587
Amortisation of intangibles	98	49
Operating lease rentals	4,468	3,236
Maintenance, repairs and running costs- Property and buildings	1,088	120
Utilities	959	1,217
Advertising, marketing and promotions, communication	557	700
Consultancy and service provider fees	3,116	1,381
Legal fees	866	287
Cost of employment (ref to note 6.1)	61,530	42,491
Travel and accomodation	240	1,850
Training and development	1,214	1,152
Remuneration to members of the accounting authority	3,490	2,159
Remuneration to members of the audit committee	1,215	717
Internal auditors remuneration	284	1,126
External auditors remuneration	2,496	3,088
IT maintenance and internet Service (ISP)	2,309	1,325
Telephone and fax	627	565
Printing and stationery	507	1,200
Insurance costs	108	122
Workshop and meetings	42	537
Quality council for trades and occupations (QCTO)	3,874	3,597
Postage and Courier	67	450
Board and committee secretariat	223	414
COVID expense	378	-
Other expenses***	2,317	932
	<b>92,900</b>	<b>69,302</b>

\*\*\*Other expenses includes website, relocation costs, tea and coffee costs and bank charges

Figures in Rand

2021

2020

R'000

R'000

## 6.1 COST OF EMPLOYMENT

<b>Salaries and wages</b>		
Basic salaries	42,837	27,979
Performance awards	8,139	5,767
Temporary staff	13	69
Leave provision	2,567	1,307
<b>Social contributions</b>		
Medical aid contributions	2,465	2,265
Provident fund contributions: defined contribution plans	5,180	4,768
UIF	329	336
	<b>41,909</b>	<b>39,593</b>
<b>Allocation of cost of employment</b>		
Average number of employees	94	81







Figures in Rand

2021

2020

R'000

R'000

## 9. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Grants and projects debtors

782

-

Statutory debtors (see 9.1)

3,791

1,252

**4,573****1,252**

### 9.1 Statutory Debtors

Overpayment to employers - Opening balance

1,252

191

Received during the year

(388)

(25)

Receivable current year

2,927

1,087

**3,791****1,253**

## 10. RECEIVABLES FROM EXCHANGE TRANSACTION

Deposits

429

143

Other trade receivables

255

1,739

Employee receivable

17

9

**701****1,891**

Figures in Rand

2020

2019

R'000

R'000

## 11. CASH AND CASH EQUIVALENTS

Cash at bank and on hand:

Cash at bank	343,950	256,457
Cash on hand	10	10
<b>Cash and cash equivalents at end of year</b>	<b>343,960</b>	<b>256,467</b>

As required in Treasury Regulation 31.2, National Treasury approved the banks where the CHIETA bank accounts are held. The weighted average interest rate on short term bank deposits was 3.76% (2020: 6.8%).

Cash includes cash on hand and cash with banks. Cash equivalents are short term, highly liquid investments that are held with registered banking institutions with maturities of five months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments.

## 12. ACCOUNTS PAYABLE NON-EXCHANGE

Skills development grants payable - mandatory Non-exchange	18,766	9,869
Skills development grants payable - discretionary Non-exchange	56,096	19,378
Project creditors	1,845	337
Project accrual	3,675	14,861
Employer payable	8,530	5,362
	<b>88,912</b>	<b>49,807</b>

## 13. ACCOUNTS PAYABLES EXCHANGE

Other accruals	3,905	2,166
Employee benefits - leave accrual ( refer to note 12.1)	2,567	1,307
Trade payables	4,063	284
	<b>10,535</b>	<b>3,757</b>

Figures in Rand	2020/21	2019/20
	R'000	R'000

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### 13.1 Employee benefits - leave accrual

Opening carrying amount	1,307	1,401
Amounts utilised	(1,307)	(1,401)
Change in estimates	2,567	1,307
Closing carrying amount	2,567	1,307
Current portion	2,567	1,307
<b>Total</b>	<b>2,567</b>	<b>1,307</b>

Figures in Rand

R'000      R'000      R'000      R'000      R'000

## 14. PROVISIONS

Reconciliation of provisions for the year ended 31 March 2021:

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Exempt employers provision	1,184	190	-	(148)	1,226
Provision for performance bonus	5,767	8,138	(5,767)	-	8,138
	<b>6,951</b>	<b>8,328</b>	<b>(5,767)</b>	<b>(148)</b>	<b>9,364</b>

Reconciliation of provisions for the year ended 31 March 2020:

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Exempt employers provision	1,081	271	-	(168)	1,184
Bonus provision	4,612	5,767	(4,612)	-	5,767
	<b>5,693</b>	<b>6,038</b>	<b>(4,612)</b>	<b>(168)</b>	<b>6,951</b>

An amount of R1,226,130 (2020- R1,183,852) relates to skills development levies incorrectly contributed by employers to SARS and paid over to DHET after being exempted from contributing skill development levies due to legislative changes which came into effect on 1 August 2005. Since SARS collects the SDL from employers on behalf of the DHET and SETAs, the responsibility to refund employers remains with SARS.

In terms of Skills Development Circular No. 09/2013 issued by the DHET on 25 August 2013, SETA's are able to utilise exempted amounts contributed after the expiry date of 5 years as stipulated in terms of section 190(4) of the Tax Administration Act. These amounts are indicated as reversals and have been transferred to the discretionary reserve as per the requirements of the above circular.

