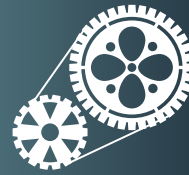


ANNUAL REPORT

2022/23



PREPARING FOR
SKILLS OF
THE FUTURE





higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



ANNUAL REPORT OF THE FP&M SETA FOR THE 2022/2023 FINANCIAL YEAR

Publisher: FP&M SETA
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Layout and Design: Active Brand Communications

Printer: Business Print (Pty) Ltd

Report Number: RP161/2023

ISBN Number: 978-0-621-51147-5

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





Honourable Minister Dr Blade Nzimande (MP), Department of Higher Education, Science and Innovation and Honourable Deputy Minister Buti Kgwaridi Manamela (MP), it is my pleasure and privilege to present to you the Annual Report of the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA), for the financial year ended 31 March 2023.

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

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

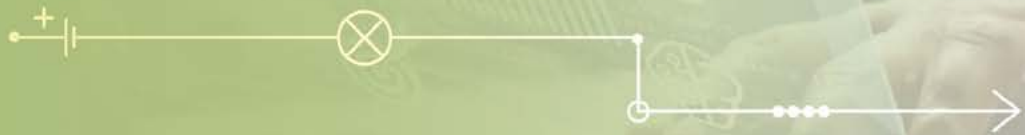
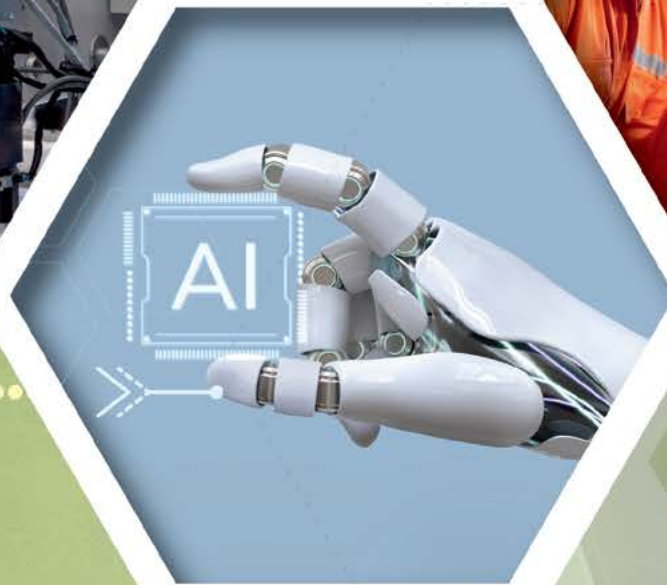
Dr Felleng Yende
Chief Executive Officer: FP&M SETA

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PART A

GENERAL INFORMATION



1. PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name:	Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA)
Physical Address:	Thynk Park, 1st Floor, 8 Summit Road, Dunkeld West, Randburg, 2196, South Africa
Postal Address:	PO Box 31276, Braamfontein, 2017
Telephone Number:	+27 (0) 11 403 1700
Fax Number:	+27 (0) 11 403 1718
Email Address:	info@fpmseta.org.za
Website:	www.fpmseta.org.za
Bankers:	<p>First National Bank 8 Rydall Vale Park, Douglas Saunders Drive, La Lucia, 4051</p> <p>Nedbank 90 Bram Fischer Road, Kingsmead, Durban, 4001</p> <p>Standard Bank 51 Old Main Road, Pinetown, 3601</p> <p>Corporation for Public Deposits (CPD) c/o South African Reserve Bank, 370 Helen Joseph Street, Pretoria, 0002</p>
Report Number:	RP161/2023
ISBN Number:	978-0-621-51147-5

2. LIST OF ABBREVIATIONS AND ACRONYMS

AET	Adult Education and Training
AGM	Annual General Meeting
AGSA	Auditor-General of South Africa
AFS	Annual Financial Statements
ALP	Action Learning Programmes
APP	Annual Performance Plan
AQP	Assessment Quality Partner
ATR	Annual Training Report
AVG	Average
CBD	Central Business District
CBO	Community-Based Organisation
CEO	Chief Executive Officer
CEPPWAWU	Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union
CFO	Chief Financial Officer
CIA	Certified Internal Auditor
CIMA	Chartered Institute of Management Accountants
CoE	Centre of Excellence
COSATU	Congress of South African Trade Unions
CoS	Centre of Specialisation
CPD	Corporation for Public Deposits
CSTO	Co-ordinating SETA-TVET Office Model
CTFL	Clothing, Textiles, Footwear and Leather
DAC	Department of Arts and Culture
DAFF	Department of Agriculture, Forestry and Fisheries
DHET	Department of Higher Education and Training

DPME	Department of Planning, Monitoring and Evaluation
DQP	Development Quality Partner
DUT	Durban University of Technology
ERRP	Economic Recovery and Reconstruction Plan
EISA	External Integrated Summative Assessment
ETD	Education, Training and Development
EXCO	Executive Committee
EXP	Expenditure
FIETA	Forest Industries Education and Training Authority
FP&M	Fibre Processing & Manufacturing
GRAP	Generally Recognised Accounting Practice
HEI	Higher Education Institution
HET	Higher Education and Training
HR	Human Resources
ILDLP	International Leadership Development Project
IPAP III	Industrial Policy Action Plan III
ISSA	Independent Sector Skills Advisor
ISOE	Institutes of Sectoral and Occupational Excellence
IT	Information Technology
KZN	KwaZulu-Natal
LMIP	Labour Market Intelligence Partnership
MAPPP	Media, Advertising, Publishing, Printing and Packaging
MIS	Management Information System

MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTSF	Medium-Term Strategic Framework
NAMB	National Artisan Moderating Body
NDP	National Development Plan
NEET	Not in Employment, Education or Training
NGO	Non-Governmental Organisation
NLPE	Non-Levy Paying Entity
NPO	Non-Profit Organisation
NQF	National Qualifications Framework
NSA	National Skills Authority
NSDP	National Skills Development Plan
NSDS	National Skills Development Strategy
NSFAS	National Student Financial Aid Scheme
NC	National Certificate
NCV	National Certificate Vocational
OFO	Organising Framework for Occupations
PASA	Publishers Association of South Africa
PFMA	<i>Public Finance Management Act, 1999 (Act No. 1 of 1999)</i>
PIVOTAL	Professional, Vocational, Technical and Academic Learning
PSET	Post-School Education and Training
QAC	Quality Assurance Committee
QCTO	Quality Council for Trade and Occupations
RPL	Recognition of Prior Learning
SAAA	South African Apparel Association
SABC	South African Broadcasting Corporation

SABDC	South African Book Development Council
SACPO	South African College Principals' Association
SACTWU	Southern African Clothing and Textile Workers Union
SADC	South African Development Community
SAGDA	South African Graduates Development Association
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SATU	South African Typographical Union
SCM	Supply Chain Management
SDL	Skills Development Levy
SETA	Sector Education and Training Authority
SLA	Service Level Agreement
SMME	Small, Medium, and Micro Enterprise
SQMR	SETA Quarterly Monitoring Report
SSA	Sector Skills Adviser
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training
UIF	Unemployment Insurance Fund
W&R SETA	Wholesale and Retail Sector Education and Training Authority
WCM	World-Class Manufacturing
WEF	World Economic Forum
WIL	Work Integrated Learning
WSP	Workplace Skills Plan

3. FOREWORD BY THE CHAIRPERSON



"The most important skill of the future will be the ability to learn and adapt. You need to be resourceful, keep your eyes open for advances coming out of nowhere, and embrace the new opportunities as they emerge. You need to be able to collaborate with others and build relationships. You need to be able to share ideas, inspire, and motivate." – Vivek Wadhwa, technology entrepreneur and academic



PREPARING FOR SKILLS OF THE FUTURE

In spite of difficulties resulting from a slow recovering economy and the impact of loadshedding on our industrial sub-sectors, FP&M SETA has performed well over the past financial year, as evidenced by the overall performance of FP&M SETA and the unqualified audit opinion of the Auditor-General of South Africa (AGSA).

As the Accounting Authority, we have been encouraged with the progress and work being driven by the Chief Executive Officer and her team. We have provided oversight and guidance in the areas we felt needed greater impetus. Through the governance committees that were established at the start of our tenure, we have enjoyed rigorous engagement and great strides forward in the strengthening of governance controls and measures. In addition, the identification and management of organisational risk, combined with robust risk mitigation measures have resulted in a more stable and manageable risk environment.

As the SETA is mandated to drive skills development in some of the country's most vulnerable sectors, all of which are beset by a variety of challenges, we have placed extensive emphasis on the role of skills development in the strategies proposed to address these challenges. It therefore is necessary to reflect on a few of these challenges and on developments within the sector while ensuring we deliver on our mandate.

A FUTURE OF REVITALISATION AND HOPE

The FP&M SETA Board has continued to provide strategic oversight for the organisation through meetings and deliberations and the diligent work of its sub-committees. My sincerest thanks and gratitude to the Accounting Authority and all sub-committees for their expert guidance and contribution to finding solutions and forging a way forward. The collective experience, expertise, and knowledge of the members bodes well for the high-performing organisation we are determinedly building. I also acknowledge and thank the FP&M SETA Management team for flying the flag high during what was a challenging year.

The proactive and strategic leadership of the CEO continues to cultivate innovative and solutions-based processes. Skills development must continue to build the competencies and capacity to unlock the skills potential of our youth. FP&M SETA must play a crucial role in addressing local economic difficulties. Government has outlined an Economic Recovery and Reconstruction Plan (ERRP) for the country, and I am proud that FP&M SETA has responded with commitment and enthusiasm in adopting the plan as a strategic imperative. During the past financial year, I am pleased to report that FP&M SETA has continued to deliver on innovation and 4IR skillsets.

FP&M SETA STRATEGIC PLAN

FP&M SETA's Skills Strategy for ERRP focuses on the extraordinary measures we must take to restore inclusive growth within our economy and industrial sectors. The 2020-2025 strategy also focuses on responding to the accelerated growth of new technologies and changing business processes arising from the Fourth Industrial Revolution (4IR). Innovation in socio-economic, technological and structural transformation are features of the strategy. This includes societal transformation in the ownership, control and management of business through the promotion of entrepreneurship, small and medium enterprises (SMMEs) and localisation.

PRESENTING THE 2022/23 ANNUAL REPORT

It is indeed a privilege and an honour to present the 2022/23 Annual Report of the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA) on behalf of the Accounting Authority.

GOVERNANCE

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

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

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

GRATITUDE TO BOARD MEMBERS

To my fellow Accounting Authority members, thank you for keeping our sights firmly on the goal, the vision in our minds, and for giving us all cause to celebrate our successes when achieved. I am pleased to report that the FP&M SETA Board and its advisory committees committed themselves to the highest standards of business integrity, compliance and best practice during the period under review. In the interest of good governance, Board and Committee members are always encouraged to minimise conflicts of interest and are required to complete and sign a Declaration of Conflict-of-Interest form, declaring any potential conflict to the business mandate of FP&M SETA at every meeting.

THANK YOU TO STAKEHOLDERS

And last, but by no means least, I acknowledge and thank all sector stakeholders who have partnered with us and worked closely with FP&M SETA during this review period. We would not be able to achieve our mandate if not for the sector stakeholders who remain an important partner in tackling skills development in our sectors. I am honoured to be a part of an organisation whose very existence not only seeks to capacitate the sub-sectors with the right skills, but is also playing a key role in providing jobs and security for our country's youth. The Board appreciates the efforts and dedication by management and staff to positively impact South African communities.

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

GROWTH PROSPECTS

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

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

The period under review was one of serious reflection, re-assessment and reprioritisation as we ensured, among other critical aspects, the finalisation of a number of projects and programmes. We placed focus on plans for the financial period under review, and for the future, plans that will strengthen the entity's authoritative position in the sector through greater stakeholder engagement and forging of strategic partnerships. It was a case of all hands on deck and I am proud to be part of a team that rose to the challenge.

I am pleased to report that during the reporting period, the FP&M SETA has been instrumental in addressing national priorities such as artisan development, work-integrated learning and work experience for HET and TVET graduates.

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

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

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

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

PERFORMANCE INDICATORS AND TARGETS

It is with pride that I report that FP&M SETA has achieved 46 of its 49 performance indicators and targets, as contained in the Annual Performance Plan (APP) 2022/23 for SETA-funded learners.

REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

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



FP&M SETA has achieved 46 of its 49 performance indicators and targets.

ACHIEVEMENT HIGHLIGHTS



The completion of programmes as mentioned above leads to direct jobs. During the reporting period,

3,878 learners registered for learnership programmes and

3,269 learners successfully completed learnerships.

.....

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

.....



Employers must be commended for opening their workplaces to

2,808

learners who were given an opportunity to register or complete work experience, internship or work-integrated learning (WIL, TVET/HET) programmes within the FP&M sector.



I am also pleased that we have continued to support our NSFAS partnership, which resulted in a number of our unemployed and financially challenged learners completing bursary programmes. We have committed approximately

R9,7 million

towards progressing and completing students in a number of higher education institutions that provide qualifications aligned to our skills development scope.

.....



Approximately

1,318

learners benefited from our bursary grants during the period under review, ensuring that learners were able to graduate with tertiary qualifications.

Employers have also benefited from their partnership with FP&M SETA, contributing to both the skills development and motivation of their employees. This has enabled employees to make a lasting and tangible contribution to organisational growth, productivity and prosperity.

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

STAKEHOLDER INTERACTION

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

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

During the period under review, the total revenue, including income from skills development levies, was approximately R398,7 million. I am pleased to report that the FP&M SETA Board has approved approximately R292 million towards skills development interventions in the sector during the 2022/23 financial year.

FUTURE OUTLOOK

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

I think that our biggest challenge going forward will be managing the impact of loadshedding in the education and training landscape.

APPRECIATION

Our country is facing numerous economic and social challenges. Employment generation and poverty reduction is a top priority in the socio-economic development agenda of the country.

We know that the necessary jobs for new entrants into the labour market cannot be created only by skills development. We require economic development based on the recognition that the TVET and skills development sectors driven by SETAs can considerably contribute to such development. After all, the employability of the workforce is crucially linked to the level of vocational and technical competence.

I would like to express a debt of gratitude to trade unions, employers and skills development providers for their contribution and participation in the various skills development initiatives of the SETA. Your participation and willingness to hire and create opportunities for learners is greatly appreciated.

The SETA's work is not possible without strong and effective leadership, reliable support services and effective quality assurance services. While the SETA faced challenges during the year under review, its commitment to achieve its goals remained undiminished. On behalf of the Board, I give my heartfelt thanks to the entire FP&M SETA management and staff for the incredible work they did to ensure that the SETA's work continued. I must also thank all FP&M SETA partners who helped us realise our vision despite the obstacles we faced.

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

The roles played by the AGSA and Internal Audit Committee are most valued as these institutions provide much-needed assurance to the integrity of the work of FP&M SETA.

I appreciate the valued input and support from the Honourable Minister of Higher Education, Science and Innovation, Dr Blade Nzimande (MP). His guidance and feedback have kept FP&M SETA on course. The Board of FP&M SETA has continued to provide strategic oversight of the organisation, through its meetings, deliberations and the diligent work of its sub-committees.

My sincerest thanks to the Accounting Authority and all sub-committees for their expert guidance and contributions in finding solutions and forging a way forward. The collective experience, expertise, and knowledge of the members bodes well for the high-performing organisation we are determinedly building.



Advocate Michelle Odayan

Chairperson
FP&M SETA
31 May 2023



4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER



“The future belongs to those who learn more skills and combine them in creative ways.”

– Robert Greene

TECHNOLOGICAL AND DIGITAL LITERACY TO PREPARE FOR JOBS OF THE FUTURE

Robert Greene, an American author of books on strategy, is spot on. As a direct result of technological advancements, the life of certain skills is decreasing; as new technologies are developed, it becomes necessary to develop new skills.

A recent report by the World Economic Forum (WEF) found that the average half-life of a skill is six years and is projected to decrease to just 2.5 years by 2030.

This means that in less than 10 years, the average person will need to learn new skills more so than we need to today.

DIGITAL / TECHNOLOGICAL LITERACY

This is why being technologically and digitally literate will help people live better-informed lives and enable them to make appropriate decisions at work and better choices for families.

So what is digital literacy? According to Allan Martin, Director of the IT Education Unit at the University of Glasgow, “Digital literacy is the awareness, attitude and ability of individuals to appropriately use digital tools and facilities to identify, access, manage, integrate, evaluate, analyse and synthesise digital resources, construct new knowledge, create media expressions, and communicate with others, in the context of specific life situations, in order to enable constructive social action; and to reflect upon this process.”

The question is, will you be left behind or will you be ready for change? To be prepared for the future you have to understand it. Will there be enough employment in the future, and if so, what will that work be? How should you upskill or reskill – and what do these terms mean anyway?

We are ready to help employers and employees prepare for the future workforce. We are ready to work with high schools, colleges, universities, apprenticeships, and graduate recruitment programmes, to help develop skills of the future. By building these programmes, employers can ensure that graduates have the necessary skills to succeed in the coming years.

Employers cannot simply wait for the workforce of tomorrow to arrive. To stay ahead, it’s necessary to train and prepare current workforces for these shifts.



SKILLS OF THE FUTURE

As technology takes on more of the workload, the most in-demand employees will be those who possess the skills that computers cannot replicate.

According to WEF, the top 10 skills you need to thrive in 4IR have shifted in the last several years, prioritising complex problem-solving, critical thinking and creativity as the top three skills, and adding emotional intelligence to the list.

Employees and employers need to understand how best to prepare and train the current workforce, and how best to source, recruit and hire the talent of the future.

IMPORTANCE OF FUTURE SKILLS

Future skills improve employees' career prospects and is important for sustainability within companies.

FP&M SETA's skills development programmes contribute to structural transformation and economic growth by enhancing employability and labour productivity, and by helping companies embrace the skills of the future.

We understand that investment in a high-quality workforce encourages productivity and economic growth, and results in more and better jobs for the workforce. This, in turn, increases the employability and productivity of both current and future workforces.

Technology is a great blessing in the skills development sector. Due to e-learning systems, practical and effective learning has ushered in a great enhancement of skills development.

OVERALL PERFORMANCE REPORT FOR 2022/23

It is my pleasure to present the Fibre Processing and Manufacturing SETA Annual Report for 2022/23. The organisation has given commendable attention to the achievement of its strategic pillars of innovation, collaboration, transformation, and digitisation.

STRATEGIC PARTNERSHIPS

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

FP&M SETA's future planning in the next five-year cycle will aim at economic reconstruction and recovery, focusing on innovation, technology, employability, and entrepreneurship. To this end, the SETA has fostered collaborative strategic partnerships to bring much-needed skills into the sector through structures within TVET colleges, employers, trade unions, government entities, SMMEs and other SETAs.

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

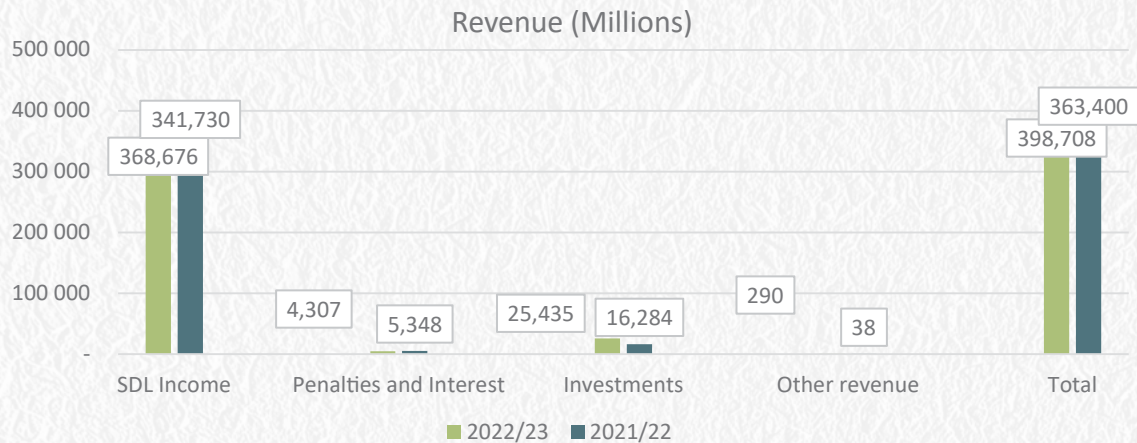
Figures aside, education and skills will always remain at the heart of the FP&M SETA skills strategy, and we must act now, and act together!



Future skills improve employees' career prospects and is important for sustainability within companies.

GENERAL FINANCIAL REVIEW OF THE PUBLIC ENTITY

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



Revenue received in 2022/23 was reported at **R398.7 million** (2021/22: R363.4 million).