An amount of R8,138,846 (2020-R5,766,648) relates to performance bonus that were paid based on the ratings agreed with employees

Figures in Rand	2021	2020
	R'000	R'000

## 15. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET SURPLUS/(DEFICIT)

Net surplus/(deficit) as per statement of financial performance	46,900	(40,280)
<b>Adjusted for non-cash items</b>		
Depreciation	829	587
Amortisation	97	49
Increase/(decrease) in provisions relating to grants	2,414	1,258
Profit/loss on disposal	384	27
<b>Adjusted for working capital changes:</b>		
Inventories	518	-
Receivables exchange	(2,130)	(1,238)
Increase/(Decrease) in payables	(45,881)	(50,832)
	<b>94,891</b>	<b>(90,429)</b>

## 16. RETENTION OF CASH SURPLUSES

In terms of Section 53(3) of the PFMA, public entities listed in Schedule 3A and 3C may not retain cash surpluses that were realised in the previous financial year without obtaining prior written approval of National Treasury. The National Treasury issued Instruction No. 12 of 2020/2021 which revised the calculation of the retention of surpluses to be followed by public entities listed in Schedule 3A and 3C of the PFMA. According to this instruction, a surplus is based on the cash and cash equivalents at the end of the year add receivables less current liabilities.

### Calculation of surpluses

Cash and cash equivalents	343,960
Add: Receivables	5,275
Less: Current liabilities	(108,812)
<b>Net Surplus</b>	<b>240,423</b>

Notwithstanding the accumulated surplus above, CHIETA has year-end commitments in the form of contracts with various service providers as indicated in note 18, the below reflects the accumulated surplus after taking into account the impact of these commitments.

Less: Commitments	(195,534)
Less: Lease agreements	(4,468)
<b>Net surplus after taking into account commitments</b>	<b>40,421</b>

## 17. CONTINGENCIES

In terms of the PFMA, all surplus / (deficit) funds as at year-end require the approval of National Treasury. The CHIETA annually requests formal rollover of any unspent funds or approval for realisation of a deficit and has communicated this in writing as per National Treasury requirements. The surplus / (deficit) is calculated in terms of the requirements of National Treasury instruction no.6 of 2017/18 for the current financial year. Formal approval has not yet been obtained from National Treasury to retain the surplus funds at the time of submission of these Annual Financial Statements.

### Contingent Liability

Outcome of the Minister of Higher Education and Training (DHET) and employers, represented by Business Unity South Africa ('BUSA') case.

In December 2012, the Minister repealed the 2005 Grant Regulations and promulgated 2012 Grant Regulations. Regulation 4(4) of the 2012 Grant Regulations reduced the mandatory grant that an employer could claim back from 50% to 20% of the total levies paid by the employer. The manner in which the 2012 Grant Regulations were promulgated, amongst others matters, led to litigation begun by BUSA, at the Labour Court. The Labour Court declared the Regulation to be invalid and consequently set aside, with suspension of the order until March 2016.

Prior to the order coming into effect, the regulation was re-promulgated in January 2016, to which BUSA launched renewed review proceedings in the Labour Court to set the repromulgated regulation aside. The Labour Court dismissed the review application and BUSA decided to put through an appeal to the decision through the Labour Appeal Court (LAC). During October 2019, the LAC ruled that the decision to re-promulgate Regulation 4(4) was "irrational and lacking in any legal justification". The regulation, as re-promulgated in 2016, was consequently set aside.

Despite the said regulation being set aside, the LAC ruling is silent on both the percentage quantum that can be claimed back by employers and on the effective date of the order. The effect of the ruling is that the Minister, in consultation with employers and BUSA, would have to decide on the percentage for mandatory grants in consultation with the sector, and these accordingly published in the Government Gazette. To date, there has been no communication regarding the approved mandatory grant percentage that can be claimed back by employers. These circumstances create uncertainty as to the percentage of mandatory grants that can be paid and/or accrued by the SETA during the year under review.

However, post the ruling, SARS / DHET continues to split the mandatory grant levy income portion at a rate of 20% in the monthly levy download information. Consequently, the SETA has continued to pay and accrue mandatory grants at 20% in the 2020/21 financial year which is also aligned to the approved annual performance plan. The mandatory grant expenditure in Note 4 as well as the mandatory grant liability in note 11 were calculated at a rate of 20%.

Pending the final agreement between the Minister and the employers (through BUSA) on the approved rate, there is therefore a possible liability due to additional or lesser grant payments over or under the amounts already paid and accrued in the current year based on a payment rate of 20%. Given the initial review application at the Labour Court whereby BUSA cited that the mandatory grant reduction is irrational and unreasonable; as well as latter reports by business arguing that the LAC judgement would revert back to the original position; it is therefore remotely likely that there would be a contingent asset. It is therefore submitted that the likelihood of a possible liability is greater, which can only be confirmed from the outcome of the agreements between the Minister and employers, which is not within the control of the entity. The amount of the possible obligation cannot be (reliably) estimated due to the uncertainty of the approved rate, as well as the effective date of application. In addition, the entity has had no experience in similar transactions to be able to reasonably estimate the outcome of the events nor the amount.



Figures in Rand

R'000 R'000 R'000 R'000 R'000 R'000

**18. COMMITMENTS****Discretionary grants commitments summary**

Programmes	Closing Balance as at 31 March 2020	Approved by Accounting Authority (C1 and C2)	2020/2021 Not contracted	Utilised During 2020/21	Adjustments 2020/2021	Total Commitments 31 March 2021
AET Provision Incentives	578	1,504	120	888	339	735
Artisans	22,208	63,556	552	33,515	10,582	41,116
Bursaries	6,992	34,252	8,568	9,021	4,213	19,442
Learnerships	66,825	54,795	302	50,701	25,259	45,359
RPL	19,165	3,040	-	10,027	5,111	7,067
Skills Programmes	9,646	3,865	67	3,578	3,526	6,339
TVET College Lecture Deveopment	1,239	-	-	245	486	507
WIL - Workplacement for Employment	7,701	6,860	642	4,817	3,435	5,667
WIL - Workplace Experience	24,524	11,736	648	17,781	4,821	13,010
	<b>158,878</b>	<b>179,608</b>	<b>10,899</b>	<b>130,573</b>	<b>57,772</b>	<b>139,242</b>

Figures in Rand

R'000 R'000 R'000 R'000 R'000 R'000

**18. COMMITMENTS (continued)**Strategic projects commitments  
summary

Projects	Closing Balance as at 31 March 2020	Budget Approved by Accounting Authority	Adjustments 2020/2021 Not contracted	Recoveries/ Utilised Strategic Projects	Adjustments 2020/2021 Sweeps	Total Commitments 31 March 2021
Chemical Industry Stakeholder support	-	12,050	-	4,140	-	7,910
World Skills Competition	944	528	-	416	-	1,056
Regional Stakeholder Support	60	2,850	-	9	-	2,901
Public Sector Capacity	614	700	604	4	510	196
Small Business Support	1,869	11,600	2,895	1,808	691	8,072
Career Guidance Projects	-	10,500	52	843	-	9,604
CEO Strategic Projects	728	7,200	7,200	500	-	228
Bursary Project	1,555	3,000	3,000	941	6	608
Career and Vocational Guidance	-	4,000	-	1,814	-	2,186
Intergrated Marketing and Relationship Management	-	4,000	-	1,814	-	2,186
Maths and Science, Career Guidance Projects	1,844	1,543	1,543	301	128	1,415
Rural and Cooperatives Development	3,362	1,524	917	2,468	1,119	381
Learners with Disabilities	1,829	1,558	16	270	534	2,568
Institutional and Industry Partnership	6,164	5,000	3,353	1,857	1,153	4,800
Strategic Infrastructure Projects	2,408	13,500	10,443	2,268	65	3,133
Trade Union Learning Practitioner Program	2,772	5,000	4,880	464	26	2,402
Programme 2 Research and Skills Planning (PIVOTAL)	231	-	-	231	-	-
Programme 2 Research and Skills Planning (non-PIVOTAL)	2,981	8,946	-	7,222	-	4,705
Qualification Development	12	1,100	-	750	-	363
Cooperatives, NGOs, CBOs support	1,401	2,200	-	964	1,066	1,572
Temporary Employee/Employer Relief Scheme (TERS)	247	-	-	148	-	99
Candidacy Project	-	3,000	804	103	-	2,093
Technical and Vocational Education and Training (TVET) Support	-	1,000	1,000	-	-	-
	<b>29,021</b>	<b>96,799</b>	<b>36,707</b>	<b>27,521</b>	<b>5,298</b>	<b>56,292</b>

Figures in Rand	2021	2020
	R'000	R'000

Of the balance of R243,542 ('000) available in the discretionary reserve for the year ended 31 March 2021, R139,242 ('000) has been approved and allocated for discretionary grants commitments as outlined above and substantial portions of contractual obligations have been met. A further amount of R56,292 ('000) is committed to strategic sector projects. During the financial year an amount of R130,573 ('000) was utilised on contractual deliverables in discretionary grant programs (excluding project admin) and an amount of R22,291 ('000) excluding MIS software capitalised amount of R5,230, was utilised on strategic sector projects (excluding project admin).

## 18. COMMITMENTS (continued)

### Operating Leases

#### Minimum lease payments under operating lease recognised as expense in the year

Lease payments	4,468	3,236
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Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of 5 years and the lease period coincides with the licence period of the CHIETA, Rentals escalate on average by between 7%/9% per annum. The monthly payments for property assessment rates and taxes and municipal charges are included as part of other operating expenditure in the statement of financial performance.

#### Minimum lease payments due

- within one year	4,792	3,024
- Later than one year and not later than five years	17,577	14,158
- later than five years	-	1,311
	<b>22,369</b>	<b>18,493</b>

Figures in Rand

2020

2019

R'000

R'000

## 19. IRREGULAR EXPENDITURE

Opening balance as previously reported	77,552	32,397
<b>Irregular expenditure</b>	<b>77,552</b>	<b>32,397</b>
Add: Irregular Expenditure - current year	2,120	7,331
Add: Irregular Expenditure - prior period	-	37,824
**Amount condoned	-	-
<b>Closing balance</b>	<b>79,672</b>	<b>77,552</b>

\*\* An application for condonement was submitted to National Treasury for an amount of R79,672 ('000). At the time of publishing financials statements no response had been obtained from National Treasury.

### Details of irregular expenditure

#### Discretionary grants

During the 2018/19 CHIETA exceeded its budget by an amount of R26,019 (R'000). This was due to the exceeding of the employer grants and projects budget in order to achieve and exceed on our service level agreement targets with the DHET and to achieve and exceed on the 95% disbursement targets required by the SETA grant regulations. The over expenditure against budget was funded from available discretionary reserves disclosed in the balance sheet and statement of changes in net assets. The CHIETA accounting authority has raised an appeal against the above finding of irregular expenditure by AGSA since the AGSA had not interpreted the exceeding of employer grant and project expenditure in prior years as irregular and had agreed with the interpretation of the CHIETA that discretionary reserves that were approved in prior years did not require approval as these were included as part of the approved budget as reserves. The matter has been escalated to the office of the AGSA. As of the date of submission of these financial statements, the CHIETA has not received communication from the AGSA on the final outcome of our appeal. An independent legal opinion concurs with the CHIETA's interpretation that this does not constitute irregular expenditure.