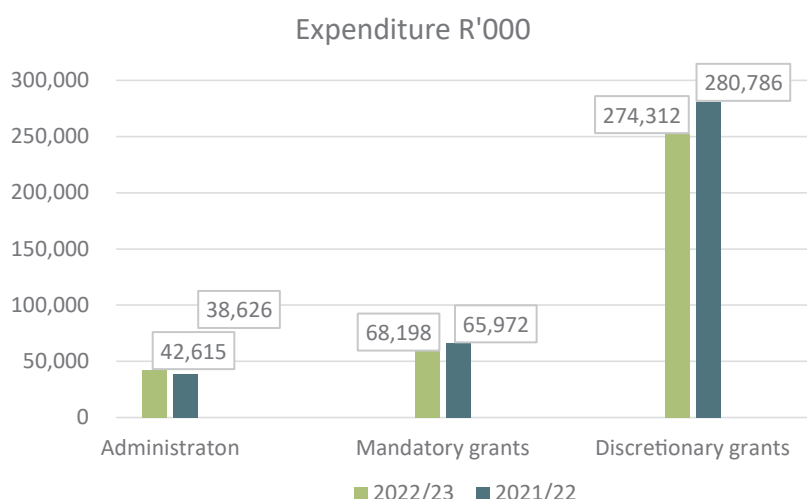
SDL income amounted to R368.6 million (2021/22: R341.7 million) and was allocated in line with the SETA Grant Regulations, which came into effect on 01 April 2013:

- Administration expenditure – R42.6 million (2021/22: R38.6 million).
- Mandatory grants expenditure – R68 million (2021/22: R65.9 million).
- Discretionary grants expenditure – R274.3 million (2021/22: R280.7 million).
- Penalties and interest income received for late payments made to SARS amounted to R4.3 million (2021/22: R5.3 million).
- Other revenue amounted to R290 000 (2021/22: R38 000).
- Investment income earned totalled R25.4 million (2021/22: R16.2 million).

INVESTMENT STRATEGY

FP&M SETA invested excess funds with the Corporation of Public Deposits (CPD) as per Section 31.3.3 of Treasury Regulations. The average interest rate for the year was 6.04%.

SPENDING TRENDS OF FP&M SETA



ADMINISTRATION EXPENSES

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

The total administrative expenditure totalled

R42.6 million

(2021/22: R38.6 million)



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

MANDATORY AND DISCRETIONARY GRANT EXPENSES

The mandatory grant expenses totalled R68 million (2021/22: R65,9 million). Disbursements totalled R68 million (2021/22: R65 million). Mandatory grant expenses were higher in the current financial year due to higher levy income received compared with last year. Discretionary grant and special projects expenses totalled R274 million (2021/22: R280 million).

COMMITTED FUNDS

At the end of March 2023, discretionary reserves totalled R382 million, of which R376 million was contractually committed. R6 million was uncommitted at year-end and approval to retain these funds has been submitted to National Treasury.

NEW OR PROPOSED ACTIVITIES

Discretionary grant applications for the implementation of new projects have been received from stakeholders in the FP&M sector and have been approved by the FP&M SETA Board. Discretionary allocations will address the predetermined targets as set out in the 2023/24 Annual Performance Plan, which are aligned to the National Skills Development Plan.

REQUEST FOR THE ROLLOVER OF FUNDS

A request to rollover funding was submitted to National Treasury on 31 May 2023. FP&M SETA applied to retain discretionary grant reserves in the amount of R382 million. The response from National Treasury is pending.

SUPPLY CHAIN MANAGEMENT

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

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

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

- Appointment of a service provider for Internal Audit Services.
- Appointment of a service provider for Education, Training and Development Services.
- The SETA extended the contract with Excellerate Real Estate Services (Pty) Ltd t/a JHI for two months while new offices were being finalised.

National Treasury issued Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework and related documents. The details of the Unauthorised, Irregular, Fruitless and wasteful expenditure are detailed below:

Irregular expenditure disclosure - Annual report 2022/23

Description	2022/23 R '000	2021/22 R '000
Opening Balance		
Add : irregular expenditure confirmed	3,911	298
Less irregular expenditure condoned	-2,372	
Less irregular expenditure not condoned and removed	-377	
Less irregular expenditure recoverable		
Less irregular expenditure not recovered and written off		
Closing balance	1,162	298
Reconciling notes to the Annual financial statement disclosure		
Irregular expenditure for the current year	3,911	298
	3,911	298
Details of current and previous year irregular expenditure		
Irregular expenditure under assessment		
Irregular expenditure under determination		
Irregular expenditure under investigation		
	0	0
Details of current and previous year irregular expenditure condoned		
Irregular expenditure condoned	2,372	0
	2,372	0
Details of current and previous year irregular expenditure removed - (not condoned)		
Irregular expenditure not condoned and removed	377	0
	377	0

AUDIT REPORT MATTERS IN THE PAST FINANCIAL YEAR (2022/23)

The overall audit outcome of the public entity is unqualified with findings.

Key noteworthy audit success areas for the past financial year (2022/23):

- The entity increased its revenues, reduced its expenses, and maintained a healthy cash flow. The entity has also complied with the relevant accounting standards and regulations.
- AGSA commended the entity for its sound financial management and governance.

Audit Outcomes on Performance Information as reflected in the Final Management Report of the AGSA:

- AGSA did not identify material findings on the overall presentation and completeness of performance information in the annual performance report.

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

Despite commending the public entity for consistently maintaining an unqualified audit opinion over the past years, AGSA highlighted that in the current year, material misstatements were identified in the financial statements.

AGSA identified significant internal control deficiencies in the financial statement preparation and related business processes, which caused the misstatements and could cause misstatements in future.

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

FP&M SETA Management was commended for taking proactive steps to address the material misstatements and non-compliance findings by closely monitoring the action plans. The main root causes that needed attention are as follows:

- Non-compliance with relevant laws and regulations
- Lack of controls over financial reporting

Management is committed to ensure that the action plans drafted to address the deficiencies in internal

controls will be continuously monitored to ensuring that there are no repeats, especially on compliance with laws and regulations and new significant findings.

PLANS FOR THE FUTURE TO ADDRESS FINANCIAL CHALLENGES

I can report that due to the SETA’s stringent adherence to financial management best practices, our finance division ensured financial prudence, and no major challenges were reported during the period under review.

ECONOMIC VIABILITY

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

EMERGENCE OF INNOVATIONS IN TRAINING AND LEARNING

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

COLLABORATIONS YIELD POSITIVE RESULTS

This audit report confirms our commitment to our value of teamwork with a clear focus on achieving the objectives of the National Skills Development Plan, which seeks to encourage and actively support the integration of workplace training with theoretical learning.

FP&M SETA not only achieved another unqualified audit outcome, but it also recorded an overall performance of 94% achievement for SETA-funded learners by meeting 46 of its 49 performance indicators and targets as contained in the Annual Performance Plan for 2022/23.

We are cognisant of the fact that we are one of the custodians of our country’s skills development sector and we need to be smarter in the way we carry out our mandate with the limited resources we have at our disposal.

TRANSFORMATIONAL IMPERATIVES AND EQUITY

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

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

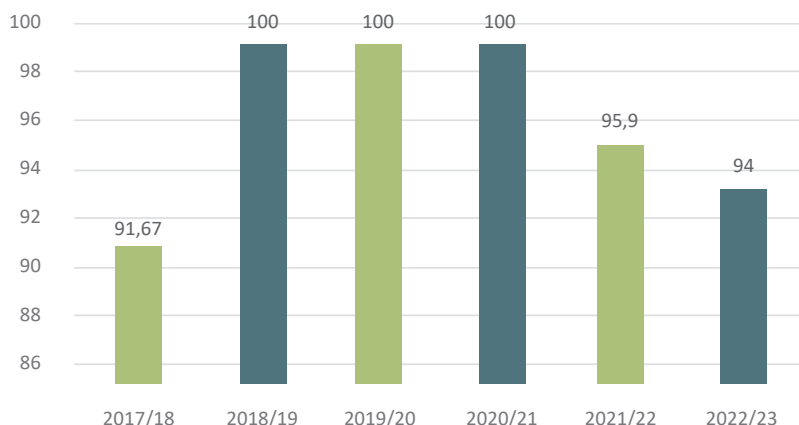
- The profile of learners demonstrates a fair balance between people from rural and urban areas.
- There is a high level of female representation in learning programmes, apart from in apprenticeship programmes (62% across programmes).
- Blacks, in general, have had expanded access to learning opportunities (98% across programmes).
- The learning programmes provided opportunities to young people below 35 years of age (75% across programmes).
- People with disabilities also had access to learning opportunities. This remains a low proportion (2%) and needs to be increased to around 4-5%.
- FP&M SETA output indicators and targets are aligned to address the above.

FP&M SETA will continue to be a strong voice in the upskilling of our youth and will press for the measures that we and our future generations need in order to recover from the crisis as detailed in the figures above.

OVERALL PERFORMANCE

The SETA endeavours to deliver on its mandate and adhere to and exceed delivery targets as set out in its Annual Performance Plan. It is pleasing to report that the overall FP&M SETA performance has been consistently high over the years.

Overall FP&M SETA Audited Performance 2015/16 - 2022/23
FP&M SETA Funded Achievements



FP&M SETA has efficient governance structures in place to ensure good corporate governance, the implementation of relevant policies and procedures, and sound financial management.

PARTNERSHIPS – THE KEY

Building a capable workforce for the FP&M sector is top of the agenda for the SETA, and the current challenges in our country have been the driver for partnerships to ensure that this agenda item is addressed effectively. During the year, our focus on partnerships yielded results from a performance perspective, and in terms of growing our presence as a skills development authority in the sectors we serve. In reviewing what FP&M SETA together with its partners achieved, it is fair to say that it was a challenging yet rewarding year– however, much ground is still to be covered.

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

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

BROADENING THE SKILLS PIPELINE

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

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

IMPACT

I am pleased to report that in most cases we exceeded our targets in the past year, making a significant impact on the labour market with occupationally directed skills that lead to direct and decent jobs.

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

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

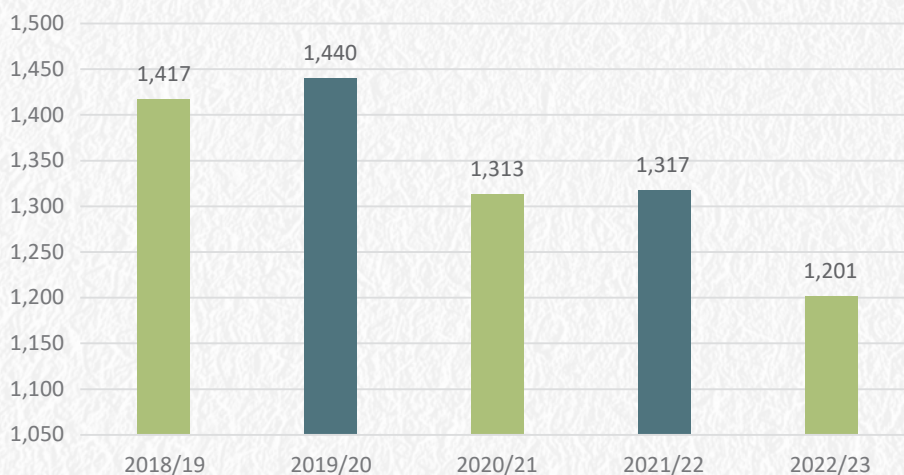
Access to training and skills development opportunities is a major priority, and everyone in the education and training domain must strive towards achieving the fundamental transformation of inequalities linked to class, race, gender, age, and disability in our society.

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

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

MANDATORY AND DISCRETIONARY GRANT ALLOCATION AND EXPENDITURE

WSP/ATR Submissions (2018-19/-2022/23)



It is pleasing to note that a number of small, medium and large firms have made mandatory grant submissions that have contributed to the improvement of the quality and quantity of labour market information to add value to the FP&M SETA Sector Skills Plan.

It is important for FP&M SETA to monitor mismatches in the sectoral labour market on a continual basis by communicating with employers about their recruitment experiences and their success in finding the skills they require. The annual mandatory grant applications (WSPs) provide the SETA with the opportunity to obtain this type of information from employers across the whole sector in a systematic and consistent manner. For this reason, the grant applications include a table outlining hard-to-fill vacancies (HTFV) that employers need to complete.

FP&M SETA supported 1,201 companies through paid mandatory grants, from which data was sourced and analysed to provide a sector overview and labour market information for the Sector Skills Plan.

A successful partnership with NSFAS to support bursary programmes and to address middle- to high-level skill needs in the FP&M sector has been established. In addition, we have established direct bursary partnerships with a number of HET institutions, amounting to approximately R5,5 million.

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

FP&M SETA prioritises artisan training because of the nature of the specific middle-level occupational skills required by the sector. Approximately R47,5 million was committed for artisan development in the sector by advocating effective partnerships between employers, TVET colleges, and FP&M SETA to assist in the funding of 605 apprentices entering artisan programmes.

The National Development Plan (NDP) emphasises the importance of workplace-based training in job creation and the need for TVET colleges to become preferred institutions for vocational education and training. Our country has an acute shortage of skills at mid-level and technician levels. The UoTs have a particularly important role to play in this regard, especially given the shortage of skills in engineering and other related fields. The FP&M SETA Board has allocated funds to ensure that middle- and high-level occupations in demand are being addressed by work-ready graduates from TVETs and higher education institutions. In order to contribute to the development of world-class skills to address sustainability of sectors, FP&M SETA collaborates with a number of TVETs and HEIs by funding WIL programmes for both undergraduate and graduate students from TVETs and HEIs.

Just under R58,5 million was committed by the Board to support work-integrated learning and internships for learners from TVETs and HEIs to address graduate employment in the sector, aligned to the call by our Honourable President Cyril Ramaphosa in his State of the Nation (SoNA) Address regarding the placement of 10,000 unemployed TVET graduates in workplaces from April 2022.

FP&M SETA exceeded targets by implementing focused projects to address basic skills gaps relating to foundational skills addressing illiteracy and poor numeracy skills in the FP&M sector.

In order to improve sustainability, enhance sector growth, and address skills imbalances among workers in the sector, FP&M SETA supported workers entering into learning programmes.

Predominantly black-owned emerging cooperatives, small businesses, CBOs, Trade Unions and NLPEs were supported with technical and developmental capacity-building and training.

SETA PERFORMANCE IN LEARNING PROGRAMME IMPLEMENTATION

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



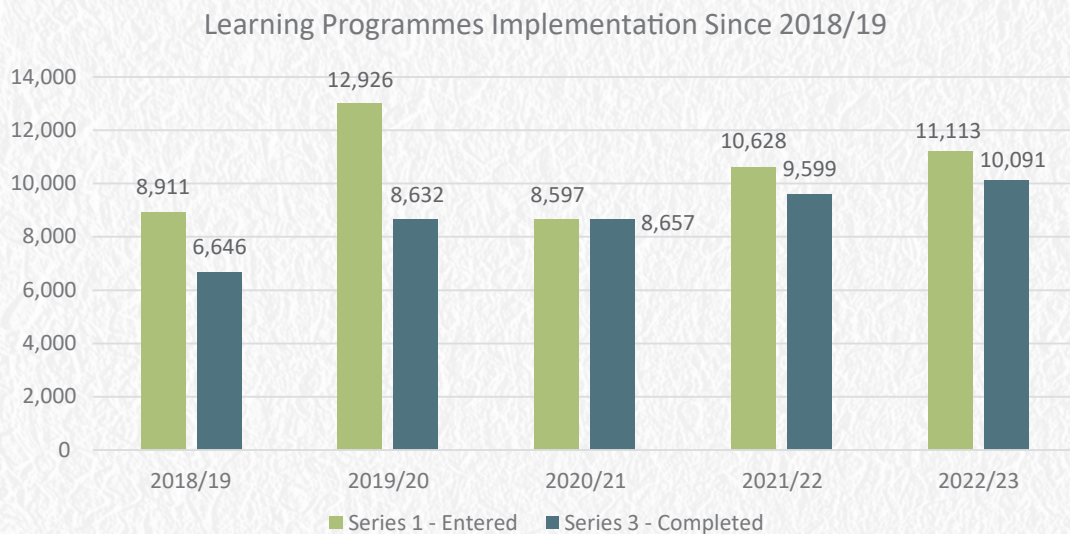
FP&M SETA committed just under

R71 million

for learnership implementation in the sector for 3,878 employed and unemployed learners entering learnerships that are occupation-based.



SETA PERFORMANCE IN LEARNING PROGRAMME IMPLEMENTATION



In line with the above expenditure trend, FP&M SETA recorded approximately 11,113 learner registrations and 10,091 learner completions during the 2022/23 financial year. Learner entries and completions have remained high over the years.

RURAL DEVELOPMENT

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

RESEARCH

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

FP&M SETA produces a well-researched SSP, together with a sector analysis, to enable effective skills planning for the sector. The FP&M SETA SSP Update 2022/23 is aligned to DHET's SSP Framework; it provides a sound analysis of industrial sectors and articulated sector strategies that address current and future scarce and critical skills and occupations in demand within the sector.

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

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

i. Research aligned to industry masterplans

- Forestry Research – in partnership with Forestry South Africa – Skills Audit.
- Furniture Research – in partnership with South African Furniture Initiative (SAFI) – Skills Assessment in the Furniture Industry.
- Printing Industry South Africa – Salary & Skills Assessment in the Printing & Packaging industry.

ii. FP&M SETA Impact Study

FP&M SETA conducted an impact study on FP&M SETA-funded programmes implemented within the FP&M sub-sectors for the past two financial years of 2021/22 and 2022/23. The objectives of the study were to evaluate the impact that FP&M SETA is having on the sector through the implementation of its sectoral learning interventions, by tracing and tracking learners who have graduated from the following SETA-funded learning programmes:

- Learnerships
- Apprenticeships
- Internships / Work experience
- Bursaries
- Skills programmes
- WIL HET / TVET

The impact study commissioned by FP&M SETA explored the learner experience and the transition from training to the world of work. Our impact study confirmed that a high number of learner graduates completing learnerships, apprenticeships, skills programmes, internships and bursaries transitioned to employment or self-employment.



**Succes Stories...
in their own words**

“Working at a Call Centre to becoming a Journalist”



INTERNSHIP: Nicole Ludolph

“I was working at a call centre and decided to pursue my career in journalism, something that I have always been passionate about and always wanted to do.

After completing my studies I got the internship and resigned from the call centre. The internship helped me to get a job in the field, and now I’m working as a journalist.”



**APPRENTICESHIP: Tshepiso Mashiloana
“From unemployed to studying further”**

“Things were very difficult for me, before the apprenticeship I was unemployed for 7 years and I was struggling to get a job.

I had no formal training or experience so it was very difficult to get a job. I was working part time driving a taxi on the weekend, to help put food on the table, to help support my kids financially and my mother, but the money was not enough.

The apprenticeship has helped me to support my family, support my kids and my mother.

It has also opened doors for me to study further and to pay for my studies.

During the apprenticeship I learned a lot and learned how to think on my feet.”

INFORMATION TECHNOLOGY ENVIRONMENT

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

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

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

INNOVATION AND TECH ADVANCEMENTS

In line with the digital strategy, FP&M SETA has introduced and implemented various technology solutions, such as platforms for collaboration and communication, that allow the SETA to provide system support to its stakeholders from anywhere if they are connected to the internet. The FP&M SETA website, email banners, and social media platforms are interactive and are regularly updated with relevant information to keep our stakeholders informed and engaged.

e-QUALIFICATION

FP&M SETA has deployed a value-add e-Qualifications solution that will assist stakeholders to conduct blended learning, online assessment, moderations, and content upload. In collaboration with service providers and industry experts, registered occupational qualifications are being digitised and uploaded on the platform, allowing more content to be revised and uploaded on a continual basis.

The e-Qualifications portal is live and can be accessed through the FP&M SETA website on the e-Qualifications tab. Accredited SDPs who request access have been granted login access and training on how to use the platforms for free.

LEARNER MANAGEMENT INFORMATION SYSTEM (LMIS) AND ENTERPRISE RESOURCE PLANNING (ERP)

FP&M SETA developed, configured, and implemented a new LMIS and ERP Solution, which is intended to streamline and integrate the organisation’s operations,

while also increasing the effectiveness and efficiency of stakeholder support. The LMIS is also intended to improve the collecting and reporting of data in an integrated manner.

Stakeholders can interact with FP&M SETA through the LMIS and conduct most transitions online, including SDP, Assessor and Moderator applications for accreditation, MG and DG applications, etc. Weekly capacity-building sessions are conducted online to train stakeholders on how to use the system. We receive input from our stakeholders and continually improve the system to allow for operational efficiencies and better stakeholder support and experience.

IT INFRASTRUCTURE

Some of our IT infrastructure upgrades have resulted in cost savings and improved functionality.

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

SECURITY AND DATA PROTECTION DISASTER RECOVERY

Our IT environment is very stable with daily, weekly, and monthly data backups being performed. We have disaster recovery (DR) sites for our offices in Johannesburg, Durban, and Cape Town. We conduct bi-annual disaster recovery simulation to ensure that our systems recover and get back online within the stipulated recovery times. This will guarantee business continuity (BC) in case of a disaster.

CYBER SECURITY

FP&M SETA addresses the three domains of cybersecurity (People, Process, and Technology) in the following manner: in the technology domain, FP&M SETA has live monitoring security systems such as firewalls, intrusion detection systems, demilitarised zone, and enterprise antivirus solutions, which combat cyber attacks.

Within the people domain, our technical staff has the competencies to manage technical cybersecurity issues. Regular cybersecurity awareness training and communication is conducted with the relevant staff members.