#### Office building operating leases

Office building leases for the Gauteng Head Office, KZN and WC were entered into through deviations. A meeting was held between the CHIETA and National Treasury in early of April 2018. National Treasury was supportive of the deviation, though they subsequently indicated that they did not support the deviation in writing on the 30th May 2018. Upon receipt of the said letter from National Treasury declining the deviation CHIETA did not embark on a competitive bidding process to rectify the mistake. This then resulted in irregular expenditure of R 4,283 (R'000) 2018/19 and R4,455 (R'000) 2019/20. An additional amount of R905 (R'000) was incurred for the period April to June 2020.

#### Internal Audit Bid

An award for the provision of internal audit and related services was made to a service provider from 01 June 2018 to 31 March 2020 even though the service provider was not the highest scoring bidder. This was in contravention of the regulation 6(8) of the Preferential Procurement Regulation (PPR) 2017 which state that the contract must be awarded to the tenderer scoring the highest points. This then resulted in irregular expenditure of R1,017 (R'000) 2018/19 and R867 (R'000) 2019/20.

Figures in Rand	2020	2019
	R'000	R'000

## 19. IRREGULAR EXPENDITURE (continued)

### Management Information System (MIS)

The CHIETA appointed a service provider for the MIS support. This service provider was appointed as a sole service provider because the MIS system was unique and could not be supported by any other service provider. CHIETA management was of the opinion that this was a sole source procurement which does not require National Treasury approval hence no application was sought. The amount involved is R2,000 (R'000) 2018/19 and R1,750 (R'000) 2019/20.

### Conflict of interest

A former Grants Executive was found to have an interest in companies that benefited from Discretionary grants from the 2014/15 to 2018/19 financial year. This conflict of interest was not declared during the awarding of Discretionary grants. The total amount awarded to these related companies amounts to R30,524 (R'000). The issue is before the Special Investigations Unit (SIU).

### Accounting Authority Remuneration.

The irregular expenditure was incurred as a result of the CHIETA following an Executive Authority instruction. This expenditure was outside the control of the organisation. The finding was identified during the DHET audit and CHIETA as a paying agent had no choice but to disclose the expenditure. The amount involved is R1,215 ('000).

## 20. FINANCIAL INSTRUMENTS

### Aging of trade receivables

#### Days

0-30 days	252	436
31-120 days	783	1,015
Over a year	448	143
	<b>1,483</b>	<b>1,594</b>

### Aging of trade payables

#### Days

0-30 days	<b>99,055</b>	<b>53,969</b>
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### Credit risk

Financial assets, which potentially subject the CHIETA 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 CHIETA management 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 Regulations.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The CHIETA does not have any material exposure to any individual or counterparty. The CHIETA's concentration of credit risk is limited to the industry in which the CHIETA operates. No 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.

**Liquidity risk**

The CHIETA manages liquidity risk through proper management of working capital, capital expenditure and actual vs. forecasted cash flows.

**Market risk**

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

**Fair values**

The CHIETA's financial instruments consist mainly of cash and cash equivalents, account receivables, accounts payables. No financial instruments were carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

**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 loss due to the relatively short-term maturity of these financial assets.

**Accounts payable**

The carrying amount of accounts payables approximates fair value due to the relatively short-term maturity of these financial liabilities.

Figures in Rand

2021

2020

R'000

R'000

## 20. FINANCIAL INSTRUMENTS (continued)

Interest rate risk	Floating rate			Non interest bearing	
	Amount R'000	Effective Interest rate %	Amount R'000	Amount R'000	Total R'000
<b>Year ended 31 March 2021</b>					
Cash	333,583	3.76%	10,377	-	343,960
Accounts receivable	-	-	-	1,483	1,483
<b>Total financial assets</b>	<b>333,583</b>	<b>3.76%</b>	<b>10,377</b>	<b>1,483</b>	<b>345,443</b>
Liabilities					
Accounts payable				99,055	99,055
<b>Year ended 31 March 2020</b>					
Cash	239,266	6.9%	17,201	-	256,467
Accounts receivable	-	-	-	1,891	1,891
<b>Total financial assets</b>	<b>339,266</b>	<b>6.9%</b>	<b>17,201</b>	<b>1,891</b>	<b>258,358</b>
Accounts payable				53,969	53,969

## 21. RELATED PARTY TRANSACTIONS

Transactions with other SETAs

Inter-seta transactions and balances arise due to the movement of employers from one SETA to another. The following transactions occurred during the year with other SETAs.

Related party transactions

	2020/21 Transfers in/(out) R'000	2019/20 Transfers in/(out) R'000
HW SETA	2	-
MERSETA	-	152
FASSET	-	112
Services SETA	-	39
Wholesale and Retail SETA	-	8
Mining Qualifications Authority (MQA)	2	-
<b>Total</b>	<b>4</b>	<b>311</b>

The balances at year-end included in receivables and payables

### Remuneration to Members of Executive Management 01 April 2020 to 31 March 2021

	Basic salary R'000	Allowances R'000	Provident fund R'000	Leave paid out R'000	Perfor- mance bonus R'000	Total R'000
Khathutshelo Ramukumba-Chief Executive Officer (April 20 to September 20)	804	180	141	112	-	1,237
Yershen Pillay - Chief Executive Officer (November 20 to March 21)	594	215	111	-	41	961
Farhad Motala - Chief Financial Officer	1,582	300	322	-	65	2,269
Trevor Channing - Governance and Risk Executive	1,455	458	-	-	312	2,225
Thulani Shabalala - ETDQA Executive	1,562	-	-	-	47	1,609
Jay Moodley - Corporate Services Executive	1,337	-	242	-	189	1,768
Ashvir Isseri - Acting Grants, Strategic Projects and Regions Executive	1,322	150	-	-	190	1,662
Kedibone Moroane - Research and Skills Planning Executive	1,744	-	-	-	290	2,034
Munya Makota - Acting Chief Financial Officer (July 20 -March 21)	1,142	143	188	-	209	1,682
Joel Mmapulane - Acting ETDQA Executive (July 20 to March 21)	1,066	102	176	-	143	1,489
	<b>12,610</b>	<b>1,548</b>	<b>1,180</b>	<b>112</b>	<b>1,486</b>	<b>16,936</b>



Transactions with Board member representatives companies:

Constituency of Board Member Payables	Transacting Company R'000	Transaction type	2020/21 Amount of the transaction R'000	2020/21 Amount receivable/ (payable) R'000	2019/20 Amount of the transaction R'000	2019/20 Amount receivable/ (payable) R'000
Surface Coatings Employer Association	BASF Holdings	Discretionary grant	1,224	1,040	-	-
Public Institution	University of Johannesburg	Discretionary grant and Special project	3,925	2,796	-	-
Glass Employer Industry Association	PG Glass	Discretionary grant	247	209	-	-
Base Chemicals and Petroleum Industry Association	Sasol global learning academy	Discretionary grant	9,222	1,474	-	-
Base Chemicals and Petroleum Industry Association	Sasol mining (Pty) Ltd	Discretionary grant	4,315	2,417	-	-
Explosives and Fertilizers	Omnia	Discretionary grant	-	-	6,870	(2,035)
Base Chemicals and Petroleum	Sasol Limited	Discretionary grant	-	-	53,870	(13,124)
Glass	Consol	Discretionary grant	-	-	1,863	(846)
<b>Total</b>			<b>18,933</b>	<b>7,936</b>	<b>62,603</b>	<b>(16,005)</b>

## Transactions with TVET's and Public Entities

Related party	Contract value	Closing balance as per commitment register	Closing balance as per commitment register
	R'000	2020-2021 R'000	2019-2020 R'000
Boland College	2,000	120	378
Buffalo City TVET College	5,900	1,214	3,351
Coastal KZN TVET College	890	42	168
College of Cape Town	1,570	22	-
Eastcape Midlands College	1,345	-	-
Ekurhuleni West TVET College	3,460	468	1,673
Esayidi TVET College	4,658	575	1,294
False Bay TVET College	1,540	103	800
Flavius Mareka TVET College	10,070	3,753	622
Lephalale TVET College	1,080	-	918
Majuba TVET College	538	408	431
Maluti TVET College	753	357	115
Mnambithi TVET College	5,484	817	2,034
Northern Cape Rural TVET College	800	-	168
Northlink College	1,932	-	-
Port Elizabeth TVET College	17,535	5,606	4,640
South West Gauteng TVET College	1,656	1,408	-
Thekwini TVET College	830	-	256
Umfolozu TVET College	18,557	4,695	2,647
Vhembe TVET College	600	-	-
Vuselela TVET College	10,400	5,089	3,813
Weast Coast College TVET	2,120	125	570
Durban University of Technology	1,680	357	1,033
Mangosuthu University of Technology	1,992	764	804
Tshwane University of Technology	4,287	801	1,085
Vaal University of Technology	1,680	336	-
Beaufort West Municipality	3,558	-	-
Bergvriervier Municipality	234	-	-
Central Karoo District Municipality	1,836	1,560	-
City of Cape Town	600	-	294
City of Umhlathuze	590	164	459
Ditsobotla Local Municipality	1,903	-	-
Harry Gwala District Municipality	1,060	470	667
	<b>113,138</b>	<b>29,254</b>	<b>28,221</b>

Transactions and balances with TVETs, public colleges and Municipalities arise as a result of funding and support of these institutions. The above transactions occurred during the year.

Remuneration to Members of the Accounting Authority 01 April 2020 to 31 March 2021

Name	Constituency	Appointment Date	Governing Board Meeting Fee (R's)	Committee and other Meeting Fee (R's)	Total (R's)
Wezi Oris Khoza	Chairperson and Ministerial appointee	01/04/2020	383	147	530
Thabo Raymond Masombuka	Ministerial appointee	01/04/2020	221	146	367
Isaac Magato Matji	National Petroleum Employer Association	01/04/2020	160	74	234
Sharmila Navnit Govind	Speciality Chemicals Employer Association	01/04/2020	173	93	266
Dr Banothile Charity Makhubela	Ministerial appointee	01/04/2020	203	117	320
Geraldine Edith Hewitt	Glass Industry Employer Association	01/04/2020	168	23	191
Gerhardus Johannes Cloete	Solidarity	01/04/2020	203	171	374
Adri Swart	United Association of South Africa	01/04/2020	208	42	250
Kotjoana Charles Phahla	General Industries Workers Union of South Africa	01/04/2020	181	159	340
Mosehle Petrus Mampho	South African Chemicals Workers Union	01/04/2020	209	175	384
Steven Sipho Mahlangu	Chemical, Energy, Paper, Printing, Wood and Allied Workers Union	01/04/2020	203	31	234
			<b>2,312</b>	<b>1,178</b>	<b>3,490</b>

## 21. RELATED PARTY TRANSACTIONS (continued)

### Members of the Audit Committee

Name	Appointment Date	Constituency	Audit Committee and Board Meeting Fee (R's)
Ms N Madiba	01/10/2018	Chairperson and Independent member	607
Ms M Morata	01/10/2018	Independent member	284
Ms L Mothae	01/10/2018	Independent member	323
			<b>1,214</b>

### Explanatory Notes to Accounting Authority Remuneration and Independent Audit Committee Remuneration

1. The remuneration level of Accounting members is subject to the legislative and policy frameworks of government, affordability and a dedicated budget. This is based on the annual framework of Accounting Authority members as approved by the Minister of Finance and the Minister of Higher Education and Training.
2. The Accounting Authority meeting fee and Committee meeting fee are paid in accordance with the approved rate as per treasury conversion key.
3. Audit committee members are remunerated based on the approved SAICA rates as per approved CHIETA remuneration policy for Accounting Authority and committee fees.
4. Fees for Accounting Authority members who serve on the audit committee are included in the remuneration schedule for members of the Accounting Authority.