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

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

CAREER AND VOCATIONAL GUIDANCE



I am particularly heartened by the impact we are making in the area of career awareness, which is where it all starts. It is the first step in our skills pipeline and is a particularly important one, as it determines where youngsters will end up and how they will contribute not only to their development but also to the growth and wellbeing of the country. Its popularity is reflected in the growing numbers of users of the site, who visit for general career and job-seeking advice. A team of FP&M SETA employees and a career portal administrator have been trained on providing support on the career portal.

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

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

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

CAREER GUIDANCE

FP&M SETA participated in 41 career awareness events and engaged with a number of high schools across the country to provide important career information and guidance to our youth so that they can make informed career choices.

QUALITY ASSURANCE

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

The FP&M SETA sectors' stakeholders are also aligning themselves to the current FP&M SETA, QCTO, SAQA and DHET national policies by participating in workshops that aim to develop occupational qualifications and trades. Stakeholders apply to the QCTO to be accredited as a skills development provider or assessment centre to provide relevant occupational qualifications. Application for accreditation as a trade test centre is submitted to NAMB. FP&M SETA also ensures that workplaces receive workplace accreditation.

QCTO QUALIFICATIONS DEVELOPMENT

It is pleasing to note that during the period under review, FP&M SETA developed and submitted to QCTO for evaluation, a total of 15 occupationally directed qualifications and part-qualifications, as well as trades that have been aligned to the curriculum requirements and the new qualifications framework of the QCTO. To date a total of 113 occupational qualifications and trades have been registered with SAQA for implementation; of which, 15 are with SAQA for registration.



To date, **30 skills programmes** and **31 learnerships** are registered with DHET and the QCTO. **Three** new occupational qualifications were registered as trades.

The sectors are currently busy with the finalisation of the qualifications assessment specifications (QAS), question bank and learning materials, and a number of these qualifications will be in the pilot phase and implemented during 2024. Trade tests and ARPL toolkits for furniture making: upholstery was approved for implementation during the reporting period.

A total of five stakeholders applied to the QCTO to be assessment centres.

We further supported the qualifications development processes and have had engagements with SAQA and QCTO to enable recognition of part-qualifications as qualifications in their own right. Subsequent to this engagement, the endorsement was upheld. The recommendation from QCTO was to realign the part-qualifications to skills programmes as the credits were not adequate for a qualification.

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

GOOD CORPORATE GOVERNANCE

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

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

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

RISK MANAGEMENT

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

PROJECTS DELIVERY

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

At the projects and operational level, the shift to online environments improved our reach in terms of stakeholder engagement previously done through roadshows or location-based training, because more people could access these events online. Going forward, these platforms will be used for awareness-

building programmes to improve the uptake of grants and other interventions to invigorate the skills pipeline.

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

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

MONITORING & EVALUATION



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

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

In the execution of its monitoring of the DG projects and the auditing of the skills development providers, the division's Internal Team engaged the services of the Independent Sector Skills Advisors to conduct site visits to obtain an objective perspective on the discretionary grant projects implementation and the compliance by the skills development providers with their accreditation criteria.

The division continues to receive positive feedback from stakeholders, who indicated that, with the monitoring conducted, they have been able to maintain high standards of performance as aligned with the SETA's goal to achieve future perfect skills development. Nationally, approximately 360 companies with discretionary grant projects were monitored during the period under review.

Independent Sector Skills Advisors conducted follow-up site visits at discretionary grant projects and skills development providers, where discrepancies were identified. The follow-up site visits were to ensure

that the identified discrepancies are closed-out within a specific timeframe.

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

FORWARD-LOOKING STRATEGIC PLANNING

The annual strategic planning workshop of the Governing Authority sets the organisation's objectives and overall direction, where the Board gives valuable input into the SSP, skills planning, and the organisation's strategy. Specific skills needs, developed through FP&M SETA's involvement with government departments, have been factored into the SSP. Over and above sector needs, these include skills needed to support the DFFE and those related to the FP&M sector.

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

FP&M SETA SKILLS STRATEGY FOR ERRP

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

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

This plan directly creates immediate economic impact by driving job creation, innovation, and SMME development. Interventions to be undertaken to provide the skills for the implementation of FP&M SETA ERRP will be:

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

INDUSTRY MASTERPLANS

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

- Retail, Clothing, Textile, Footwear and Leather (R-CTFL) Masterplan.
- Forestry Masterplan.
- Furniture Industry Masterplan.

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

FP&M SETA is glad to announce the approval of the 2023/24 Strategic Plan and Annual Performance Plan by the National Treasury, which was aligned to the Framework Guidelines of the Department of Monitoring and Evaluation.

CONCLUDING REMARKS

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

I would like to see a SETA that grows into a household name where every youth interested in our sector would take pride in the SETA that contributed to actualising their career prospects.

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

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

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

To our stakeholders, we thank you for your ongoing support, participation and engagement. We look forward to continuing our fruitful relationship in the new financial year.

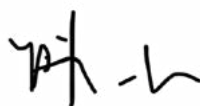
To the management and staff of FP&M SETA who are committed to achieving the vision, mission and objectives of the SETA, thank you for your hard work and dedication, which at times sees you going beyond the call of duty. Your commitment does not go unnoticed.

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

As the National Skills Development Plan (NSDP) enters its third year, public and private sectors must work closely. Children have a future worth dreaming about. Difficulties aside, South Africa has the attributes of a great nation, and not least, a sturdy skills development system. We now need to spend more time climbing to new heights than looking down at past missteps.

In conclusion, I end with a quote about education by former President Nelson Mandela:

“Education is the great engine of personal development. It is through education that the daughter of a peasant can become a doctor, that the son of a mine worker can become the head of the mine, that a child of farm workers can become the president of a great nation. It is what we make out of what we have, not what we are given, that separates one person from another.”



Dr Felleng Yende

Chief Executive Officer

FP&M SETA

31 May 2023

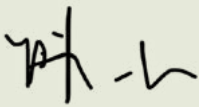
5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

In our opinion, the Annual Report fairly reflects the operations, the performance information, the HR information, and the financial affairs of the public entity for the financial year-ended 31 March 2023.

Yours faithfully,



Chief Executive Officer
Dr Felleng Yende
31 May 2023



Chairperson of the Board
Advocate Michelle Odayan
31 May 2023



Vision Mission Values



Vision

“To be an innovative skills development partner supporting high-quality learning and development interventions towards global competitiveness, an inclusive economy, and decent work.”



Mission

“To evolve as an agile and ethical institution that facilitates an efficient and effective skills development process contributing to the achievement of sector competitiveness, transformation and economic growth.”



Values

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

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

6. STRATEGIC OVERVIEW

STRATEGIC FOCUS OF THE INSTITUTION OVER THE FIVE YEAR PLANNING PERIOD

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



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

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



2. Addressing demand-side challenges

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



3. Addressing supply-side challenges

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



4. Measures to Support National and Sectoral Strategies

- ✓ Contributing to NDP and MTSF priorities.
- ✓ Contributing to SIPS, national artisan targets, work experience, and internships.
- ✓ Learnerships, skills programmes, bursaries and centres of specialisation.
- ✓ Supporting implementation of industry masterplans.
- ✓ Supporting small businesses and enterprise development.
- ✓ Implementing strategic and innovative initiatives that respond to national strategies.
- ✓ Addressing emerging and future skills needs – 4IR.
- ✓ Supporting rural development.

7. LEGISLATIVE AND OTHER MANDATES

LEGISLATION

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

- The Constitution of the Republic of South Africa (No. 108 of 1996).
- *Section 9 of the Skills Development Act No. 97 of 1998*, as amended in 2008.
- *Skills Development Amendment Act No. 37 of 2008*.
- *Skills Development Amendment Act No. 26 of 2011*.
- *Skills Development Levies Act No. 9 of 1999*, as amended as *Act No. 24 of 2010*.
- *National Qualifications Framework Act No. 67 of 2008*.
- *South African Qualifications Authority Act No. 58 of 1995*.
- *The Public Finance Management Act No. 01 of 1999*, as amended.
- Treasury Regulations for departments, constitutional institutions and public entities.
- Sector Education and Training Authorities (SETAs) Grant Regulations regarding monies received by a SETA and related matters (*Regulation No. 990 of 03 December 2012*).
- *Disaster Management Act No.57 of 2002* – COVID-19 Direction on Health and Safety in the Workplace.
- *Government Gazette No. 42589, Vol. 649, 22 July 2019*, the Honourable Minister of Higher Education and Training, after the public consultation process, under *Section 9(1) of the Skills Development Act No. 97 of 1998*, as amended, re-established the Fibre Processing & Manufacturing Sector Education and Training Authority, within a new SETA Landscape from 01 April 2020 to 31 March 2030.
- *Government Gazette No.75: Promulgation of the National Skills Development Plan (NSDP)*.
- *National Minimum Wage Act, 2018* – *Gazette No. 42060, Vol.641*.
- Generic National Artisan Workplace Data, Learner Grant funding and Administration System Policy, June 2015 – *Occupational Health and Safety Act No.85 of 1993*.
- *Protection of Personal Information (POPI) Act No. 4 of 2013*.

OTHER MANDATES

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

8. ORGANISATIONAL STRUCTURE (AS AT 31 MARCH 2023)





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



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



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



The FP&M SETA Board Members

Bottom Left to Right: Advocate Michelle Odayan (Chairperson), Dr Felleng Yende (CEO), Ms Makhosi Chiwashira, Ms Delight Simelane, Ms Fanisa Lamola, Mr Chembe Phiri (Audit and Risk Committee Chairperson), Dr Abdool Mahomed.

Back Row Left to Right: Ms Linda Bremner, Ms Theresa Otto, Mr Mike Truelock, Mr Kwazi Mlaba, Ms Karen Manuel, Ms Bonita Loubser, Mr Francois Oberholzer, Mr Nduduzo Vilina, Mr Mpuka Radinku.

PART B

PERFORMANCE INFORMATION



1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

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

2. SITUATIONAL ANALYSIS AND SERVICE DELIVERY ENVIRONMENT

The FP&M SETA is on a positive trajectory concerning its overall performance. For the period under review, the FP&M SETA recorded an overall performance of 94% for funded learners, for this financial year, having achieved 46 of its 49 performance indicators against the FP&M SETA Annual Performance Plan 2022/23.

During the period under review, the FP&M SETA registered 11,113 employed and unemployed learners on learning programmes including learnerships, bursary programmes, internships, skills programmes, apprenticeship programmes and adult education and training programmes. During the same period 10,091 learners completed learning programmes relating to scarce and critical skills in the FP&M sector.

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

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

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

IMPLEMENTATION OF PROJECTS



1

DEPARTMENT OF FORESTRY, FISHERIES, AND THE ENVIRONMENT SKILLS PROGRAMME

Following the successes of similar training programmes in the Eastern Cape and KwaZulu-Natal, FP&M SETA partnered with Skills Unlimited and the Department of Forestry, Fisheries, and the Environment to roll out a skills development programme to 90 learners across the Western Cape.

Conducted over 10 months, this programme aimed to provide both unemployed individuals and existing contractors with trade skills and professional certifications which would help them to find new job opportunities and win tenders.

Working with the Western Cape Forestry Sector Forum, the following communities were identified and selected for inclusion in the programme: Kluitjieskraal in Wolseley, Jonkershoek in Stellenbosch, Hawequa in Paarl, George Group A and B, Farleigh near Knysna, and Kranshoek near Plettenberg Bay.

The programme achieved remarkable success, highlighted by a momentous visit from the King of the Inqua tribe to the Kranshoek training site, where he conveyed his deep gratitude for the initiative.



2

RICHMOND-INDALENI INNOVATION SKILLS CENTRE

A. INNOVATION HUB

In 2022, a remarkable milestone was reached with generous funding support from FP&M SETA, paving the way for the inception of the ground-breaking Innovation Hub at the Indaleni Skills Centre in Richmond, KwaZulu-Natal.

This Hub represents a pivotal step towards bridging the digital skills gap between urban and rural communities, offering comprehensive digital skills development, alongside access to cutting-edge production technologies, machinery, and internet connectivity.

The Hub boasts state-of-the-art tools and technologies for additive manufacturing. Additionally, it boasts dedicated spaces for design, manufacturing, co-working, training, and workshops, as well as a high-tech makerspace exclusively designed for local CTFL production.

To empower local entrepreneurs, visionaries and innovators, the Innovation Hub is equipped with an array of essential resources. These include two 3D printers, a laser cutting machine, a resin printer, five Apple Mac Mini computers for design purposes, and five



laptops accompanied by LED monitors and accessories, facilitating seamless productivity throughout the production process.

Furthermore, with the implementation of the innovation and start-up Learner Programme spanning a comprehensive 12-month period, the Hub has already extended its support to 30 ambitious learners.

Noteworthy achievements under this programme encompass the creation of new employment opportunities, and in-depth training and capacity-building in vital areas such as digital literacy, business innovation, machine training, and entrepreneurship. Moreover, the Hub has become a nurturing ground for the development of entrepreneurial skills, encouraging individuals to realise new opportunities and stimulating business growth.

B. 4IR INTEGRATED CENTRE

FP&M SETA continued its ambitious journey to expanding the current Richmond-Indaleni Innovation Hub, transforming the current site with the introduction of a sprawling integrated centre that embraces the Fourth Industrial Revolution (4IR).

The new 4IR Integrated Centre encompasses a variety of advanced tools and technologies, such as drone technology, business-related robotics learning, and immersive virtual reality-integrated learning. The aim is to grant access to innovation-driven tools, information, and resources, empowering individuals to unleash their innovative potential, address social challenges, create new business opportunities, and foster job creation within their communities.

The 4IR Integrated Centre stands as a beacon of support for local learners, entrepreneurs, designers, small-scale manufacturers, and innovators within this vibrant sector. Through a hands-on approach to learning, participants can harness the power of innovative thinking to craft solutions for complex problems, ultimately honing their critical thinking and problem-solving abilities.

The incorporation of state-of-the-art technology will make the learning experience more engaging and interactive, motivating learners to unlock their full potential. The ripple effect of these advancements will reverberate throughout surrounding communities, bolstering the regional economy in rural KwaZulu-Natal. It is essential to highlight that the 4IR Integrated Centre has further been constructed using eco-friendly green technologies, exemplifying FP&M SETA's commitment to sustainable practices.

At the heart of the 4IR Integrated Centre lie several key social and economic drivers, including the provision of opportunities for historically marginalised communities, comprehensive skills development and capacity building,

the cultivation of entrepreneurship and business prospects, the adoption of sustainable development practices, and the profound economic empowerment and social upliftment made possible through the Centre's utilisation.

The expansion of the Innovation Hub to encompass the mobile, solar-powered 4IR Integrated Centre will ensure that it can cater to a wide spectrum of needs. The expansive facility includes a dedicated training and multipurpose space, an array of focused tech and workspaces for robotics, virtual reality, and drones, as well as a vibrant co-working area that fosters collaboration.

The Centre is further equipped with an arsenal of cutting-edge equipment. Robotics enthusiasts can make use of the centre's Arduino kits, sensor kits, mechanical robotics arms, and essential tools such as solder air guns, solder irons, solder mats, and even Lego Education Spike Kits. Visitors to the Centre will also enjoy the provision of latest technologies such as drones, VR headsets, and, of course, laptops.

The 4IR Integrated Centre thus represents an important step towards fostering local innovation, with the hope of contributing towards a more prosperous, sustainable future, transforming lives and communities.



C. COMPUTER CENTRE EXPANSION

Further revolutionising the Indaleni Skills Centre learning environment, FP&M SETA upgraded the two computer labs on site, equipping them with cutting-edge video conferencing and collaboration technology, enhancing their connectivity and interaction provisions.

These classrooms will feature the latest C-Touch screens that seamlessly integrate video conferencing capabilities alongside hybrid training technology, as well as tools to foster online and classroom collaboration for enriched learning experiences.

FP&M SETA installed high-speed Wi-Fi throughout the entire college, empowering students with improved access to online resources, and ensuring a more seamless flow of information and knowledge.



With these advancements, the Richmond-Indaleni Skills Centre will continue to provide transformative educational experiences.



3

NGAPHAKATHI PROFESSIONALS PROGRAMME

Located in the rural community of Mpophomeni, under the Umngeni Municipality in the province of KwaZulu-Natal, FP&M SETA partnered with Ngaphakathi Professionals to launch a learnership programme focussed on furniture-making.

Aimed at fostering rural development and imparting essential, practical skills, the programme has enjoyed noteworthy success. The dedication shown by the learners has been commendable, with few dropouts seen throughout the programme’s duration. In fact, the enthusiasm surrounding the initiative has meant that we

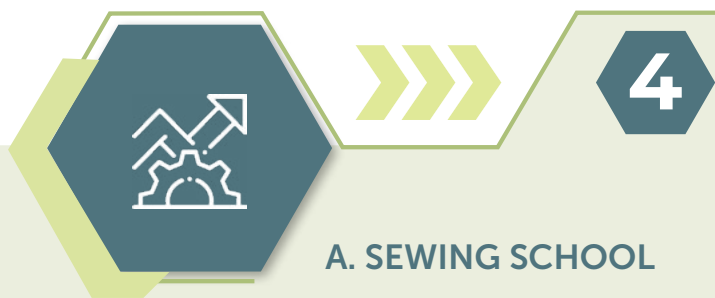


exceeded our original target number of participants. This overwhelming response showcases the remarkable interest displayed by the youth in the area in the programme.

Recognising the importance of financial stability for learners, all participants are provided with a monthly stipend to alleviate any financial burdens they may face, as well as all training necessities.

The progress achieved by the learners has been truly inspiring, as evidenced by the continual improvement in the quality of the furniture they produce as a testament to their growing craftsmanship and expertise.

The learners themselves have expressed their sincere appreciation for the programme and for the invaluable skills they are acquiring, as they hope to elevate their livelihoods and enhance their future career prospects.



4

SINAKHO LEADERSHIP SUPPORT & SKILLS DEVELOPMENT CENTRE

A. SEWING SCHOOL

The Sinakho Leadership Support & Skills Development Centre is making a tangible difference through its sewing skills programmes, with a sewing school situated in the



heart of Langa in Cape Town, which operates from a converted 42-meter container.

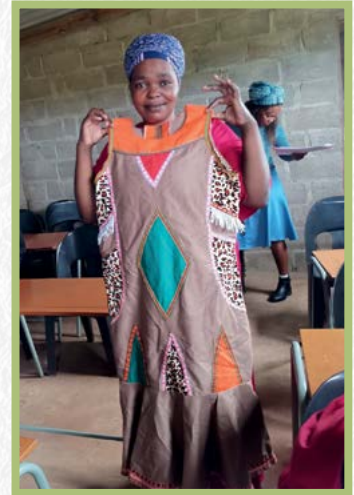
This dynamic space serves as a hub for youth and women to immerse themselves in the art of sewing, garment making and fashion design, with a capacity to accommodate 25 students, supervisors, and technical



support staff. Facilitated through the Cape Town Fashion Council, all Sewing Instructors are trained and supported by Sew Southern Africa as part of its accredited "Learn to Sew" project, ensuring that students receive expert instruction.

Located within a community where over 50% of youth and adults face unemployment, the sewing skills programme equips students with valuable sewing techniques and entrepreneurial knowledge, empowering them to create their own income streams for sustainable growth. Under the expert guidance of the Sinakho Programme Manager and skilled Sewing Instructors, students receive comprehensive training in all aspects of garment making. Upon completion of their training, learners proudly graduate with accredited certificates as a testament to their dedication and skill.

To further support graduates as they embark on their entrepreneurial journeys, Sinakho supplies aspiring individuals with a start-up "Toolkit" (Starter Pack), transitioning them from domestic to industrial-grade machines. This empowers them to pursue launching small-scale businesses and even establish cooperatives, laying the foundation for their success.



B. SUSTAINABILITY PROJECT: MINI FACTORY

Looking ahead, Sinakho plans to launch a mini factory as part of its drive to ensure a more sustainable future. Graduates who have honed their skills within the sewing programme can then gain employment within the factory, which will forge partnerships with clothing manufacturing stakeholders like Cape Union Mart. This will ensure graduates receive steady employment and income. For those who dream of launching their own businesses, Sinakho also provides support through active participation in cooperatives, where products can be showcased and sold.



5

BOKSBURG CORRECTIONAL SERVICES

FP&M SETA is dedicated to making a positive impact on individuals across the country. Believing in the transformative power of second chances, the SETA has therefore been actively involved in the development of inmates at the Boksburg Correctional Service for several years.

Compared to the smaller financial investments made in the project, the impact of this work on participants is substantial and is received with sincere gratitude, assisting offenders in preparing for their reintegration into the community upon their release.

In the current financial year, FP&M SETA proudly funded 35 learners with R350,000 for a Cabinet Making Skills project. This initiative not only equipped the inmates with valuable skills but also empowered them to give back to the community. Upon completing the project, the inmates took the initiative to create wooden toys, which they donated to local day care centres for the children to enjoy. It is through these small steps that FP&M SETA is making a lasting impact on both the community and inmates, fostering a sense of hope, rehabilitation, and community engagement.





KUMON PILOT PROJECT – FP&M SETA PARTNERSHIP

Kumon learning techniques determine to measure the effectiveness of learning within adult education training. As such, this is an individualised learning method that allows each student to study at the 'just-right' level.