### Transactions with Quality Council for Trades and Qualifications

	2021	2020
Amount paid	<b>3,874</b>	<b>3,597</b>

Transactions with the QCTO arise from an obligation created through regulation 2(4) of the SETA grant regulations.

## 22. INVENTORIES

Stationery	<b>30</b>	<b>548</b>
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Figures in Rand	2021	2020
	R'000	R'000

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## 23. COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2021

### Skills Development Levy: income

The SDL for the year was 10.8% lower than the budget, and revenue for the year was 11.6% below budget. This was because of the global recession which also affected the chemical sector, with retrenchments and company closures.

### Skills Development Levy: penalties and interest

Income from penalties and interest arise when employers fail to submit their returns as required by legislation. These amounts typically vary significantly year on year. The full balance is transferred to the discretionary reserve and made available for discretionary grants and projects. Penalties and interest for the year were 7.8% below budget.

### Investment income

Investment income was 33.1% below budget due to substantially lower levy income and lower average cash holding during the 2020/21 financial year.

The CHIETA manages its interest risk by effectively investing surplus funds in term deposits and call accounts with different accredited financial institutions according to the CHIETA investment policy. Any movement in interest rates will affect interest income. Interest income is utilised for additional discretionary grants and therefore will not affect the operations of the CHIETA adversely.

### Employer grant and project expenses

Employer grant and project expenses were 28% below the projected budget for the 2020/21 financial year. This expenditure was 46.6% lower than the year ended 31 March 2020.

### Administration expenses

Administration expenditure exceeded the legislated 10.5% of the Skills Development levy but prior executive authority was obtained.

### Loss on disposal of assets

The loss on disposal was not budgeted for as it could not be anticipated at the time that certain property plant and equipment would be obsolete at year end. During the reassessment of useful lives and residual values, it became evident that certain items of property, plant and equipment have become obsolete. Consequently these were scrapped and disposed-off resulting in a loss on the disposal during the financial period.

## 24. SEGMENT INFORMATION

### General information

Information about the surplus/(deficit), assets and liabilities for the year ended 31 March 2021

2021

	Administration	Mandatory	Discretionary	Total
	R'000	R'000	R'000	R'000
<b>Revenue</b>				
<b>NON EXCHANGE REVENUE</b>				
Skills Development Levy: income	48,505	92,386	228,641	369,532
Skills Development Levy: penalties and interest	-	-	6,917	6,917
Other income	-	-	99	99
<b>EXCHANGE REVENUE</b>				
Investment income	-	-	10,377	10,377
<b>Total segment revenue</b>	<b>48,505</b>	<b>92,386</b>	<b>246,034</b>	<b>386,925</b>
				-
<b>Expenses</b>				
Discretionary Grants & Project Expenditure	-	-	164,330	164,330
Mandatory & Implementation Grant	-	82,414	-	82,414
Employee compensation costs	61,530	-	-	61,530
Other Administration expenses	31,369	-	-	31,369
Loss on disposal of assets	382	-	-	382
<b>Total segment expenditure</b>	<b>93,281</b>	<b>82,414</b>	<b>164,330</b>	<b>340,025</b>
<b>Total surplus/(deficit)</b>				<b>46,900</b>

	Administration	Mandatory	Discretionary	Total
<b>Assets</b>	R'000	R'000	R'000	R'000
Cash and cash equivalents	8,622	-	335,338	343,960
Accounts receivable	701	3,791	782	5,274
Inventories	30	-	-	30
Property, plant and equipment	2,791	-	-	2,791
Other intangible assets	5,807	-	-	5,807
<b>Total segment assets</b>	<b>17,951</b>	<b>3,791</b>	<b>336,120</b>	<b>357,862</b>
<b>Total assets as per Statement of financial Position</b>				-
<b>Liabilities</b>				
Accounts payable	10,533	27,296	61,616	99,445
Provisions	8,300	307	758	9,365
<b>Total segment liabilities</b>	<b>18,833</b>	<b>27,603</b>	<b>62,374</b>	<b>108,810</b>
<b>Total liabilities as per Statement of financial Position</b>				<b>108,810</b>

## 2020

	Administration	Mandatory	Discretionary	Total
<b>Revenue</b>	R'000	R'000	R'000	R'000
<b>NON EXCHANGE REVENUE</b>				
Skills Development Levy: income	70,019	133,353	330,111	533,483
Skills Development Levy: penalties and interest	-	-	7,215	7,215
Other income	-	-	105	105
<b>EXCHANGE REVENUE</b>				
Investment income	-	-	17,201	17,201
<b>Total segment revenue</b>	<b>70,019</b>	<b>133,353</b>	<b>354,632</b>	<b>558,004</b>
<b>Entity's revenue</b>				<b>558,004</b>
<b>Expenditure</b>				
<b>EXPENSES</b>				
Discretionary Grants & Project Expenditure	-	-	404,018	404,018
Mandatory & Implementation Grant	-	124,937	-	124,937
Employee compensation costs	42,491	-	-	42,491
Other Administration expenses	26,811	-	-	26,811
Loss on disposal of assets	27	-	-	27
<b>Total segment expenditure</b>	<b>69,329</b>	<b>124,937</b>	<b>404,018</b>	<b>598,284</b>
<b>Total surplus/(deficit)</b>				<b>(40,280)</b>