The main objectives of the Kumon Project are:

- To examine whether a young workforce can improve their abilities by the habit of learning mathematics.
- To examine how the improvement of a workers' abilities has any impact on workers' productivity

The Japanese KUMON learning technique facilitated by the Kumon Institute of Education, aimed to increase labour productivity through educational interventions for workers in the clothing industry. Kumon Method of Learning (Mathematics), which is currently practiced in more than 60 countries and regions across the globe, ensures the development of independence and self-learning skills.

The Department of Higher Education and Training (DHET) was selected as the South African partner and DHET subsequently endorsed the FP&M SETA to lead herein. This project was co-ordinated by Professor Shoko Yamada from Nagoya University and their expertise was utilised to conduct the skills evaluation of the clothing workers.

The Learning Cycle

- The learners take an assessment to know their entry level.
- The learners enjoy fun lessons on their own pace using the tablet provided.
- The learners receive feedback from KUMON about their level progress.
- The learners take assessment and receive marks to check their progress.
- The learners and KUMON decide their next study point.

Sample Worksheets

All worksheets are designed and organized in very detailed "small steps" -- from easy to advanced number and word problems.

KUMON

For more information, visit the official website: <https://www.kumon.org.com/eng/index.html>

Your Self-Development Journey in the Program

- July 2023**: Participate in the pre-program survey.
- July-October 2023**: Enjoy the fun math lessons using the tablet provided.
- October 2023**: Participate in the post-program survey.

About the Program

The program aims to investigate the effectiveness of the KUMON Mathematics Program in developing and improving the soft skills of adults in the industry, particularly in the garment manufacturing sector. These soft skills include occupational health and safety, tidiness and cleanliness, workplace efficiency, ensuring product quality, and teamwork. The program is a collaboration between KUMON and the Nagoya University SKY Project. It will be conducted in key cities in South Africa, such as Johannesburg, Pretoria, and Ladysmith.

Why join the program?

- You can enjoy the tablet-based activities at your own pace for free.
- Your company will not have access to your performance in the program.
- You can gauge your numeracy level and understand your numeracy & soft skills (e.g. decision-making, problem-solving, communication) better by reviewing the feedback sheet given at the end of the program.

Sample Feedback Sheet

Get a certificate every time you level up!

KUMON SKY



The FP&M SETA registered 11,113 employed and unemployed learners on learning programmes including learnerships, bursary programmes, internships, skills programmes, apprenticeship programmes and adult education and training programmes.



7

MOSSOP LEATHER

Mossop Leather is one of the oldest companies in South Africa, established in 1,846, and is situated in Wellington in the Western Cape province. This stakeholder has been consistent in their dedication to quality and progression through skills development training and currently being the only leather accredited training provider in the Western & Northern Cape provinces. Mossop Leather was awarded funding for a Learnership programme for 15 unemployed youth at the value of R393,000 by the FP&M SETA. This stakeholder has provided employment opportunities for learners found competent. Mossop Leather has currently funded another Learnership programme for 20 unemployed and 15 employed Skills Programme participants at the value of R632,000, we anticipate another 100% competency outcome for these learners. The FP&M SETA prides itself in partnering with generational stakeholders that value the investment of Skills Development and employment opportunities.



8

PHUMELELA SISONKE AFRICAN FOUNDATION

Phumelela Sisonke African Foundation is an Non-Profit Organisation (NPO) that holds a accreditation in Furniture Making, it is situated in Spruitview Gauteng. This NPO is inspired by finding opportunities for unemployed youth, Skills Development and creating employment opportunities within the community. The FP&M SETA awarded the NPO funding for 20 learners in the NQF level 2 Upholstery Learnership at the value of R524,000. The 20 learners completed the training successfully and manufactured 50 coffins in the duration of this project. This project exceeded itself by the NPO partnering with a local Funeral Parlor to be a preferred supplier for their coffins. Phumelela Sisonke and the learners are in the process of opening a co-op that will continue creating job opportunities within the upholstery and manufacturing industries.





9

ASSURED VOCATIONAL SKILLS INSTITUTE

Assured Vocational Skills Institute (AVSI) is an SMME from Mpumalanga that is currently awarded accreditation in Furniture, Clothing and Forestry within the FP&M SETA 13 subsectors. The SMME was funded for a Clothing



Manufacturing NQF Level 1 Learnership Qualification for 25 unemployed youth within the Mpumalanga Province, at the Bushbuckridge Local Municipality at the value of R665,000. Despite the challenges that will arise with any training, all learners have successfully completed the training and have been absorbed by different institutions for work experience programmes. This has driven community upliftment and job creation for the youth coming from colleges.



10

MPOLA MPOLA CO-OP

FP&M SETA champions the call to fund stakeholders such as Mpola Mpola Co-op situated in the KZN province in Wyebank who create opportunities for unemployed youth to be absorbed by the industries.



Mpola Mpola Co-op was awarded funding for 20 unemployed learners at the value of R524,000 for a Cabinet Making Qualification. The learners successfully completed this programme with 100% pass rate, no dropouts and included learners with special needs. The success factors of the project resulted in 50% of the learners being absorbed by the Salabedla institution. Mpola-Mpola Co-op in collaboration with NYDA & SEDA facilitated the process of learners registering their businesses and supported with office administration to manage their new clients. Income generated through their businesses was reinvested to purchase tools of trade.

In addition, a wellness programme was established in partnership with local social workers in order to navigate the mental health challenges of unemployed and disadvantaged youth. It is inspiring to work with government entities such as FP&M SETA that create opportunities that have a positive ripple effect on the communities.



3. ORGANISATIONAL ENVIRONMENT

FP&M SETA employees continue to provide services to stakeholders both from FP&M SETA offices and remotely from home, whilst normal working hours and conditions applied. FP&M SETA has efficient governance structures in place to ensure good corporate governance, the implementation of relevant policies and procedures, and sound financial management. FP&M SETA Board provides strategic direction to FP&M SETA and an independent Audit Committee plays an oversight role to ensure that the implementation of financial policies and procedures are in line with the PFMA and other legislative requirements. An Executive Committee (EXCO) is responsible for the monitoring and evaluation of operational activities including the implementation of action plans.

4. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The following key legislation had a significant bearing on the implementation of FP&M SETAs Strategic Plan and Annual Performance Plan for the period under review:

- **Occupational Health and Safety Act, 1993 (Act No.85 of 1993)** – Risk Assessment Compliance, together with a written policy concerning the protection of the health and safety of its employees from COVID-19.
- **FP&M SETA Skills Strategy for Economic Restructuring and Recovery Plan (ERRP)** – To restore our economy and the FP&M sector we need to focus on the extraordinary measures we must take to restore our economy and industrial sectors to inclusive growth. This plan directly responds to the immediate economic impact of COVID-19 by driving job creation and SMME development.



5. PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

FP&M SETA has made steady progress towards the achievement of the 5-year target in relation to the outcome indicators for the various programmes as outlined in its Annual Performance Plan 2022/23. During the reporting period significant achievements were made with regard to the contribution towards the 2019-24 Medium Term Strategic Framework and the outcomes of the National Development Plan, as the FP&M SETA achieved most of its output indicators and targets related to the implementation of priority learning programmes.

Institutional Programme Performance Information

6. FP&M SETA ORIGINALLY TABLED ANNUAL PERFORMANCE PLAN (2022-23)

Programme 1: Administration

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



Comments on achievement of targets for Programme 1

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

Programme/Sub-programme: Programme 1: Administration

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Improved, effective and efficient SETA governance and skills delivery	Effective and efficient financial and human resource planning and implementation	(i) Percentage of key positions filled	100%	100%	100%	100%	Target achieved – no deviation	100% of target achieved

Programme 2: Skills planning

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

Programme 2: Skills planning contd.

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

Comments on achievement of targets for Programme 2

Due to the impact of COVID-19, company closures, and retrenchments in the FP&M sub-sectors, the targets for output indicators on WSP/ATR submissions for small, medium and large companies were not achieved. The FP&M SETA has concluded research agreements with credible research organisations to ensure that quality research is undertaken to address credible skills planning for Sector Skills Plan Updates, Impact Study research and promotion of growth and development of TVET Colleges. It must be noted that due to research that was undertaken during the period under review, the SETA was able to develop a credible PIVOTAL List of occupations in high demand and a list of skills needs of co-operatives of small and emerging enterprises. These interventions guided the SETA in its submissions with regard to the national list of Occupations in High Demand and skills needs for Economic Recovery and Reconstruction (ERRP).

Programme/Sub-programme: Programme 2: Skills Planning



Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Quality research and skills planning activities to address occupations in high demand	Discretionary grants allocated for high, intermediate, and elementary skills	(i) Percentage of discretionary grant budget allocated at developing high, intermediate and elementary skills	80.34%	84%	80%	87%	7%	109% of target achieved Overwhelming demand by the sector for PIVOTAL programmes
	WSP and ATRs of small firms approved for mandatory grant payment	(ii) Number of WSPs and ATRs approved for small firms	593	608	635	548	-87	Very slow economic recovery of industry post COVID-19 resulted in non-achievement of this target. Company closures & retrenchments negatively impacted on this performance indicator

Programme/Sub-programme: Programme 2: Skills Planning contd.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Quality research and skills planning activities to address occupations in high demand	WSP and ATRs of medium firms approved for mandatory grant payment	(iii) Number of WSPs and ATRs approved for medium firms	371	381	425	353	-72	Very slow economic recovery of industry post COVID-19 resulted in non-achievement of this target. Some companies also did not train and therefore did not make a submission
	WSP and ATRs of large firms approved for mandatory grant payment	(iv) Number of WSPs and ATRs approved for large firms	349	328	335	300	-35	Very slow economic recovery of industry post COVID-19 resulted in non-achievement of this target. Company closures & retrenchments negatively impacted on this performance indicator
	Research reports completed and supports SSP development	(v) Number of research agreements signed	5	4	5	5	Target achieved - no deviation	100% of target achieved
	Approved list of identified skills needs of co-operatives, small and emerging enterprises	(vi) List of identified skills needs of co-operatives, small and emerging enterprises submitted to DHET by 31 August 2022	List of identified skills needs of co-operatives, small and emerging enterprises submitted to DHET by 31 August 2020	List of skills needs of co-operatives and SMMEs was submitted to DHET by 31 August 2021	List of identified skills needs of co-operatives, small and emerging enterprises submitted to DHET by 31 August 2022	List of identified skills needs of co-operatives, small and emerging enterprises was compiled and submitted to DHET by 31 August 2022	Target achieved - no deviation	100% of target achieved
	Approved PIVOTAL List of priority occupations to be funded	(vii) An updated OFO- aligned pivotal list submitted to DHET by 31 August 2022	An updated OFO- aligned pivotal list was submitted to DHET by 31 August 2020	Approved OFO- aligned pivotal list was submitted to DHET by 31 August 2021	An updated OFO- aligned pivotal list submitted to DHET by 31 August 2022	An updated OFO- aligned pivotal list was compiled and submitted to DHET by 31 August 2022	Target achieved - no deviation	100% of target achieved

Programme 3: Learning programmes and projects

Sub-programme: 1

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

Comments on Achievement of Targets for Sub-programme 1

The achievement of output indicators and targets for this indicator is critical as this programme provides intermediate and high level skills for unemployed learners and graduates that could lead to employment placement opportunities. It is pleasing to note that targets for this sub-programme were exceeded as it also addresses skills gaps aligned to the FP&M SETA Occupations in High Demand and the Medium Term Strategic Framework priorities of Government and the National Development Plan – Vision 2030.

Programme 3: Learning programmes and projects

Sub-programme 1

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Increased workplace-based learning opportunities to address priority occupations	Funded TVET Students for WIL	(i) Number of TVET students entered work-integrated-learning programmes	351 Funded learners: 351	408 Funded learners: 408	650	656 Funded learners: 656	6	Positive variance, within expected range of 1-5%. 101% of target achieved. Some DG beneficiaries were able to fund more learners with the approved funding
	Work ready TVET Students	(ii) Number of TVET students completed work-integrated-learning programmes	282 Funded learners: 282	322 Funded learners: 322	500	527 Funded learners: 527	27	Positive variance: 105% of target achieved More TVET learners were funded in previous financial years resulting in greater throughput rate. Funding effectively used for greater impact



Sub-programme 1 *contd.*

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Increased workplace-based learning opportunities to address priority occupations	Funded HET Students for WIL	(iii) Number of university students entered work-integrated-learning programmes	250 Funded learners: 250	318 Funded learners: 318	275	276 Funded learners: 276	1	Positive variance, within expected range of 1-5%. 100% of target achieved. Some DG beneficiaries were able to fund more learners with the approved funding Funding effectively used for greater impact
	Work ready HET students	(iv) Number of university students completed work-integrated-learning programmes	228 Funded learners: 228	221 Funded learners: 221	234	237 Funded learners: 237	3	Positive variance, within expected range of 1-5%. 101% of target achieved Some DG beneficiaries were able to fund more learners in previous years and thus increased throughput rate
	Funded unemployed learners for work experience/ internship programmes	(v) Number of unemployed learners entered work experience / Internship programmes	430 Funded learners: 430	491 Funded learners: 491	600	603 Funded learners: 603	3	Positive variance, within expected range of 1-5%. 101% of target achieved Some DG beneficiaries were able to fund more learners with the approved funding
	Work ready unemployed learners	(vi) Number of unemployed learners completed work experience / internship programmes	311 Funded learners: 311	402 Funded learners: 402	500	509 Funded learners: 509	9	Positive variance, within expected range of 1-5%. 102% of target achieved Additional completions linked to additional entries resulting in higher numbers
	Funded unemployed learners on skills programmes	(vii) Number of unemployed learners entered skills programmes	2,066 Funded learners: 2,066	2,454 Funded learners: 2,454	1,560	1,805 Funded learners: 1,805	245	Positive variance: 116% of target achieved The target was exceeded due to the upskilling of unemployed youth to increase employment potential. Some DG beneficiaries were able to fund more learners with the approved funding

Sub-programme 1 *contd.*

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Increased workplace-based learning opportunities to address priority occupations	Unemployed learners on skills programmes upskilled	(viii) Number of unemployed learners completed skills programmes	2,001 Funded learners: 2,001	2,381 Funded learners: 2,381	1,721	1,737 Funded learners: 1,737	16	Positive variance, within expected range of 1-5%. 101% of target achieved Improved monitoring of projects resulted in increased completions improving throughput rate on these programmes
	Funded unemployed learners on learnerships	(ix) Number of unemployed learners entered learnership programmes	2,069 Funded learners: 2,069	2,483 Funded learners: 2,483	2,285	2,365 Funded learners: 2,365	80	Positive variance, within expected range of 1-5%. 104% of target achieved Some DG beneficiaries were able to fund more learners with the approved funding
	Unemployed learners on learnerships upskilled	(x) Number of unemployed learners completed learnership programmes	1,906 Funded learners: 1,906	2,127 Funded learners: 2,127	2,100	2,126 Funded learners: 2,126	26	Positive variance, within expected range of 1-5%. 101% of target achieved Increased throughput rate from previous years learnership funded projects

Sub Programme: 2

<p>Purpose</p> 	To increase access of youth and adults to post-school education and training opportunities and to encourage further learning to improve their employability.
<p>Explanation of the planned performance over the five-year planning period</p> 	Many South Africans are poorly educated and lack the basic foundational skills (communication and mathematical literacy) to undertake further learning when they leave school and cannot access post-school education and training opportunities. This outcome is focused on providing youth and adults with basic foundational skills to access adult education and training programmes that will enable them to access further learning to improve their employability.



Comments on Achievement of Targets for Sub-programme 2

Achievements for output indicators for AET entries and completions were exceeded, providing learners with elementary and foundational communication and mathematical literacy skills. Learners who have completed AET programmes will enjoy increased opportunities to access middle-level occupationally-directed programmes, affording them much improved employment and career pathing opportunities.

Programme 3: Learning Programmes and Projects
Sub-programme 2

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Increased foundational learning opportunities	AET learners funded	(i) Number of learners who entered AET programmes.	341 Funded learners: 341	715 Funded learners: 715	670	682 Funded learners: 682	12	Positive variance, within expected range of 1-5%. 102% of target achieved Target was exceeded due to increased demand for AET intervention. Some DG beneficiaries were able to fund more learners with the approved funding
	Improved foundational skills	(ii) Number of learners who completed AET programmes	289 Funded learners: 289	490 Funded learners: 490	562	580 Funded learners: 580	18	Positive variance, within expected range of 1-5%. 103% of target achieved Improved throughput rate from learners entered for this intervention

Sub Programme: 3

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

Comments on Achievement of Targets for Sub-programme 3

Overachievement of output indicators and targets for this programme is critical to improve workplace productivity and career pathing of workers. Workers were exposed to intermediate level and high level skills aligned to the occupations in high demand of the FP&M SETA. This programme is also critical to address key skills development action plans aligned to the industry Masterplans as outlined in the FP&M SETA Strategic Plan and Annual Performance Plan and the future competitiveness and sustainability of FP&M industrial sub-sectors.



Programme 3: Learning Programmes and Projects
Sub-programme 3

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Improved skills level of workers in occupations in high demand.	Workers funded on learnership programmes	(i) Number of workers entered learnership programmes	529 Funded learners: 529	1,025 Funded learners: 1,025	990	1,014 Funded learners: 1,014	24	Positive variance, within expected range of 1-5%. 102% of target achieved Learnerships employed is a priority programme. Therefore, reprioritisation of funding by DG beneficiaries to support these programmes, resulted in higher numbers
	Workers acquire middle level technical skills through learnerships	(ii) Number of workers completed learnership programmes	695 Funded learners: 695	782 Funded learners: 782	822	822 Funded learners: 812	Target achieved - no deviation	100% of target achieved
	Workers funded on bursary programmes	(iii) Number of workers entered bursary programmes	85 Funded learners: 85	110 Funded learners: 110	115	136 Funded learners: 136	21	Positive variance: 118% of target achieved High level skills and the upskilling of the workforce is important for workplace productivity. Due to lower funding costs on some bursary interventions, more workers were accommodated on the existing budget for this intervention
	Workers acquire middle & high level skills through bursary programmes	(iv) Number of workers completed bursary programmes	40 Funded learners: 40	39 Funded learners: 39	100	100 Funded learners: 100	Target achieved - no deviation.	100% of target achieved
	Workers funded on skills programmes	(v) Number of workers entered skills programmes	1,259 Funded learners: 1,259	1,279 Funded learners: 1,279	1,260	1,415 Funded learners: 1,415	155	Positive variance: 112% of target achieved Some DG beneficiaries were able to fund more learners with the approved funding

Sub-programme 3 *contd.*

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Improved skills level of workers in occupations in high demand	Workers acquire middle level technical skills through skills programmes	(vi) Number of workers completed skills programmes	1,609 Funded learners: 1,609	1,483 Funded learners: 1,483	1,345	1,392 Funded learners: 1,392	47	Positive variance, within expected range of 1-5%. 103% of target achieved Additional numbers through completion of ETDP programmes

Sub Programme :4

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

Comments on Achievement of Targets for Sub-programme 4

Apprenticeship and bursary programmes are priority interventions that addresses high level technical skills and advanced 4IR technologies in industry. The competitiveness and growth of the FP&M sector is highly dependent on the success of this programme with a key focus on strategic partnerships with TVET Colleges, Universities and Universities of Technology and Employer Organisations. The Recognition of Prior Learning (RPL) intervention must be prioritised so that the work experience, expertise and skills of workers can be fast-tracked through the achievement of a formal occupationally-directed qualification. The FP&M SETA partnership with the National Financial Aid Scheme (NSFAS) continues to thrive with the SETA funding a high number of learners. Implementation of this programme plays a pivotal role in addressing transformational imperatives and key priorities such as township and rural development, gender transformation and poverty alleviation aligned to key priorities of the Medium Term Strategic Framework (MTSF).



Programme 3: Learning Programmes and Projects
Sub-programme 4

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Increased access to occupationally-directed programmes through effective partnerships	Apprentices funded on apprenticeship programmes	(i) Number of learners entered apprenticeship programmes	243 Funded learners: 243	386 Funded learners: 386	600	605 Funded learners: 605	5	Positive variance, within expected range of 1-5%. 101% of target achieved More learners were able to enter artisan programmes through the apprenticeship ARPL system
	Apprentices acquire middle level technical skills	(ii) Number of learners completed apprenticeship programmes	260 Funded learners: 260	324 Funded learners: 324	500	508 Funded learners: 508	8	Positive variance, within expected range of 1-5%. 102% of target achieved More learners were able to complete artisan programmes through the apprenticeship ARPL system
	Unemployed learners on bursary programmes funded	(iii) Number of unemployed learners entered bursary programmes as first time entry learners	208 Funded learners: 208	227 Funded learners: 227	180	182 Funded learners: 182	2	Positive variance, within expected range of 1-5%. 101% of target achieved This target was exceeded through the SETA partnership with the National Student Financial Aid Scheme (NSFAS) due to lower bursary costs for some learners
	Unemployed learners on bursary programmes acquire middle level technical skills	(iv) Number of unemployed learners entered bursary programmes as continuing learners	311 Funded learners: 311	324 Funded learners: 324	325	382 Funded learners: 382	57	Positive variance: 118% of target achieved This target was exceeded through the SETA partnership



Sub-programme 4 *contd.*

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Increased access to occupationally-directed programmes through effective partnerships								with the National Student Financial Aid Scheme (NSFAS) due to lower bursary costs for some learners
	Unemployed learners on bursary programmes acquire middle level technical skills	(v) Number of unemployed learners completed bursary programmes	265 Funded learners: 265	417 Funded learners: 417	442	518 Funded learners: 518	76	Positive variance: 117% of target achieved This target was exceeded through the SETA partnership with the National Student Financial Aid Scheme (NSFAS) due to lower bursary costs for some learners
	Learners funded for RPL programmes	(vi) Number of learners entered RPL programmes	50 Funded learners: 50	116 Funded learners: 116	109	117 Funded learners: 117	8	Positive variance: 120% of target achieved The target was exceeded Low cost of programme made it possible for more learners to be enrolled on the programme
	Learners assessed through RPL methodology	(vii) Number of learners completed RPL programmes	50 Funded learners: 50	114 Funded learners: 114	105	126 Funded learners: 126	21	Positive variance: 112% of target achieved The target was exceeded Low cost of programme made it possible for more learners to complete the programme
	Strategic TVET/CET partnerships funded	(viii) Number of TVET and/or CET partnership agreements signed	21	23	25	25	Target achieved - no deviation	100% of target achieved

Sub-programme 4 *contd.*

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Increased access to occupationally-directed programmes through effective partnerships	Strategic HEI partnerships funded	(ix) Number of HEI partnership agreements signed	10	10	10	10	Target achieved - no deviation	100% of target achieved
	Strategic SETA Employer partnerships funded	(x) Number of SETA Employer partnership agreements signed	6	5	6	8	2	133% of target achieved Additional strategic partnerships with employers were due to projects aligned to the Industry Masterplan to support industry recovery and reconstruction

Sub Programme :5

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

Comments on Achievement of Targets for Sub-programme 5

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



Programme 3: Learning Programmes and Projects
Sub-programme 5

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Increased funding support for co-operatives, small enterprises, NGOs, CBOs and NPOs to implement skills development programmes	Learners on entrepreneurial programmes and/or business coaching & mentoring programmes funded	(i) Number of learners entered entrepreneurial programmes and/or business coaching & mentoring programmes	138	132	150	180 Funded learners: 180	30	Positive variance: 120% of target achieved More learners were offered an opportunity to enrol on entrepreneurial programmes and/or business coaching & mentoring programmes due to higher learnership registrations
	CBOs, NGOs and/or NPOs funded	(ii) Number of CBOs, NGOs and/or NPOs supported with training interventions or funding	32	78	35	36	1	103% of target achieved. Positive variance, within expected range of 1-5% More organisations were capacitated through cluster training interventions
	Rural development projects implemented	(iii) Number of rural development projects funded	29	31	35	35	Target achieved - no deviation	100% of target achieved
	Co-operatives upskilled	(iv) Number of Co-operatives supported with training interventions or funded	55	55	55	61	6	Positive variance: 111% of target achieved More Co-operatives were given an opportunity to attend cluster capacity building or training sessions

Sub-programme 5 contd.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Increased funding support for co-operatives, small enterprises, NGOs, CBOs and NPOs to implement skills development programmes	Small businesses upskilled	(v) Number of Small Businesses supported with training interventions or funded	100	111	110	117	7	Positive variance: 106% of target achieved Additional small enterprises were given an opportunity to attend cluster training or capacity building sessions

Sub Programme :6

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

Comments on Achievement of Targets for Sub-programme 6



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

Programme 3: Learning Programmes and Projects

Sub-programme 6

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Improved understanding by workers of their sector	Trade union members upskilled about sectoral challenges	(i) Number of trade unions supported through skills training interventions or funding	3	3	3	3	Target achieved - no deviation	100% of target achieved

Sub Programme :7

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

Comments on Achievement of Targets for Sub-programme 7

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

Programme 3: Learning Programmes and Projects



Sub-programme 7

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Improved exposure for learners and career development practitioners to FP&M sector priority occupations	Learners in urban areas exposed to occupation in high demand	(i) Number of career development events conducted in urban areas	10	15	20	20	Target achieved - no deviation	100% of target achieved
	Learners in rural areas exposed to occupation in high demand	(ii) Number of career development events conducted in rural areas	10	15	20	21	1	105% of target achieved. Positive variance, within expected range of 1-5%. SETA was able to participate in more career events that did not require funding

Sub-programme 7 contd.

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Improved exposure for learners and career development practitioners to FP&M sector priority occupations	Career practitioners capacitated on occupations in high demand	(iii) Number of workshops on career development services implemented	Not Applicable	2	2	4	2	Positive variance: 200% of target achieved It was decided to include more face-to-face workshops to develop stakeholder capacity on key SETA matters such as career development in the sector

Programme 4: Quality Assurance and Partnerships

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

Comments on Achievement of Targets for Programme 4

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

Programme 4: Quality Assurance and Partnerships

Outcome	Output	Output indicator	Audited actual performance 2020/21	Audited actual performance 2021/22	Planned annual target 2022/23	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviation
Increased supply of quality, relevant and fit-for- purpose education and training programmes	Functional CSTO Offices established	(i) Number of CSTO offices established in TVET colleges	1	1	1	1	Target achieved - no deviation	100% of target achieved
	Centres of Specialisation supported	(ii) Number of TVET Centers of Specialisation funded	5	3	3	3	Target achieved - no deviation	100% of target achieved
	TVET/CET lecturers upskilled on industry programmes	(iii) Number of TVET and/or CET Lecturers entered industry development programmes	16	34	20	22	2	Positive variance: 110% of target achieved Due to availability of registrations, more TVET lecturers were accommodated on the ETDp programme
	Current and relevant SETA occupational qualifications registered with QCTO	(iv) Number of FP&M SETA occupational qualifications registered by QCTO during the year	16	15	8	15	7	Positive variance: 188% of target achieved Positive variance was due to the fact that there is close working relationship between FP&M SETA QA, QCTO and stakeholders improving occupational qualifications registrations



Additional achievements funded by industry

Additional achievements relating to learners' registrations and completions that were funded by industry and contributed to the FP&M SETA's overall performance during 2022/23.

Unfunded Learners Per Programme	2022/23 Unfunded Learners	Overall Performance (Funded and Unfunded Learners)
Number of unemployed learners entered skills programmes	172	Total achievement: 1977 127% of target achieved
Number of unemployed learners completed skills programmes	268	Total achievement: 2005 117% of target achieved
Number of unemployed learners entered learnership programmes	463	Total achievement: 2828 124% of target achieved
Number of unemployed learners completed learnership programmes	315	Total achievement: 2441 116% of target achieved
Number of employed learners entered learnership programmes	36	Total achievement: 1050 106% of target achieved
Number of employed learners completed learnership programmes	6	Total achievement: 828 101% of target achieved
Number of employed learners entered skills programmes	107	Total achievement: 1522 121% of target achieved
Number of employed learners completed skills programmes	143	Total achievement: 1535 114% of target achieved
Number of learners entered apprenticeship programmes	97	Total achievement: 702 117% of target achieved
Number of learners completed apprenticeship programmes	177	Total achievement: 685 137% of target achieved

LINKING PERFORMANCE WITH BUDGETS

Programme/activity/objective	2021/2022			2022/2023		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Administration	45,630	38,626	7,004	44,818	42,615	2,203
Mandatory grants	70,400	65,972	4,428	72,512	68,198	4,314
Discretionary grants	649,470	280,786	368,684	635,389	274,312	361,077
Total	765,500	383,055	380,116	752,719	385,125	367,594

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

REVENUE COLLECTION

During the current financial year, FP&M SETA received R 368,6 million in Skills Development Levy (SDL) income.

SDL income was monitored against the budget on a monthly basis. The SETA remained within the 10.5% administration budget threshold for the 2022/23 financial year.

SDL income was increased by R1,416,000 as a result of the reversal of the provision in the current financial year for firms that fall below the R500,000 threshold level, and receipt of these funds has now accumulated for 5 years.

Penalties and interest (R4,3 million) were received by the FP&M SETA as a result of late payment of SDL by employers to SARS.

Investment income was above budget, as interest rates were significantly reduced in 2022/23.

Other revenue (R290 000) was generated from fees paid by learners to re-write examinations relating to apprenticeship programmes and insurance refunds.

Sources of revenue	2021/2022			2022/2023		
	Estimate R'000	Actual Amount Collected R'000	(Over)/Under Collection R'000	Estimate R'000	Actual Amount Collected R'000	(Over)/Under Collection R'000
SDL levies	R347,654	R341,730	R5,924	R358,083	R368,676	R5,924
Penalties and interest	R5,424	R5,348	R76	R6,051	R4,307	R76
Investments	R22,424	R16,284	R6,140	R19,872	R25,435	R6,140
Donor funding	-	-	-	-	-	-
Other revenue	-	R38	R(38)	-	R290	R(290)
Total	R375,502	R363,400	R12,102	R384,006	R398,708	R14,702

CAPITAL INVESTMENT

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

- During the reporting period, all excess funds were transferred monthly to the CPD account of the SETA that is held with the South African Reserve Bank. The excess funds were based on monthly cash flow reports. All interest has been capitalised on a monthly basis.
- Assets with a book value of R53,000 were made redundant and donated in the current financial year.
- All assets were in good condition.
- During the year the asset register was updated monthly and reconciled to Trial Balance monthly.

PART C

GOVERNANCE



1. INTRODUCTION

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

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

2. EXECUTIVE AUTHORITY

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

- Four (4) SETA Quarterly Monitoring Reports (SQMR) for 2022/23
- FP&M SETA Annual Report 2021/22
- FP&M SETA Strategic Plan for 2023/24
- Annual Performance Plan for 2023/24
- Revised Service Level Agreement for 2023/24
- Materiality Framework for 2023/24
- Sector Skills Plan for 2023/24 (Annual Update)
- PIVOTAL List 2023/24

3. THE ACCOUNTING AUTHORITY / BOARD

Introduction

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

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

- One (1) independent chairperson;
- Six (6) employer representatives;
- Six (6) labour representatives;

- One (1) representative from community organisations; and
- One (1) representative from interested professional body.

During the year under review, 13 members regularly participated in the meetings and activities of the FP&M SETA Board.

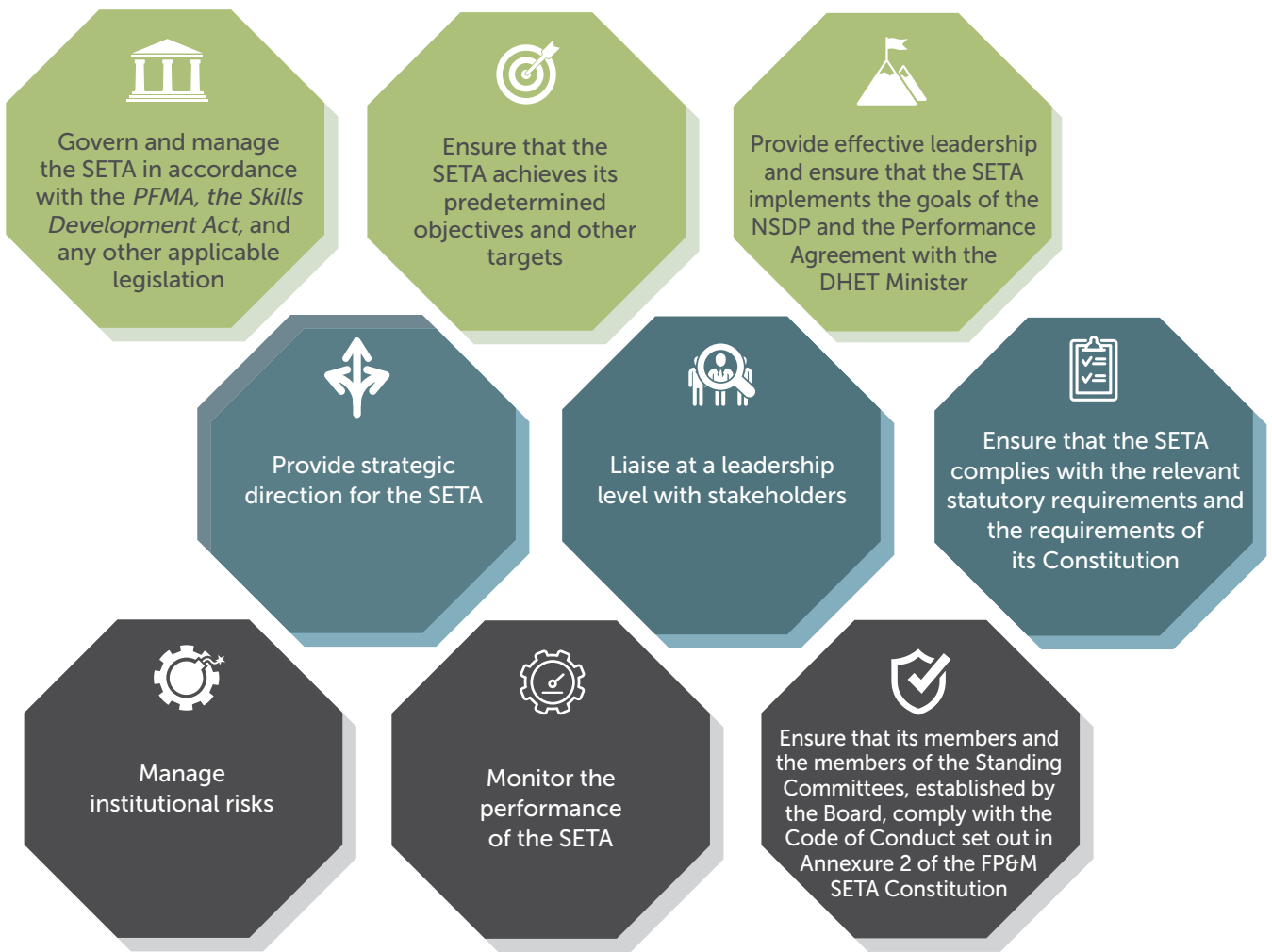
The Board met six (6) times of which two (2) meetings were special Board meetings during the period under review. The special Board meetings were to consider approvals for the following documents:

- a) The Annual Financial Statement 2021/22
- b) The Annual Performance Plan 2022/23
- c) The Annual Report 2021/22
- d) National Treasury consolidated template
- e) Request for accumulation of surplus 2021 – 2022
- f) National Treasury surplus
- g) National Treasury report 2021 – 2022
- h) Statement of changes in Net Assets 2021 – 2022
- i) Statement of Financial position 2021 – 2022
- j) Statement of financial performance 2021 – 2022
- k) Statement of cash flow 2021 – 2022

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

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

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



COMPOSITION OF THE BOARD

Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Adv Michelle Odayan	Independent Chairperson	01 April 2020	Not applicable	Bachelor of Arts (Law) LLB An advocate of the High Court of South Africa	Law Finance Strategy Governance Project Management HR Development Organisational Development Gender Mainstreaming	Court-Consult Africa (PTY) Ltd Indaba-Africa Group (PTY) Ltd MTR Investments (PTY) Ltd Play Africa-Children's Museum NPO & People Opposing Women Abuse (POWA) NPO	Chairperson of Board Chairperson of EXCO. Chairperson of Governance and Strategy Committee	6 of 6

Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Ms Makhosi Jean Chiwashira	Community representative	01 April 2020	Not applicable	Personnel & Training Management Diploma Certificate in Public Relations (PR1) B-BBEE MDP through Unisa SBL (2017) MDP Legacy through Unisa SBL (2021) Assessor Moderator Qualified Trainer/Facilitator	Training & Skills Development B-BBEE expert Talent & HR Management Strategy		Chairperson of Projects Committee	5 of 6
Ms Linda Therese Bremner	Organised Business: Textiles	01 April 2020	Not applicable	Diploma in Nursing Human Resources Diploma NL General Textile Technology Management Development Programme (NQF level 6) DUT Business Studies			Governance and Strategy Committee Member	5 of 6
Ms Fanisa Lamola	Independent Member	01 April 2020	Not applicable	B.Com (Corp Fin & Investments) B.Com (Acc) & (Hons)/ CTA Qualified Chartered Accountant	Finance Audit		Chairperson of the Finance and IT Governance Committees	4 of 6
Mr Nduduzo Vilina	Organised Labour: SACTWU	01 April 2020	Not Applicable	Grade 12 Diploma in Labour Studies Diploma in political studies Bachelor's Degree in Social Science	Labour relations		Finance and IT Governance, Projects, HRREMCO, Governance and Strategy and Quality Assurance Committee Member	2 of 6

Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Ms Bonita Natalie Loubser	Organised Labour: SACTWU	01 April 2020	Not Applicable	Diploma in Collective Bargaining Adult Basic Education Certificate Diploma in Human Resources Certificate of Competence in Labour Court Litigation Degree in Labour Law Labour Market Laws, Pension Fund Business Finance Management	Labour relations		Chairperson of Quality Assurance Committee Governance & Strategy and EXCO member	1 of 6
Ms Delight T Simelane	Organised Labour: SACTWU	01 April 2020	Not applicable	Diploma (Personnel Training Management) 1997 Abet Facilitator 1999 Certificate in Computer 2002	Training and Skills Development		Quality Assurance Member Governance and Strategy Committee Member HR and Remuneration Committee Member	2 of 6
Ms Karen Pearl Manuel (Coetzee)	Organised Labour: NULAW	01 April 2020	Not Applicable	Diploma in Education/ Educator Development (adult education), (current) Trade Union Practice NQF Level 4 ETDP SETA, DITSELA Labour Institution 13 years, Trade Union Litigation Support & Capacity-Building, UWC Faculty of Law Labour Law & Collective Bargaining, Western Cape Workers College Macro-Economic Module.	Labour relations			6 of 6

Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Mr Kwazi Mlaba	Organised Labour: CEPPWAWU	01 April 2020	Not applicable	Intermediate Business Management (M+II) Certificate Basic Business Management (M+1 Certificate)	Labour relations		HR and Remuneration Committee Member and Quality Assurance Committee	3 of 6
Ms Theresa Otto	Organised Business: TVETSA	01 April 2020	Not Applicable	Qualifications Development Facilitator (QDF). Quality Council Trades and Occupations Advanced Project Management Course, International Leadership Development Programme, Certificate: Senior Management Development Programme. Post-Graduate Diploma Human Resource Management B Soc Sc (Hons): Criminology			HRRESCO, Finance, Projects and IT Governance committee member	6 of 6
Mr Mpuka Radinku	Organised Business: Publishing	01 April 2020		BA Honours (University of the Witwatersrand) BA (University of the Witwatersrand) Secondary Teacher Diploma (Soweto College)	Management Publishing management Research Material development	APNET Board Member	Governance and Strategy, Finance, Projects and IT Governance Committee members	4 of 6

Name:	Designation:	Date Appointed:	Date Resigned:	Qualifications:	Area of Expertise:	Board Directorships:	Other Committees or Task Teams:	Number of Meetings Attended:
Mr Francois Oberholzer	Organised Business: Forestry	01 April 2020	Not Applicable	<p>Master of Forestry: Forest Engineering - Oregon State University, Corvallis, Oregon, USA. Thesis topic: Optimisation of Timber Transport and Vehicle Routing. Advisor.</p> <p>B.Sc. (Hons): Forest Harvesting (Cum Laude).</p> <p>Stellenbosch, South Africa. Project topic: Compilation of the Southern African Cable Yarding Safety and Operating Handbook. Advisor. Prof. Dr Loren Kellogg.</p> <p>B.Sc. Forest Management – University of Stellenbosch, Stellenbosch, South Africa.</p>	<p>Forestry engineering</p> <p>Forestry management</p>		ARC member	4 of 6
Mr Mike Truelock	Organised Business: PAMSA	01 April 2020	Not applicable	<p>National Diploma in Organisation and Work-Study.</p> <p>National Diploma in Personnel Management,</p> <p>Industrial Relations</p> <p>Diploma Programme</p> <p>Management Development Programme</p>	<p>Organisational Development</p> <p>HR Management</p> <p>Management Learning and Development</p>	<p>Santa Barbara Home Owners Association</p> <p>Truelock Adventures cc</p> <p>Director: PROTEC</p>	<p>Chairman of the HR and Remuneration Committee</p> <p>Executive Committee Member</p> <p>Governance and Strategy Committee member</p>	6 of 6

- Currently, One (01) nomination has been submitted to DHET for approval replacing Mr S Thobela from the Employer Representation
- One vacant position that needs to be filled by SATU.

COMMITTEES

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

Standing Committee	Number of meetings held	Number of members	Name of members
Executive Committee	6	5	Adv Michelle Odayan (Chairperson) Mike Truelock Theresa Otto Bonita Loubser Kwazi Mlaba Alternative members Delight Simelane
Audit Risk Committee	5	5	Chembe Phiri (Chairperson) Karien de Villiers John Raphela Karen Pearl Manuel (Coetsee) Francois Oberholzer
Governance and Strategy Committee	1	8	Adv Michelle Odayan (Chairperson) Mike Truelock Fanisa Lamola Bonita Natalie Loubser Linda Therese Bremner Nduduzo Vilina Delight T Simelane Mpuka Radinku
Finance and IT Governance Committees	4	5	Fanisa Lamola (Chairperson) Mpuka Radinku Theresa Otto Nduduzo Vilina Kwazi Mlaba
Projects Committees	4	5	Makhosi Chiwashira (Chairperson) Mpuka Radinku Theresa Otto Nduduzo Vilina Kwazi Mlaba
HR and Remuneration/Ethics Committee	4	6	Mike Truelock (Chairperson) Theresa Otto Rally Moropa Nduduzo Vilina Delight T Simelane Kwazi Mlaba
Quality Assurance Committee	4	8	Bonita Loubser (Chairperson) Kwazi Mlaba Delight T Simelane Nduduzo Vilina Ken Leid Olga Bezuidenhout Jay Deepnarain Frans Barnard (additional) Alternative member Rally Moropa (Alternative chairperson)

REMUNERATION OF COMMITTEE MEMBERS

The FP&M SETA based its Standing Committee remuneration structure on the National Treasury guidelines as communicated to the SETAs for the financial year 2022/23. Remuneration is reviewed on an annual basis.