	Administration	Mandatory	Discretionary	Total
<b>Assets</b>	R'000	R'000	R'000	R'000
Cash and cash equivalents	2,533	-	253,934	256,467
Accounts receivable	580	1,252	1,313	3,145
Inventories	548	-	-	548
Property, plant and equipment	2,483	-	-	2,483
Other intangible assets	50	-	-	50
<b>Total segment assets</b>	<b>6,194</b>	<b>1,252</b>	<b>255,247</b>	<b>262,693</b>
<b>Total assets as per Statement of financial Position</b>				<b>-</b>
<b>Liabilities</b>				
Accounts payable	9,525	15,231	34,576	59,332
Provisions	155	296	733	1,184
<b>Total segment liabilities</b>	<b>9,680</b>	<b>15,527</b>	<b>35,309</b>	<b>60,516</b>
<b>Total liabilities as per Statement of financial Position</b>				<b>60,516</b>

## 25. OTHER INCOME

ETDP SETA

99

105

These amounts were paid to CHIETA by ETDP SETA for workplace skills plans (WSP)

## 26. SUBSEQUENT EVENTS

The organisation terminated an Executive Manager's contract. The liability in this regard amounts to R1,478 ('000).

## 27. PRIOR PERIOD ERRORS

In the current year some line items of the financial statements disclosed in the prior year were restated due to errors which were identified. The errors were as a result of transactions that were not accounted for. The restatements were done retrospectively in line with the standard.

Figures in Rand	2021 R'000	2020 R'000
<b>27. PRIOR PERIOD ERRORS (continued)</b>		
<b>Employer grant and project expenditure</b>		
As previously disclosed		403,797
Direct project expenditure erroneously omitted or previously understated 221		221
		<b>404,018</b>
<b>Administration expenditure</b>		
As previously disclosed		68,720
Salaries expenditure erroneously omitted or previously understated		582
		<b>69,302</b>
<b>Payables from exchange transactions</b>		
As previously disclosed		8,721
Provision for salaries increase erroneously omitted or previously understated		803
		<b>9,524</b>
<b>Deficit for the year</b>		
As previously disclosed		39,477
Provision for salaries increase erroneously omitted or previously understated (as above)		803
		<b>40,280</b>
<b>Receivables from non-exchange</b>		
Receivables non-exchange previously disclosed		-
Receivables non-exchange grants previously omitted		782
Employer receivable previously disclosed		1,253
Employer receivables previously overstated		(1,253)
		<b>782</b>
<b>Financial instruments</b>		
Accounts receivable as previously stated		3,144
Receivables non-exchange previously overstated		(1,253)
		<b>1,891</b>
<b>Financial instruments</b>		
Accounts payable non-exchange as previously stated		49,807
Accounts payable non-exchange previously overstated		(5,362)
		<b>44,445</b>
<b>Administration reserves</b>		
As previously stated		6,094
Administration reserves previously overstated		(3,561)
		<b>2,533</b>
<b>Irregular expenditure</b>		
As previously stated		77,293
Irregular expenditure previously understated		259
		<b>77,552</b>

**MATERIALITY AND SIGNIFICANT FRAMEWORK POLICY  
STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**

Signed on behalf of the Accounting Authority by:



**Chief Executive Officer**  
(Mr Yershen Pillay)



**Chairperson of Accounting Authority**  
(Ms Wezi Khoza)

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## 1. Objective

The policy is intended to determine material and significant events that warrant disclosure by the Accounting Authority after following due process to:

- The executive authority/legislature;
- The National Treasury;
- The Office of the Auditor-General.

Therefore events of a similar nature as considered material and significant but do not constitute material and significant will be managed “in-house” by the Accounting Authority in terms of formal enquiries and disciplinary processes defined by the human resources policies and procedures.

## 2. Legal Framework

In terms of Treasury Regulations, section 28.1.5, issued in terms of the Public Finance Management Act, Act No.1 of 1999, the Accounting Authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant Executive Authority in consultation with the external auditors. There are specific sections of the PFMA that are relevant:

### *Materiality are:-*

- Section 50(1)(c) – “The Accounting Authority for a public entity must on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way influence the decision or actions of the executive authority or that legislature.”
- Section 55(2)(b)(i) – “The annual report and financial statements must include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.”
- Section 66(1) – “An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security, or other transaction –
  - Is authorised by this Act; and
  - In the case of public entities, is also authorised by other legislation not in conflict with this Act; and
  - In the case of loans by a province or a provincial government business enterprise under the ownership control of a provincial executive, is within the limits as set in terms of the Borrowing Powers of Provincial Governments Act, 1996 (Act No. 48 of 1996).”

### *Significance is:-*

- Section 54(2) – “Before a public entity concludes any of the following transactions, the Accounting Authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction –
  - Establishment or participation in the establishment of a company;
  - Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;
  - Acquisition or disposal of a significant asset;
  - Commencement or cessation of a significant business activity; and
  - A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.”

### **3. Factors considered in developing the framework**

The following factors were considered in determining the framework:

- ***Nature of the business***

Given the nature of the organisation's activities, i.e.

- The creation and registration of national standards and qualifications in the sector and sub-sectors;
- To provide curriculums, assess, certify and manage performance in the sector to ensure targeted and generic service skills;
- To ensure that a quality learning provision is maintained throughout the sector;
- To create and maintain a database to target generic and specific skills development;
- To engage in learnerships and skills programme activities; and
- To implement the sector skills plan; a lower level of materiality is considered appropriate.

- ***Statutory requirements***

The organisation is a public entity, as contained in schedule 3A of the PFMA, and as such is governed by legislation applicable to government entities. Such legislation is therefore prepared in terms of good corporate governance and is intended to govern finance, supply chain management, asset management, etc within the organisation. In light of this, the probability of a material or significant infringement is considered unlikely.