Board members qualifying for remuneration are classified as follows:

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

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

Name	Representation	Remuneration (R'000)	Other Reimbursements (R'000)	Total (R'000)
Adv Michelle Odayan	Board Chairperson EXCO Chairperson Governance and Strategy Committee Chairperson	377		377
Ms Makhosi Chiwashira	Projects Chairperson	52		52
Ms Fanisa Lamola	Finance, and IT Governance Chairperson	43		43
Ms Karien De Villiers	Audit and Risk Committee Independent Member	13		13
Mr C Phiri	Audit and Risk Committee Chairperson	60		60
Mr J Raphela	Audit and Risk Committee Independent Member	8		8
TOTAL		553		553

Note:

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

4. RISK MANAGEMENT

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

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

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

Progress made in Addressing the Risks Identified

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

5. INTERNAL AUDIT AND AUDIT COMMITTEES

Internal Audit Function

The Internal Auditors, appointed by the FP&M SETA,

continued with the implementation of their Three-Year Rolling Internal Audit Plan.

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

Key Activities and Objectives of the Internal Audit

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

Audit Work Carried Out

The Internal Auditors conducted audits in line with their 2022/23 internal audit plan. Operational areas that were scrutinised included Finance, Supply Chain Management, Quality Assurance, Audit of predetermined (Skills Planning and Reporting) objectives was also carried out.

Audit and Risk Committee

The independent Audit and Risk Committee of the FP&M SETA carried out its duties during the period under review, according to its Audit and Risk Committee Charter. The Audit and Risk Committee met five (5) times during the year and was chaired by an independent Chairperson. The Audit and Risk Committee ensures that the organisation operates according to a strict ethical code, implements fair practice, and embodies good corporate governance. The Audit and Risk Committee, working with the Board and SETA staff, oversees the implementation of relevant and updated policies and procedures across all governance structures and SETA departments. The committee oversees the implementation of sound financial practices, effective risk management, and legal compliance.

Key Activities and Objectives of the Audit and Risk Committee

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

The table below discloses the relevant information on the Audit and Risk Committee members:

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	Number of meetings attended
Chembe Phiri (Chairperson)	Masters in Business Administration (MBA) – Edinburgh School of Business (Scotland) - CA (SA) – South African Institute for Chartered Accountants - Chartered Accountant (ACCA) (UK) - Certificate in Corporate Treasury Management - Association of Corporate Treasurers (ACT) (London) - Certified Internal Auditor - CIA	External – Independent		01 December 2020	Not applicable	5 of 5

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	Number of meetings attended
	Certificate in Corporate Treasury management Certified Internal Auditor Member of the South African Institute of Chartered Accountant (SAICA) and the Institute of Internal Auditors (IIA)					
Karien de Villiers	Chartered Accountant	External Independent		Appointment extended on 01 December 2020	Not applicable	5 of 5
John Raphela	Bachelor of Science Honours Degree in Computer Science. University of the North, Sovenga, 0727 Master of Business Administration (MBA) Degree in Management. North-West University.	External – Independent		01 December 2020	Not applicable	4 of 5
Francois Oberholzer	Bachelor of Science: Forest Management (University of Stellenbosch), Bachelor of Science (Honours): Harvesting (University of Stellenbosch), Master of Forestry: Forest Engineering (Oregon State University, USA)	External – Employer representative		01 December 2020	Not applicable	5 of 5
Karen Pearl Manuel (Coetzee)	Diploma in Education/Educator Development (adult education) (current) Trade Union Practice NQF Level 4 ETDP SETA DITSELA Labour Institution 13 years, Trade Union Litigation Support & Capacity-Building, Labour Law & Collective Bargaining Macro-Economic Module.	External – Employee representative		01 December 2020	Not applicable	4 of 5

6. COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

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

The FP&M SETA timeously submitted their quarterly compliance report for the 2021/2022 financial year to the DHET and DPME with evidence according to the SETA Governance standard and the DHET and DPME acknowledged receipt thereof.

7. FRAUD AND CORRUPTION

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

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

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

8. MINIMISING CONFLICTS OF INTEREST

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

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

9. CODE OF CONDUCT

The Code of Conduct contained in the Constitution guides the conduct and performance of members of the Board and Standing Committees. It provides an ethical framework for the functioning of the governance structures of the FP&M SETA. The Code

of Conduct is supported by policies and procedures relating to the disclosure of interest and gifts, as well as the confidentiality of information.

The Code of Conduct stipulates that Board and Standing Committee members must:

- Stand in a fiduciary relationship with the FP&M SETA.
- Comply with all applicable laws and regulations that regulate the activities of the SETA.
- Perform their functions fairly, honestly, and in good faith, giving full effect to the obligations and spirit of the Act and the Constitution.
- Protect and promote the reputation of the SETA and promote goodwill towards it.
- Perform their duties conscientiously and in the best interest of the SETA.
- Conduct themselves ethically and in accordance with the principles of good governance.
- Serious or continuous neglect of these duties, or any other misconduct, may result in a member being removed from office or his or her termination of membership of the particular committee of the SETA

10. SOCIAL RESPONSIBILITY

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

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

The FP&M SETA has also funded, through its discretionary grant strategy, initiatives focused on the development of designated groups, who would ordinarily be excluded from these opportunities. These skills development interventions are implemented in partnership with

community-based organisations, levy paying entities and public and private training providers, and provide beneficiaries with the necessary skills to become employable or self-sustainable through the creation of new ventures.

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

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

11. AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year-ended 31 March 2023.

Audit and Risk Committee Responsibility

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

Audit and Risk Committee Membership

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

Interaction with Other Stakeholders in Governance and Oversight

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

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

The Effectiveness of Internal Control

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

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

- Data Migration
- Projects – learnerships Review
- AOPO Quarter 4 review
- Assets Management review
- Monitoring and Evaluation review
- Predetermined objectives
- Project Management.

Risk Management

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

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

In-Year Management and Monthly / Quarterly Reports

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

Evaluation Of Financial Statements

The Audit and Risk Committee's evaluation of the annual financial statements and annual performance report entailed:

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

Auditor's Report

The Audit and Risk Committee has reviewed and discussed:

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

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



Mr Chembe Phiri

Chairperson of the Audit and Risk Committee

FP&M SETA

31 May 2023

BBBEE COMPLIANCE PERFORMANCE INFORMATION

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:

Criteria	Response Yes / No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licenses, concessions, or other authorisations in respect of economic activity in terms of any law?	No	The FP&M SETA does not issue licenses, concessions, or other authorisations in respect of economic activity
Developing and implementing a preferential procurement policy?	Yes	The FP&M SETA has a Supply Chain Management Policy in place for procurement processes
Determining qualification criteria for the sale of state-owned enterprises?	No	The FP&M SETA does not engage in sales of state-owned enterprises
Developing criteria for entering into partnerships with the private sector?	Yes	The FP&M SETA does partner with private sector organisations and provides discretionary grant funding to support large, medium, and small businesses for skills development initiatives following the FP&M SETA Discretionary Grant Policy.
Determining criteria for the awarding of incentives, grants, and investment schemes in support of Broad-Based Black Economic Empowerment?	Yes	The FP&M SETA awards discretionary grants for skills development initiatives to a number of small and medium-sized Black-owned enterprises. The Discretionary Grant policy is in place to determine the criterion for awarding grants

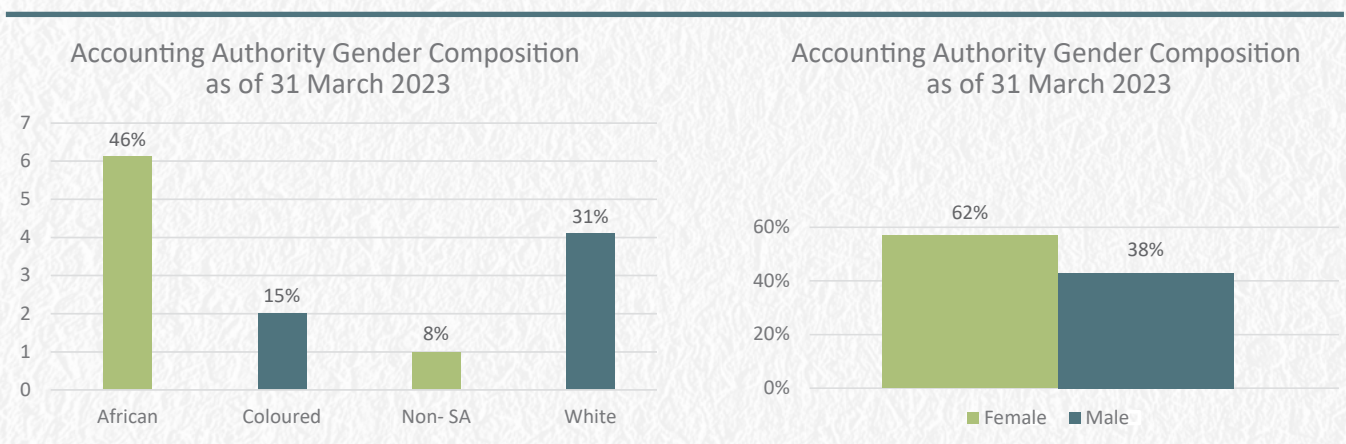
BBBEE Compliance

In terms of BBBEE Compliance Act No 53 of 2003, as amended by the Act No. 46 of 2013, the FP&M SETA is measured on the Generic Specialised Scorecard as gazette by the Department of Trade and Industry and Competition (DTIC). The FP&M SETA is currently a Level 5 Contributor, previously Level 7. The certificate expires on 28th August 2023.

Since COVID-19 aftermath, the SETA has progressively improved and continues to participate in activities it is known for. Budget has been readjusted to gradually allow the SETA back to the communities and execute its mandate.

Management Control – Employment Equity

Our Accounting Authority is represented as follows



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

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

The organisation has a well constituted Employment Equity Committee which monitors and tracks progress of the organisations' Employment Equity Plan. The plan stems from a robust and successful workplace analysis which was aimed at identifying barriers that hinder

progress on employment equity. Gender representation at management level has improved with the appointment of the General Manager: Operations. The SETA can still do better as the challenge remains partially because of staff turnover. Opportunities are explored to address the identified gaps whenever possible. The inclusion of Disability has proved to be positive as guided by the Economic Active Population (EAP) statistics.

Skills Development

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

Preferential Procurement

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

Our goal is to ensure that all our suppliers are BBEE compliant and to continuously assist those that are seeking guidance on compliance.

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

Discretionary Grant Policy

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

Supplier Enterprise and Development

More initiatives are explored to assist the approved beneficiaries in completing their allocated projects. Transformation is key to the FP&M SETA, and we collaborate with business and other government entities who prioritise this transformation pillar.

Socio-Economic Development

FP&M SETA has contributed towards initiatives in supporting several non-profit and community-based organisations. Our policy is broad and covers both skills development interventions and sponsorships.

BEE Commission

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



Our goal is to ensure that all our suppliers are BBEE compliant and to continuously assist those that are seeking guidance regarding compliance.

PART D

HUMAN RESOURCE MANAGEMENT



1. INTRODUCTION

The HR function is tasked with maximising employee productivity and protecting the organisation from any issues that may arise within the workforce. HR responsibilities include compensation and benefits, recruitment, retention, employee relations, and keeping up to date with any laws that may affect the entity and its employees.

Overview of Human Resources (HR) matters at the public entity

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

Set HR priorities for the year under review and the impact of these priorities:

Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

Management's priority and commitment has been the wellness of employees. As such, management enforced enabling and effective flexible and remote working arrangements, which drives employee to move out of their comfort zone and deliver on all their work projects through technology, and these they achieved successfully.

Attracting and retaining top talent was ensured as the SETA welcomed the appointment of Supply Chain Management Manager, Projects & Grants Coordinator and General Manager responsible for Operations.

Employee performance management framework

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

Employee wellness programmes

The FP&M SETA in partnership with SANBS held a Blood Donation Day within the Gauteng Region and KZN Region. The day was set aside for all employees and stakeholders to voluntarily donate blood for the needy. In

addition, other wellness activities observed by the SETA include Breast Cancer Awareness, HIV Aids Day, and 16 Days of Activism against Gender-Based Violence. These campaigns were successfully executed.

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

Policy development

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

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

Highlight achievements

Services shifted fully online, as the SETA could operate 100% remotely with a hybrid force of employees alternating between working from home and the office. The SETA was able to review the functional and organisational structures where Executive Management reviews the strategic operations and resources of the business. Significant work towards the purchasing and implementation of the Human Resources Management System (HRMS) was concluded. The new system i.e., SAGE 300 People caters modules such as Payroll, Personnel Management, Leave Management, Skills Management, Employment Equity Management, Job Profile Management, Performance Management and Employee Self Service (ESS).

Throughout the global economic challenges, the SETA managed to retain all staff with full remuneration. No layoffs were experienced during these trying times. The staff complement equalled 62. Management reassured staff of their commitment to staff wellness and safety. During the year under review, we sadly had the demise of the General Manager: GRCL, Adv. Schalk Burger.

In terms of skills development, the organisation managed to submit the WSP/ATR to the ETDP SETA and intends to roll-out training initiatives to address the strategic imperatives of the FP&M SETA as a learning organisation. The entity has recruited and placed three (3) interns in various divisions such as Finance, IT and Marketing &

Communications. The intent is to provide experiential learning for learner/s from disadvantaged backgrounds who have completed related qualifications.

Five (5) bursaries were awarded to five employees to improve their tertiary qualifications, in line with their personal development plans. In-house training was provided for employees on a range of compliance and business skills.

The SETA BBBEE level status improved from 7 to 5. We strive to ensure meaningful participation of the fibre processing sector and to further create capacity within the broader economic landscape.

Future HR plans /goals

The SETA remain committed to constant reviews and alignment of the organisational structure to align business operations for global technological changes and become responsive to enable the SETA to perform optimally. In the new year, services of a strategist would be sourced to develop a responsive model and implementation plan determining business results. The strategist will produce a model to help the SETA be more agile, productive, and innovative. The desired outcome is for the FP&M SETA to realise its potential over and above being administrative, as it needs to invest in its people and its culture. Employees will get an opportunity to operate in a more challenging, target-driven yet exciting environment where a performance-driven culture will be emphasised through re-scoping of certain roles and the revision of job descriptions.

The rolling-out of the HR online module in the new year is exciting and would connect employees to a range of HR services when they need them. This allows employees to go straight to resources through a self-service platform, rather than always going through an HR representative.

An important priority is maintaining a non-qualified audit and striving towards a clean audit outcome. Cooperation and good faith in the relationship between the Union and the Employer remain essential to ensure the achievement of optimum results through the working relationship.

There are aspirations for more customised training interventions for employees. Management is also addressing the matter of succession planning to strengthen and ensure organisational effectiveness within the organisation.

2. HEALTH, SAFETY, AND ENVIRONMENTAL ISSUES

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

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

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

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

3. HUMAN RESOURCES OVERSIGHT STATISTICS

The public entity must provide the following key information on human resources. All the financial amounts must agree to the amounts disclosed in the annual financial statements. Where considered appropriate provide reasons for variances.

Personnel Cost by programme/activity/objective

Programme/activity/objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	35 271	3 012	9%	1	3 012
Senior Management	68 232	5 826	18%	6	971
Professional qualified	92 711	7 917	24%	9	880
Skilled	145 121	12 392	38%	26	477
Semi-skilled	39 081	3 337	10%	14	238
Unskilled	2 552	218	1%	2	109
Other	2 157	184	1%	4	46
TOTAL	385 125	32 886	100%	62	530

Notes: *Other refers to interns

Payroll reconciliation to Annual Financial Statements

Reconciliation item	(R'000)
Amount AFS note 18	18 047
Amount AFS note 20.1	15 269
Intern salary allocated to training expense	184
Add Actual Bonus Pay	2 047
Less Bonus Provision	2 207
Less Leave Accrual	409
Less ROE Payment	45
TOTAL	32 886

Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	3,012	9%	1	3,012
Senior Management	5,826	18%	6	971
Professional qualified	7,917	24%	9	880
Skilled	12,392	37%	26	477
Semi-skilled	3,337	10%	14	238
Unskilled	218	1%	2	109
Other	184	1%	*4	46
TOTAL	32,886	100%	62	530

Performance Rewards

Programme/activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	319	3,012	11%
Senior Management	463	5,826	8%
Professional qualified	455	7,917	6%
Skilled	611	12,392	5%
Semi-skilled	183	3,337	5%
Unskilled	16	218	7%
Other	0	184	0%
TOTAL	2,047	32,886	6%

Training Costs

Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg. training cost per employee
Office of the CEO	3,894	31	0.79%	3	10
Research, Planning & Reporting	6,233	82	1.39%	9	9
Projects	8,651	135	1.56%	16	9
Quality Assurance	4,234	21	0.49%	9	2
Finance	4,819	113	2.34%	8	14
Information Technology	1,639	11	0.68%	3	4
Governance/Risk/Compliance/ Legal & M&E	3,232	34	1.05%	4	9
Other	184	187	101.86%	*4	47
TOTAL	32,886	615	2%	56	11

Notes: The training reported includes both formal and in-house training.

R69 917.70 included in a formal training was for Board Members

**"Other" includes Internship Programme.

– HR and Payroll personnel attended formal training on SAGE 300 People for the implementation of Enterprise Management System project organised by the third party i.e., Adapt IT and cost of the training amounts to R22 860,00 during the period under review.

Training Expenditure Cost Breakdown

Formal Staff Training	R359 266.71
Board Training	R 69 917.70
In-House Training	R255 415.92
Formal training from Adapt IT	R 22 860.00
TOTAL	R707 460,33

Breakdown of a Training Ledger/TB

Formal Training Ledger	R429 184.41
Less ETDP seta MG	R (55,423.37)
Formal Training Per TB	R 373,761.04

Employment and vacancies

Explanations: Detail the attempts made to fill the posts of senior management and highly skilled supervision and explain why there are no appropriate internal staff to fill the vacancies. Explain how long, at a minimum, vacancies have remained unfilled and the reasons for this. Explain measures taken to successfully attract and retain staff.

Programme/activity/objective	2021/2022 No. of Employees	2022/2023 Approved Posts	2022/2023 No. of Employees	2022/2023 Vacancies	% of vacancies
Top Management	1	1	1	0	0%
Senior Management	5	5	6	1	16.7%
Professional Qualified	10	10	9	1	11.1%
Skilled	25	27	26	5	19.2%
Semi-skilled	15	18	14	5	35.7%
Unskilled	2	2	2	0	0%
Other	2	3	*4	0	0%
TOTAL	60	66	62	12	19.4%

Explanations: *Other refers to interns

Employment changes

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

Salary Band	Employment at beginning of the period	Appointments	Terminations	Employment at end of the period
Top Management	1	0	0	1
Senior Management	5	1	2	4
Professional qualified	8	1	0	9
Skilled	23	*3	3	23
Semi-skilled	13	0	0	12
Unskilled	2	0	0	2
Other	**2	3	1	3
TOTAL	54	7	6	54

Explanations: During the year 1 employee was promoted from one occupational level /category to another i.e., from Semi-skilled to Skilled following a full recruitment process.

* Internal appointments regarded as promotion

** Other refers to Interns

Reasons for staff leaving

Provide explanations for staff leaving and what attempts are made to replace these staff.

Reason	Number	% of total no. of staff leaving
Death	1	17%
Resignation	5	83%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Other	0	0%
Total	6	100%

Explanations: Staff leave voluntarily or because of contract expiring. Staff retention processes and internal movements, i.e., secondments, re-deployment and acting in senior positions are encouraged. In addition, a full recruitment process is followed whereby internal and external applicants are allowed to apply to replace staff who leave the organization.

Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	2
Final Written warning	0
Dismissal	0
Other: Counselling	3

Equity Target and Employment Equity Status

Explanations:

- The SETA constantly engage in a process to align Business Operations for Global Technological Changes Fit and review the organisational design and structure as required from time to time.
- Adherence to the approved organogram remains a priority. Staff retention processes and internal movements, i.e., secondments, re-deployment and acting in senior positions are encouraged.
- Staff turn-over allows the SETA to review and merge positions that link or collapse the ones that have grown to address budget shortfalls and prevent lay-offs.
- Where applicable, positions are strengthened by the appointment of fixed-term employees, SSAs and interns funded through discretionary funding.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	1	*2	0	0	2	2	0	0
Professional qualified	3	3	0	0	0	0	0	0
Skilled	5	**6	0	0	0	0	1	1
Semi-skilled	2	2	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Other	1	***2	0	0	0	0	0	0
TOTAL	12	15	0	0	2	2	1	1

Notes: *Recruitment of General Manager: Cooperate Affairs & Legal
 **Recruitment of Research Specialist
 ***Recruitment of Interns

PART D: HUMAN RESOURCE MANAGEMENT

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	0
Senior Management	1	1	0	0	0	0	0	0
Professional qualified	4	**5	0	0	0	0	2	2
Skilled	12	12	0	0	3	3	1	*2
Semi-skilled	7	7	1	1	1	1	1	1
Unskilled	2	2	0	0	0	0	0	0
Other	2	***3	0	0	0	0	0	0
TOTAL	29	31	1	1	4	4	4	5

Notes: *Recruitment of Monitoring & Evaluation Coordinator

**Recruitment of Marketing & Comms Manager

***Recruitment of Intern/s

Levels	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	1
Skilled	0	1	4	4
Semi-skilled	0	1	2	2
Unskilled	0	0	1	1
TOTAL	0	2	7	7

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

Explanations: Provide explanations for major variances between target and current and attempts made by the public entity to address the variances.

PART E

FINANCIAL INFORMATION



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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA) set out on pages 97 to 131, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fibre Processing and Manufacturing Sector Education and Training Authority as at 31 March 2023, 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 responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matters

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

Retention of 2021-22 surpluses

7. There are current deliberations with the National

Treasury and the Department of Higher Education and Training regarding the appropriate approval processes for the retained surplus of R370 137 000, for the financial year 2021-22, disclosed in note 29. The ultimate outcome of the matter could not be determined and no provision for any liability was disclosed in the financial statements.

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

8. On 23 December 2022, the National Treasury issued *Instruction Note 4 of 2022-23*, which came into effect on 03 January 2023, in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the *PFMA*. The instruction note deals with the PFMA compliance and reporting framework and addresses, among others, the disclosure of unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure. Irregular expenditure and fruitless and wasteful expenditure incurred in prior financial years and not yet addressed no longer need to be disclosed in either the annual report or the disclosure notes to the annual financial statements. Only the current year and prior year figures are disclosed in notes 28 to the financial statements. Movements in respect of irregular expenditure and fruitless and wasteful expenditure also no longer need to be disclosed in the notes to the annual financial statements. The disclosure of these movements are now included as part of other information in the annual report of the Fibre Processing and Manufacturing Sector Education and Training Authority. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.
10. 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.

Responsibilities of the auditor-general for the audit of the financial statements

11. 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.
12. 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

13. In accordance with the *Public Audit Act 25 of 2004 (PAA)* and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
14. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measure the public entity’s performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers
Programme 3: Learning programmes and projects	49 - 61
Purpose	
To link education and the workplace in order to develop a skilled and capable workforce for a sustainable, technologically advanced and productive FP&M manufacturing sector. Workplaces must implement occupationally directed programmes and qualifications to address technical high level and middle level occupations and qualifications and qualifications in demand, especially for priority occupations.	

Programme	Page numbers
Programme 4: Quality Assurance and Partnerships	61 - 62
Purpose	
The purpose of the quality assurance programme is to develop, implement and monitor occupationally directed qualifications in partnership with accredited skills development institutions.	

15. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity’s planning and delivery on its mandate and objectives.
16. I performed procedures to test whether:
 - the indicators used for planning and reporting on performance can be linked directly to the public entity’s mandate and the achievement of its planned objectives
 - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
17. I performed the procedures for the purpose of reporting material findings only, and not to express an assurance opinion.
18. I did not identify any material findings on the performance information of the programmes.

Report on compliance with legislation

19. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
20. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
21. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
22. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual report

23. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework as required by *section 55(1) (b) of the PFMA*.
24. Material misstatements of payable from non-exchange transactions and commitment disclosure, identified by the auditors in the submitted financial statement were corrected subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Other information in the annual report

25. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
26. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

27. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
28. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

29. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
30. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the material findings on compliance with legislation included in this report.
31. Management did not implement adequate measures to ensure the regular, accurate, and complete maintenance of reports. This deficiency led to the identification of misstatements in the financial statement items, indicating a weakness in the control process related to data accuracy and completeness.
32. Management did not establish robust review controls, contributing to inaccuracies within the amounts disclosed in the annual financial statements. The absence of effective review mechanisms allowed errors to go undetected, exposing weaknesses in the internal control system responsible for verifying the accuracy and reliability of financial information.

Auditor - General

Pretoria

31 July 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

Professional judgement and professional scepticism

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

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
 - conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty

or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Treasury regulations	Treasury reg 16A6.1 Treasury reg 16A3.2 (fairness) Treasury reg 16A3.2(a) and (b) Treasury reg R16A6.3 (a), (b) (c) & (e) Treasury reg 16A6.4 Treasury reg 16A6.5 Treasury reg 16A6.6 Treasury reg. 16A.7.1 Treasury reg. 16A.7.3 Treasury reg. 16A.7.6 Treasury reg. 16A.7.7 Treasury reg 16A8.3 Treasury reg.16A8.4 Treasury reg 16A9.1(b)(ii), (d), (e) Treasury reg 16A9.1(d), (e) & (f) Treasury reg 16A9.2(a)(ii) Treasury reg. 8.2.1 Treasury reg. 8.2.2 Treasury reg. 29.1.1(a) & (c) Treasury reg. 29.3.1 Treasury reg. 30.1.1 Treasury reg. 30.1.3(a), (b) & (c) Treasury reg. 30.1.3(b) Treasury reg. 30.1.3(d)

Legislation	Sections or regulations
Treasury regulations contd.	Treasury reg. 30.2.1 Treasury reg. 31.1.2(c) Treasury reg. 31.2.1 Treasury reg. 31.3.3 Treasury reg. 33.1.1 Treasury reg. 33.1.3
PFMA Instruction note no.3 of 2021/22	Par.4.1 Par.4.2(b) Par. 4.3 Par. 4.4 and Par. 4.4(c), (d)
PFMA SCM Instruction note 03 of 2021/2	Definition par 4.1. par. 4.2 (b) par. 4.3 and 4.4 par. 4.4 (c) par. 4.4.(d) par. 7.2
SCM Instruction note 02 of 2021/22	Par.3.2.1 Par.3.2.4 Par. 3.3.1 par 4.1.
SCM Instruction note 3 of 2016	Note 3
SCM Instruction 3 of 2016	Note 6
National Treasury Instruction 01 of 2021/2022	Par. 4.1
Treasury Instruction note 11 of 2020/21	Par. 3.1 Par 3.4 (b) Par. 3.9
National Treasury Instruction 5 of 2020/21	Par. 1 Par. 2 Par. 4.8 Par. 4.9 Par. 5.3
National Treasury Instruction 07 of 2017/18	Par. 4.3
National Treasury Instruction 4A of 2016/17	par 6
National Treasury Instruction note 4 of 2015/16	Par. 3.4

Legislation	Sections or regulations
Practice Note 7 of 2009/10	Par 4.1.2
Practice Note 5 of 2009/10	Par.3.3
PFMA	PFMA 35(4) PFMA 38(1)(b) PFMA 44 PFMA 45(b) PFMA 51(1)(b)(ii) PFMA 51(1)(e)(iii) PFMA 52(b) PFMA 54(2)(c), (d) PFMA 57(b) PFMA 55(1)(a), (b) PFMA 55(1)(c)(i)
PPPFA	definition ““acceptable tender”” section 2(1)(a) and (b) Par. 2(1)(f)
Preferential Procurement Regulations 2011	Reg. 9(1), 9(5)
Preferential Procurement Regulations 2017	under functionality Reg. 4(1), 4(2) Reg. 5(1), 5(3), 5(6), 5(7) Reg. 6(8), Reg. 7(8) Reg. 8(2), 8(5) Reg. 9(1) Reg. 10(1) Reg. 11(1)
Preferential Procurement reg 2022	Reg. 4(4)
CIBD Act	Section 18(1)
CIBD Regulations	Reg. 17 Reg. 25(7A)
SBD	SBD 6.2 issued in 2015/16
Sita Act	Section 7(3)
Public Service Regulation	Reg. 18(1), (2)
PRECCA	Section 34(1)
Grants regulations	GNR.990 2(1) GNR.990 3(3) & (4) GNR.990 4(3), (8) GNR.990 6(9)(iii)

2. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Statement of Responsibility

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

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

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

The annual financial statements of the FP&M SETA set out on page 97 to page 131 have been approved by the Board on 27 July 2023.



Dr Felleng Yende
Chief Executive Officer



Advocate Michelle Odayan
Board Chairperson

Statement of Financial Position as at March, 31, 2023

	Note(s)	2023 R '000	2022 R '000
Assets			
Current Assets			
Cash and cash equivalents	5	443 480	438 862
Receivables from non-exchange transactions	6	32	301
Receivables from exchange transactions	7	467	353
Inventories	8	67	27
		444 046	439 543
Non-Current Assets			
Property, plant and equipment	3	1 136	1 306
Intangible assets	4	418	91
		1 554	1 397
Total Assets		445 600	440 940
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	4 735	4 645
Trade and other payables from non-exchange transactions	9	46 963	56 455
Provisions	11	10 182	9 703
		61 880	70 803
Total Liabilities		61 880	70 803
Net Assets		383 720	370 137
Reserves			
Admin Reserve	29	1 554	1 397
Discretionary Reserve	29	382 166	368 740
Total Net Assets		383 720	370 137

Statement of Financial Performance

	Note(s)	2023 R '000	2022 R '000
Revenue			
Revenue from exchange transactions			
Other revenue	13	290	38
Finance income	14	25 435	16 284
Total revenue from exchange transactions		25 725	16 322
Revenue from non-exchange transactions			
Transfer revenue			
Skills development levy (SDL) revenue	15	368 676	341 730
SDL penalties and interest received	16	4 307	5 348
Total revenue from non-exchange transactions		372 983	347 078
Total revenue	12	398 708	363 400
Expenditure			
Employee related costs	17	(18 047)	(17 085)
Depreciation and amortisation		(3 745)	(3 047)
Lease rentals on operating lease	20	(4 940)	(4 142)
Employer grants and project expenses	18	(342 510)	(346 758)
Loss on disposal of assets and liabilities		(53)	(25)
General Expenses	19	(15 830)	(14 327)
Total expenditure		(385 125)	(385 384)
Surplus/(deficit) for the year		13 583	(21 984)

NB. As at 31 March 2023, the Discretionary grant reserve amount comprised R368,7 million Discretionary grant commitments. The SETA obtained the necessary approvals to retain the Discretionary grant reserves and disburse the funding in subsequent periods as and when Projects reach certain milestones for payments. Any deficit for the current year is as a result of disbursement of prior approved Discretionary grant reserves.

Statement of Changes in Net Assets

	Administration reserve R '000	Employer grant reserve R '000	Discretionary reserve R '000	Total reserves R '000	Accumulated surplus R '000	Total net assets R '000
Balance at April 1, 2021	2 077	-	390 044	392 121	-	392 121
Changes in net assets						
Allocation of unappropriated surplus/ (deficit) - note 23	6 222	19 413	(47 619)	(21 984)	21 984	-
Transfer to Discretionary Reserves: Excess funds	(6 902)	(19 413)	26 315	-	-	-
Net income (losses) recognised directly in net assets	(680)	-	(21 304)	(21 984)	21 984	-
Surplus/(Deficit) for the year	-	-	-	-	(21 984)	(21 984)
Total recognised income and expenses for the year	(680)	-	(21 304)	(21 984)	-	(21 984)
Total changes	(680)	-	(21 304)	(21 984)	-	(21 984)
Balance at April 1, 2022	1 397	-	368 740	370 137	-	370 137
Changes in net assets						
Allocation of unappropriated surplus/ (deficit) - note 23	5 773	23 990	(16 180)	13 583	(13 583)	-
Transfer to Discretionary reserves: Excess funds	(5 616)	(23 990)	29 606	-	-	-
Net income (losses) recognised directly in net assets	157	-	13 426	13 583	(13 583)	-
Surplus/(Deficit) for the year	-	-	-	-	13 583	13 583
Total recognised income and expenses for the year	157	-	13 426	13 583	-	13 583
Total changes	157	-	13 426	13 583	-	13 583
Balance at March 31, 2023	1 554	-	382 166	383 720	-	383 720
Note(s)	29		29			

Cash Flow Statement

	Note(s)	2023 R '000	2022 R '000
Cash flows from operating activities			
Receipts			
Cash receipts from stakeholders		372 998	347 109
Other cash receipts from stakeholders		290	38
Interest income		25 435	16 284
		398 723	363 431
Payments			
Grants and project payments		(351 542)	(363 237)
Compensation of employees		(17 887)	(17 225)
Payments to suppliers and other		(20 720)	(17 804)
		(390 149)	(398 266)
Net cash flows from operating activities	22	8 574	(34 835)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(721)	(298)
Purchase of other intangible assets	4	(3 235)	(2 094)
Net cash flows from investing activities		(3 956)	(2 392)
Net Increase/(decrease) in cash and cash equivalents		4 618	(37 227)
Cash and cash equivalents at the beginning of the year		438 862	476 089
Cash and cash equivalents at the end of the year	5	443 480	438 862

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R '000	Adjustments R '000	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other revenue	-	-	-	290	290	
Finance Income	19 872	-	19 872	25 435	5 563	32.1
Total revenue from exchange transactions	19 872	-	19 872	25 725	5 853	
Revenue from non-exchange transactions						
Transfer revenue						
SDL revenue	358 083	-	358 083	368 676	10 593	32.2
SDL penalties and interest received	6 051	-	6 051	4 307	(1 744)	32.3
Total revenue from non-exchange transactions	364 134	-	364 134	372 983	8 849	
Total revenue	384 006	-	384 006	398 708	14 702	
Expenditure						
Personnel	(19 586)	-	(19 586)	(18 047)	1 539	32.5
Depreciation and amortisation	(2 896)	-	(2 896)	(3 745)	(849)	32.8
Lease rentals on operating lease	(5 650)	-	(5 650)	(4 940)	710	32.9
Employer grant and project expenses	(339 188)	(368 713)	(707 901)	(342 510)	365 391	32.4
General expenses	(16 686)	-	(16 686)	(15 830)	856	32.6
Total expenditure	(384 006)	(368 713)	(752 719)	(385 072)	367 647	
Operating surplus	-	(368 713)	(368 713)	13 636	382 349	
Gain on disposal of assets	-	-	-	(53)	(53)	32.7
Surplus before taxation	-	(368 713)	(368 713)	13 583	382 296	
Actual amount on comparable basis as presented in the budget and actual comparative statement	-	(368 713)	(368 713)	13 583	382 296	

Accounting Policies

1. PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

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

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

1.1 Presentation currency

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

1.2 Property, plant and equipment

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

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

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

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.3 Intangible assets

An intangible asset is recognised when:

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful Life
Computer software	Term of Licence

Intangible assets are derecognised:

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

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

1.4 Financial instruments

Definitions

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

Classification

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

Class:	Category:
Cash and Cash equivalents	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.

- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

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

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has

transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

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

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

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

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

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

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

If a transfer does not result in derecognition because the entity has retained substantially all the risks and

rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses, are offset.

Financial liabilities

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

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

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

Presentation

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

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

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

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

1.5 Tax

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

1.6 Leases

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

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

Operating leases - lessee

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

1.7 Inventories

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

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

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

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

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

1.8 Share capital / contributed capital

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

- Administration reserve
- Employer grant reserve
- Discretionary reserve

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

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

Purpose of Total SDL Payments from Employer	% Allocation 22/23	% Allocation 21/22
Administration costs of the SETA	10.50%	10.50%
Mandatory Grants	20.00%	20.00%
Discretionary Grants and projects	49.50%	49.50%
	80.00%	80.00%

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

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

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

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

1.9 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined

contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

1.11 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.12 Revenue from exchange transactions

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

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

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

Measurement

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

Interest, royalties and dividends

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

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

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

1.13 Revenue from non-exchange transactions

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

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

Levy Income

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

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

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

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

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

Penalties and Interest

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

Government grants and other donor income

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

1.14 Comparative figures

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

1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.16 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature

of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

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

- (a) this Act; or
- (b) the *State Tender Board Act, 1968 (Act No. 86 of 1968)*, or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

1.18 Budget information

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

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

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

The approved budget covers the fiscal period from 2022-04-01 to 2023-03-31.

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

1.19 Related parties

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

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

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

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

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

1.20 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the

reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

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

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

1.21 Grants and project expenditure

Grants and project expenditure

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

Mandatory grants expenditure

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

Discretionary project expenditure

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

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

Project expenditure comprise:

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

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

Retrospective adjustments by SARS

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

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

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

Commitments

Commitments are disclosed where FP&M SETA, in the normal course of operations, entered into contractual agreement with entities relating to grants or where there is a contractual letter of award. Commitments are measured at the amount the entity would pay to settle future obligations as per contractual relationship with the beneficiaries. Commitments are included in the disclosure note to the financial statements. Commitments are derecognised when either the grant programmes are terminated through a signed termination agreement, or when the contractual obligation is fully paid.

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

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment

	2023 R '000			2022 R '000		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture and fittings	1 282	(1 201)	81	1 886	(1 655)	231
Motor vehicles	497	(450)	47	497	(416)	81
Office equipment	3 448	(2 780)	668	2 813	(2 444)	369
Computer equipment	3 438	(3 098)	340	3 406	(2 781)	625
Artwork	279	(279)	-	279	(279)	-
Total	8 944	(7 808)	1 136	8 881	(7 575)	1 306

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture and fittings	231	23	(39)	(134)	81
Motor vehicles	81	-	-	(34)	47
Office equipment	369	645	-	(346)	668
Computer equipment	625	53	(13)	(325)	340
	1 306	721	(52)	(839)	1 136

Reconciliation of property, plant and equipment – 2022

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

4. Intangible assets

	2023 R '000			2022 R '000		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	7 099	(6 681)	418	3 863	(3 772)	91
Total	7 099	(6 681)	418	3 863	(3 772)	91

Reconciliation of intangible assets – 2023

	Opening balance	Additions	Amortisation	Total
Computer software	91	3 235	(2 908)	418
	91	3 235	(2 908)	418

Reconciliation of intangible assets – 2022

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

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023 R '000	2022 R '000
Petty cash on hand	3	12
Bank balances	21 844	17 120
Investments	421 633	421 730
	443 480	438 862

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

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

6. Receivables from non-exchange transactions

	2023 R '000	2022 R '000
Mandatory grant Receivables	32	173
Interseta receivables	-	128
	32	301

7. Receivables from exchange transactions

	2023 R '000	2022 R '000
Deposits	435	280
Prepaid expenses	-	41
Sundry debtors	32	32
	467	353

8. Inventories

	2023 R '000	2022 R '000
Stationery and other consumables	67	27

Inventory comprises paper, kitchen items and other consumables.

Inventories Reconciliation

	2023 R '000	2022 R '000
Opening balance	27	46
System input volume	83	30
Authorised consumption	(43)	(49)
Closing balance	67	27

9. Trade and other payables from non-exchange transactions

Trade payables from non- exchange transactions relate to mandatory and discretionary grant liabilities other than those that are accounted for as grants received in advance (conditional grants received).

Non-exchange payables are as follows:

	2023 R '000	2022 R '000
Discretionary grant payables	15 720	7 849
Discretionary grant accruals	26 034	43 444
Accrual for mandatory grants	5 209	5 162
	46 963	56 455

10. Payables from exchange transactions

	2023 R '000	2022 R '000
Trade payables	712	142
Accrued expense: Administrative expenses	3 901	4 503
Accrued expense: Operating lease straight lining	122	-
	4 735	4 645

11. Provisions

Reconciliation of Provisions: 2023	Performance bonus	Levies from exempt companies	Total
Opening balance	2 481	7 222	9 703
Amount paid	(2 046)	(1 416)	(3 462)
Additions	2 206	1 735	3 941
	2 641	7 541	10 182

Reconciliation of Provisions: 2022	Performance bonus	Levies from exempt companies	Total
Opening balance	2 621	6 982	9 603
Amount paid	(2 029)	(1 427)	(3 456)
Additions	1 889	1 667	3 556
	2 481	7 222	9 703

During the financial year the SETA received SDL income from companies whose gross salary cost is less than R500 000. DHET issued guidance to all SETAs indicating that these funds must continue to be accounted for as liabilities for a period of 5 years unless the related companies claim back these funds during this 5 year period. Thereafter the SETA can recognise these funds as income if they are not claimed. At 31 March 2023 the amount claimable was R7,5m (2020/21: R7.2m).

Bonus provision and subsequent payment is calculated on an annual basis inline with the Performance Management Policy/Procedure.