- ***Governance structure***

The Accounting Authority (governing board) is represented by its stakeholders i.e. organised employer and employee representation from the sector. The Accounting Authority, in terms of legislation is accountable for the performance and governance of the organisation to the executive authority (Minister of Labour). In terms of governance, the organisation is further directed by the audit committee (external members), the external auditors (the Auditor-General's office), and the internal auditors (external firm of auditors). In view of the external participation in the operations of the organisation, it is considered appropriate to have a lower level of materiality.

- ***Control and inherent risks***

The following factors were examined in determining the control and inherent risk in the organisation:

- Annual risk assessment;
- Three year internal audit plan;
- Fraud prevention plan;
- Appropriate procurement policy and modalities;
- The implementation and adoption of a quality management system;
- Technical competence, skills and experience of staff engaged in the decision making process;
- Structure of the audit committee with reference to the King Code of Corporate Governance.

In terms of the control and inherent risks, a lower level of materiality is considered appropriate.

- ***Qualitative factors***

Materiality is only related to the size of and the elements of the financial statements. Misstatements that are large individually or in aggregate may affect a reasonable user's assessment. Misstatements may also be material on qualitative grounds. The organisation has considered the following qualitative factors:

## MATERIALITY AND SIGNIFICANT FRAMEWORK POLICY STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

- Unusual transactions entered into that are not of a repetitive nature and are disclosable due to the nature and the knowledge thereof affecting the decision making of the users of financial statements;
- Sizable increase in the stakeholder base i.e. more member companies contributing SDL to the organisation;
- Fraudulent or dishonest behaviour of ALL officers or staff of the organisation. Any Rand value will warrant disclosure;
- Operations in regions that are economically unstable or the expansion into new locations;
- Operations exposed to volatile markets;
- Going concern and liquidity including loss of significant stakeholders;
- Constraints on the availability of capital and credit;
- Changes in the industry in which the entity operates;
- Developing or offering new products or services;
- Entities or business segments likely to be traded or lost;
- Complex alliances and joint ventures;
- Changes in key personnel including departure of key executives;
- Changes in the IT environment;
- Pending litigation and contingent liabilities;
- Public accountability to stakeholders, Parliament, auditors and the community at large;
- The sensitivity of the organisation's financial information in making decisions;
- Inadequate policies and procedures to mislead users;
- Material infringement of legislation;
- The imposition of regularity restrictions that can impair operating capabilities;
- Any transaction entered into that could result in reputation risk; and
- Application of new or changes in accounting policy.

### 4. Materiality

#### 4.1 Definition

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic which information must comprise if it is to be useful.

#### 4.2 Materiality level

The level of a material loss is assessed at 1% of budgeted total revenue (NSF revenue and VAT excluded, includes levy income, interest and penalties and any other income).

Different levels of materiality can be used and the decision to use a conservative level of 1%, irrespective of whether the transaction/event relates to assets, liabilities, or reserves, is based on the fact that the total assets of the organisation is not considered to be an indicator of performance as the organisation is not an asset intensive entity and the revenue component is selected as a basis for the materiality calculation as the level of activity (grant and discretionary disbursements) is dependent on the total revenue received.

### 5. Significant

#### 5.1 Definition

A transaction is significant if conducting the transaction is vitally important to fulfil the organisation's mandate and for it to operate effectively.

## MATERIALITY AND SIGNIFICANT FRAMEWORK POLICY STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Significance is larger than materiality as significant transactions may impact the organisation as a whole. A transaction may be material, but not significant, whereas all significant transactions are material.

### 5.2 Significance Level

The organisation will promptly and in writing inform the National Treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction. The following transactions will be regarded as significant and will require full disclosure:

- Establishment or participation in the establishment of a company;
- Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;
- Acquisition or disposal of a significant asset;
- Commencement or cessation of a significant business activity; and
- A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.

## 6. Reporting of the framework

The materiality and significance framework must be updated yearly, preferably before the financial year commences, to ensure the identification of material and significant transactions. The framework will further be developed in consultation with the external auditors.

The framework will be included into the:

- Corporate/strategic plan; and the
- Annual report.
- The framework will be disclosed as contained in Annexure A attached.

**MATERIALITY AND SIGNIFICANT FRAMEWORK POLICY**  
STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

## Annexure A

MATERIALS		
Section 50(1)	(1) The Accounting Authority for a public entity must - (c) on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way influence the decision or actions of the executive authority or that legislature.	Quantitative – 1% of total revenue Qualitative – events as contained in the Materiality and Significance Framework Policy
Section 55(2)	(2) The annual report and financial statements must – (b) include particulars of – (i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.	Quantitative – 1% of total revenue Qualitative – events as contained in the Materiality and Significance Framework Policy
Section 66(1)	(1) An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction –  (a) is authorised by this Act; and (b) in the case of public entities, is also authorised by other legislation not in conflict with this Act; and (c) in the case of loans by a province or a provincial government business enterprise under the ownership control of a provincial executive, is within the limits as set in terms of the Borrowing Powers of Provincial Governments Act, 1996 (Act No. 48 of 1996).	Quantitative – 1% of total revenue Qualitative – events as contained in the Materiality and Significance Framework Policy

SIGNIFICANT		
Section 54(2)	(1) Before a public entity concludes any of the following transactions, the Accounting Authority for the public entity must promptly inform the relevant treasury in writing of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction in the event of –  (a) the establishment or participation in the establishment of a company; (b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement; (c) acquisition or disposal of a significant shareholding in a company; (d) acquisition or disposal of a significant asset; (e) commencement or cessation of a significant business activity; and (f) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	All events/transactions will require disclosure – 100% compliance







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