12. Revenue

	2023 R '000	2022 R '000
Other revenue	290	38
Interest received - investment	25 435	16 284
SDL revenue	368 676	341 730
SDL penalties and interest	4 307	5 348
	398 708	363 400

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

	2023 R '000	2022 R '000
Other revenue	290	38
Interest received - investment	25 435	16 284
	25 725	16 322

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

	2023 R '000	2022 R '000
Taxation revenue		
Transfer revenue		
SDL revenue	368 676	341 730
SDL penalties and interest	4 307	5 348
	372 983	347 078

13. Other Income

	2023 R '000	2022 R '000
Testing certificates - non-exchange	41	35
Insurance refund - exchange	249	3
	290	38

14. Finance Income

	2023 R '000	2022 R '000
Interest revenue		
Interest from deposits and bank	25 435	16 284

15. Skills development levy (SDL) revenue

	2023 R '000	2022 R '000
Administration - SDL received from SARS	48 388	44 831
Administration - Inter SETA transfer in	-	17
Employer grants - SDL grants received from SARS	92 188	85 356
Employer grants - Inter SETA transfer in	-	29
Discretionary Grants - SDL received from SARS	228 100	211 415
Discretionary Grants - Inter SETA transfers in	-	82
	368 676	341 730

16. SDL penalties and interest received

	2023 R '000	2022 R '000
SDL interest income	1 837	2 374
SDL penalties income	2 470	2 974
	4 307	5 348

17. Employee related costs

	2023 R '000	2022 R '000
Basic	12 854	12 332
Incentive Bonus	399	381
Bonus provision	1 330	1 027
Medical aid - company contributions	725	715
UIF	52	49
Workmens compensation	45	41
SDL	159	152
Leave pay provision charge	287	430
Short term benefit	1 503	1 465
Other short term costs	367	121
Cellphone allowances	78	92
Acting allowances	38	61
Car allowance	210	219
	18 047	17 085

Note

Project payroll costs of R15 million are disclosed in note 18.1. These costs relate to employees that administer projects.

18. Employer grant and project expenses

	2023 R '000	2022 R '000
Discretionary Grant Expenses		
Administrative project costs (18.1)	19 452	19 976
Discretionary Grant expenses	254 860	260 810
	274 312	280 786
<p>NB. Administrative project expenses relates to Discretionary grant expenditure. Included in Administrative project costs are payroll costs of R15 million (2022 R15 million). Refer to note 18.1</p>		
Mandatory grant expenditure		
Mandatory grant to employers	68 198	65 972
Employer grant and project expenses for the period	342 510	346 758

18.1 Administrative project salary costs

	2023 R '000	2022 R '000
Basic salaries	11 303	11 162
Leave accrual	122	139
Medical aid	684	662
Bonus Accrual	877	862
UIF	57	59
SDL	140	137
Short Term Benefits	1 665	1 524
Cellphone allowances	38	37
Acting Allowance	51	86
Car Allowance	332	332
	15 269	15 000

19. General expenses

	2023 R '000	2022 R '000
Internal audit fees (1)	470	701
Advertising	80	47
Auditors remuneration (2)	3 601	2 774
Bank charges	51	39
Cleaning	154	117
Audit committee fees	64	89
Legal fees (6)	533	-
Board fees	394	361
Insurance	151	227
Repairs and maintenance	5	-
Fuel and oil	20	6
Consultant fees	175	300
Postage and courier	30	3
Printing costs	26	30
Management information systems	2 799	4 451
Stationery	15	43
Security	528	515
Staff welfare	3	-
Subscriptions and membership fees	1 108	1 481
Telephone	564	612
Staff training and development costs	374	20
Travel costs	220	64
Electricity	543	475
QCTO expenses (4)	2 208	1 689
Catering and refreshments	91	42
Office expenses (3)	1 623	241
	15 830	14 327

1. Internal audit costs relate to costs aligned to the 3 year rolling plan. The contract with BIG expired on 31/03/2023.
2. Audit costs reflects an increase due to timing of services rendered. In the current year more work was done during interim which included test on AOPO and CAATS which was not done during interim in the previous year
3. Office expenses incurred due to moving costs incurred for 2 premises.
4. QCTO costs increased due the increase in levy income.
5. Staff training increased as the previous year the entity significantly reduced costs due to COVID-19.
6. Legal fees where incurred for IR processes.

20. Lease rental on operating lease

The operating leases relates to building premises used as office accommodation in our two regional offices and head office. The Cape Town lease was extended to 30 September 2023.

Reconciliation of future minimum lease payments:

	2023 R '000	2022 R '000
Reconciliation of future minimum lease payments		
Not later than one year	2 777	973
Later than one year and not later than 5 years	2 443	-
	5 220	973
Lease payments on operating leases		
Contractual payments made during the year	4 940	4 142

21. Related Parties

Member	Refer to Member's Report Note
Relationships	
Member	Refer to member's report note
DHET	Controlling Entity
TVETs	Controlling Entity
Universities	Under common control by DHET
University of South Africa	Under common control by DHET
QCTO	Under common control by DHET
SAQA	Under common control by DHET
NSFAS	Under common control by DHET
NSF	Under common control by DHET
Department and Science and Technology and entities under its control	Under common control by DHET
SETAs	Under common control by DHET
Adv Michelle Odayan	Accounting Authority Chairperson
Ms Makhosi Chiwashira	Accounting Authority Member
Ms Linda Therese Bremner	Accounting Authority Member
Ms Fanisa Lamola	Accounting Authority Member
Mr Nduduzo Vilina	Accounting Authority Member
Ms Bonita Natalie Loubser	Accounting Authority Member
Ms Deight T Simelane	Accounting Authority Member
Ms Karen Pearl Manuel	Accounting Authority Member
Mr Kwazi Mlaba	Accounting Authority Member
Ms Theresa Otto	Accounting Authority Member
Mr Mpuka Radinku	Accounting Authority Member
Mr Francois Oberholzer	Accounting Authority Member
Mr Mike Truelock	Accounting Authority Member

Definition of controlling entity and entites under common control: As the Minister is the Executive Authority of the Department of Higher Education and Training this entity is related to all other entities (and their controlled/jointly controlled entities) for which the Minister of Higher Education and Training is the executive authority and, more broadly, to all other entities controlled by the national executive.

Related party transactions

Related Party 2022/23	Nature of relationship	Transaction type	Transaction R'000	Balances/ Comittments R'000
TVET Colleges	Entity under common control	Discretionary Grant	25 713	(43 484)
Higher education Institutions	Entity under common control	Discretionary Grant	9 247	(6 715)
Community Colleges	Entity under common control	Discretionary Grant	514	(1 567)
Funding Institutions	Entity under common control	Discretionary Grant	1 078	(2 549)
Sector Education and Training Authorities	Entity under common control	Discretionary Grant	183	-
QCTO	Entity under common control	Administration	2 208	-
SAQA	Entity under common control	Administration	6	-
Subtotal	-	-	38 949	(54 315)
			38 949	(54 315)

Related Party 2021/22	Nature of relationship	Transaction type	Transaction R'000	Balances/ Comittments R'000
TVET Colleges	Entity under common control	Discretionary Grant	24 814	(37 019)
Higher education Institutions	Entity under common control	Discretionary Grant	8 004	(8 280)
Community Colleges	Entity under common control	Discretionary Grant	237	(1 737)
Funding Institutions	Entity under common control	Discretionary Grant	3 000	(332)
Sector Education and Training Authorities	Entity under common control	Discretionary Grant	60	128
QCTO	Entity under common control	Administration	1 689	-
SAQA	Entity under common control	Administration	6	-
Subtotal	-	-	37 810	(47 240)
			37 810	(47 240)

*SFP is the transaction value recognised in the statement of Financial performance

The above transactions occurred under terms that were no less favourable than those available in similar arm's length dealings

Board Members 2023	Attendance Fee R'000	Total R'000
Name		
Adv M Odayan (Chairperson)	377	377
F Lamola	43	43
C Phiri	17	17
M Chiwashira	52	52
Audit Committee		
C Phiri (Chairperson)	43	43
K De Villiers	13	13
J Raphela	8	8
	553	553

Board Members 2022	Attendance Fee R'000	Total R'000
Name		
Adv M Odayan (Chairperson)	275	275
F Lamola	26	26
C Phiri	30	30
M Chiwashira	30	30
Audit Committee		
C Phiri (Chairperson)	60	60
K De Villiers	13	13
J Raphela	16	16
	450	450

Executive Management 2023	Basic salary R'000	Bonuses and performance related payments R'000	Other short- term employee benefits R'000	Post- employment benefits R'000	Other long- term benefits R'000	Total R'000
Name						
CEO - Dr Felleng Yende	1 778	718	269	247	-	3 012
GM: Governance, compliance, risk and legal - Adv Schalk Burger	98	112	18	4	138	370
GM: Projects - Mr Joe Rametsi	652	85	116	10	66	929
GM: Research, planning and reporting - Mr PK Naicker	1 149	112	255	17	-	1 533
CFO - Mr Avinash Gangoo	1 026	81	123	41	-	1 271
GM: Projects - Ms SJ Kau	478	-	37	56	-	571
CIO - Mr Bongani Masango	904	73	161	14	-	1 152
	6 085	1 181	979	389	204	8 838

Executive Management 2022	Basic salary R'000	Bonuses and performance related payments R'000	Other short-term employee benefits R'000	Post-employment benefits R'000	Acting Allowance R'000	Total R'000
Name						
CEO - Dr Felleng Yende	1 659	701	264	236	-	2 860
GM: Governance, compliance, risk and legal - Adv Schalk Burger	1 121	109	210	17	-	1 457
GM: Projects - Mr Joe Rametsi	852	113	113	12	-	1 090
GM: Research, planning and reporting - Mr PK Naicker	1 080	109	244	16	-	1 449
GM: Quality Assurance - Mr Johnny Modiba	-	86	1	-	-	87
CFO - Mr Avinash Gangoo	833	61	102	37	46	1 079
CIO - Mr Bongani Masango	355	-	64	6	-	425
	5 900	1 179	998	324	46	8 447

22. Cash generated from (used in) operations

	2023 R '000	2022 R '000
Surplus (deficit)	13 583	(21 984)
Adjustments for:		
Depreciation and amortisation	3 745	3 047
Gain on sale of assets and liabilities	53	25
Movements in provisions	479	100
Changes in working capital:		
Inventories	(40)	19
Receivables from exchange transactions	(113)	153
Other receivables from non-exchange transactions	269	514
Payables from exchange transactions	90	645
Trade and other payables from non-exchange	(9 492)	(17 354)
	8 574	(34 835)

23. Allocation of net surplus / (deficit)

2022/23	Administration reserve R'000	Employer reserve mandatory grants R'000	Discretionary reserve R'000	Total per statement of performance R'000
Total income				
SDL revenue	48 388	92 188	228 100	368 676
SDL penalties and interest received	-	-	4 307	4 307
Other revenue	-	-	290	290
Finance income	-	-	25 435	25 435
Total income	48 388	92 188	258 132	398 708
Total expenses				
Administration expenses	(42 615)	-	-	(42 615)
Employer grants and project expenses	-	(68 198)	(274 312)	(342 510)
	5 773	23 990	(16 180)	13 583

2021/22	Administration reserve R'000	Employer reserve mandatory grants R'000	Discretionary reserve R'000	Total per statement of performance R'000
Total Income				
SDL revenue	44 848	85 385	211 497	341 730
SDL penalties and interest received	-	-	5 348	5 348
Other revenue	-	-	38	38
Finance income	-	-	16 284	16 284
Subtotal	44 848	85 385	233 167	363 400
Total Expenses				
Administration expenses	(38 626)	-	-	(38 626)
Employer grants and project expenses	-	(65 972)	(280 786)	(346 758)
	6 222	19 413	(47 619)	(21 984)

24. Surplus funds transferable to National Treasury

	2023 R '000	2022 R '000
Surplus funds due to National Treasury		
Cash and Cash equivalents	443 480	438 862
Receivables from non-exchange transactions	32	301
Receivables from exchange transactions	467	353
Less current liabilities	(61 880)	(70 803)
	382 099	368 713

Notwithstanding the accumulated surplus above, FP&M SETA has at year end commitments in the form of contracts with various service providers as indicated in note 30, the below reflects the accumulated surplus after taking into account the impact of these commitments.

Committed amounts as at 31 March 2023

Commitments - Refer to note	376 122	365 848
Net Surplus / (deficit) after commitments	2 977	2 865

25. Financial instruments disclosure

Categories of financial instruments 2023

	2023 R '000	2022 R '000
	At amortised cost	At cost
Financial Assets		
Trade and other receivables from exchange transactions	467	353
Other receivables from non-exchange transactions	-	-
Cash and cash equivalents	443 480	438 862
	443 947	439 215
Financial liabilities		
Trade and other payables from exchange transactions	(4 735)	(4 645)
Taxes and transfers payable (non-exchange)	(41 754)	(51 293)
	(46 489)	(55 938)
Financial instruments in statement of financial performance 2023		
Interest income (calculated using effective interest method) for financial instruments at amortised cost	25 435	16 284

26. Risk management

Financial risk management

In the course of the SETA operations it is exposed to interest rate, credit, liquidity and market risk. The SETA has developed a comprehensive risk strategy in terms of *Treasury Regulation 28.1* in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

Liquidity Risk

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

2022/23	Carrying amount R'000	Contractual cash flows R'000	Less than 1 year R'000	1 to 2 years R'000	More than 2 years R'000
Trade and other trade payables from exchange transactions	(4 735)	(4 735)	(4 735)	-	-
Trade and other payables: Non-exchange	(41 754)	(41 754)	(41 754)	-	-
	(46 489)	(46 489)	(46 489)	-	-

2021/22	Carrying amount R'000	Contractual cash flows R'000	Less than 1 year R'000	1 to 2 years R'000	More than 2 years R'000
Trade and other trade payables from exchange transactions	(4 645)	(4 645)	(4 645)	-	-
Trade and other payables: Non-exchange	(51 293)	(51 293)	(51 293)	-	-
	(55 938)	(55 938)	(55 938)	-	-

Credit Risk

Financial assets, which potentially subject the SETA to the risk of non-performance by counter parties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents, investments and accounts receivable. The maximum exposure to credit risk is equal to the carrying amount of the financial instruments. Trade receivables have been adequately assessed for impairment.

Financial assets exposed to credit risk at year-end were as follows:

	2023 R'000	2022 R'000
Financial instrument		
Receivables from exchange transactions	467	353
Cash and Cash equivalents	443 480	438 862

	Current R'000	30 to 60 days R'000	60 to 90 days R'000	90 to 120 days R'000	More than 120 days R'000	Carrying Amount R'000
2022/23 Age Analysis						
Receivables from exchange transactions	32	-	-	-	435	467
Cash and cash equivalents	443 480	-	-	-	-	443 480
Gross before impairment	443 512	-	-	-	435	443 947
	443 512	-	-	-	435	443 947

	Current R'000	30 to 60 days R'000	60 to 90 days R'000	90 to 120 days R'000	More than 120 days R'000	Carrying Amount R'000
2021/22 Age Analysis						
Receivables from exchange transactions	73	-	-	-	280	353
Cash and cash equivalents	438 862	-	-	-	-	438 862
Gross before impairment	438 935	-	-	-	280	439 215
	438 935	-	-	-	280	439 215

The SETA limits its Treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulation. The SETA's exposure is continuously monitored by the Executive Committee. Credit risk with respect to SDL paying employers is limited due to the nature of the income received. The SETA does not have any material exposure to any individual or counter-party. The SETA's concentration of credit risk is limited to the industry in which the SETA operates. No significant events occurred in the industry during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debt. No receivables are held as security for SETA liabilities and also no collateral is held by the seta as security for receivables.

Interest Rate Risk

The SETA manages its interest rate risk by investing in the financial institutions approved by National Treasury.

The SETA's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

2022/23	Interest bearing amount R'000	Effective interest rate	Non-interest- bearing amount R'000
Financial Assets			
- Receivables from exchange transactions	-	-%	467
- Cash and cash equivalents	443 480	6.04 %	-
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	-%	(4 735)
- Trade and other payables (non-exchange)	-	-%	(41 754)
	443 480	6.04 %	(46 022)

2021/22	Interest bearing amount R'000	Effective interest rate	Non-interest- bearing amount R'000
Financial Assets			
- Receivables from exchange transactions	-	-%	353
- Cash and cash equivalents	438 862	3.78 %	-
Financial Liabilities			
- Trade and other trade payables from exchange transactions	-	-%	(4 645)
- Trade and other payables (non-exchange)	-	-%	(51 293)
	438 862	3.78 %	(55 585)

Fair Value and Market Risk

Market Risk

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

Fair Values

The SETA's financial instruments consist mainly of cash and cash equivalents, account and other receivables, and account and other payables. No financial instruments were carried at an amount in excess of its fair value.

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments.

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and Cash Equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets.

Accounts Receivable

The carrying amount of accounts receivable, net of allowance for impairment, approximates fair value due to the relatively short-term maturity of these financial assets. Interest is levied at the prescribed rate as determined by the Act should employers pay SDL late. This interest is then transferred to the SETA via DHET.

Accounts Payable

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

27. Going Concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Minister of Higher Education and Training had approved the SETA licence until 31 March 2030.

28. Unauthorised, Irregular, Fruitless and wasteful expenditure

National Treasury issued Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework and related documents. The details of the Unauthorised, Irregular, Fruitless and wasteful expenditure will be detailed in the Annual Report.

Criminal or disciplinary step taken for the below irregular expenditure : 2 officials received warning letters for the irregular expenditure incurred.

	2023 R '000	2022 R '000
Irregular expenditure - Refer to reconciling note in Annual report	3 911	298

29. Contingencies

Contingent Liabilities

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

Busa had challenged the fact that the Minister had reduced the mandatory grant payout from 50% to 20%. They went to court in October 2019 and there was a court ruling that the Minister's decision to reduce the mandatory grant payout is set aside. There was no further information provided in the court ruling for example there was no information about what rate to use if the Ministers decision is set aside and also no information about from which date should the ruling be applied. It cannot be determined what the amount of the contingency should be. The Minister is currently in discussion with Busa on this matter.

Surplus Funds

We have on the 31 May 2023 submitted an application to the DHET for retention of surplus funds and to retain funds used for internal projects. Reserves carried over from the previous financial year outside of the definition of surplus have been disclosed as a contingent liability and request for approval for these funds has been submitted to DHET.

	2023 R '000	2022 R '000
Administrative reserve	1 554	1 397
Discretionary reserve	382 166	368 740
	383 720	370 137

In terms of *Section 53 (3)* of the PFMA, public entities listed in *Schedule 3A and 3C to the PFMA* may not retain cash surpluses that were realized in the previous financial year without obtaining the prior written approval of National Treasury. *National Treasury issued Instruction No.12 of 2020/2021* to repeal the *National Treasury Instruction No.6 of 2017/2018* on the retention of cash surpluses. This new Treasury Instruction takes effect from the date of issue for surpluses realised in the current financial year and subsequent financial years whichever is applicable. According to this Treasury Instruction the surplus is based on cash and cash equivalents plus receivables less current liabilities at the end of the financial year.

As at 31 March 2023 FP&M SETA had a surplus of R382 million of which R376 million is committed. Refer to Note 24 for the detailed calculation of the surplus.

30. Commitments

Of the balance of R382 million (2021/22, R369 million) available in the discretionary reserves at the end of March 2023, R376 million (2021/22 R365,8 million) (refer to annexure A) has been approved and contractually committed. Amounts for expenses that have already been contracted or incurred and therefore included in grant expenses in the statement of financial performance, are also indicated. In the prior year commitments were overstated by R2,6 million due to the inclusion of non contractual amounts and has been adjusted (refer to annexure A).

Contractual Commitments as at 31 March 2023									
Interventions	Opening Balance A/P Audited AFS	Cumulative Restatements	Restated Balance	Additions 22-23	Additions 22-23 Admin	Adjustments	Sweepings	Expenditure 22-23	Closing Balance
AET	1 894 800,00	-	1 894 800,00	2 478 000,00	-	-	(213 300,00)	(2 622 100,00)	1 537 400,00
Apprenticeships	115 618 372,00	-	115 618 372,00	64 498 287,00	-	-	(9 455 065,00)	(47 733 180,91)	122 928 413,09
Bursaries	21 916 514,41	-	21 916 514,41	12 785 650,00	300 000,00	-	(2 740 882,22)	(13 232 008,42)	19 029 273,77
Learnerships	92 197 900,00	-	92 197 900,00	84 674 800,00	-	-	(13 203 280,00)	(70 521 480,00)	93 147 940,00
Qualifications Development	20 203 276,37	-	20 203 276,37	100 000,00	-	1 100 000,00	(1 100 000,00)	(3 516 780,00)	16 786 496,37
Skills Programmes	28 279 002,69	-	28 279 002,69	34 155 000,00	250 000,00	-	(3 226 165,70)	(27 163 292,10)	32 294 544,89
Temporary Employer/Employee Relief Scheme (TERS)	440 194,98	-	440 194,98	-	-	-	(28 800,00)	(99 360,00)	312 034,98
Work Integrated Learning (HET)	9 032 735,92	-	9 032 735,92	9 288 000,00	251 100,00	-	(256 171,44)	(7 491 221,99)	10 824 442,49
Work Integrated Learning (TVET)	29 426 476,00	-	29 426 476,00	24 408 000,00	1 280 000,00	-	(338 700,00)	(27 499 430,00)	27 276 346,00
Workplace Experience / Internship	13 198 847,38	-	13 198 847,38	24 840 000,00	626 400,00	-	(1 391 280,00)	(14 230 560,00)	23 043 407,38
Non Pivotal / Sectoral Priorities	33 640 314,90	-	33 640 314,90	34 439 121,00	-	-	(839 594,11)	(38 297 863,54)	28 941 978,25
Total	365 848 434,65	-	365 848 434,65	291 666 858,00	2 707 500,00	1 100 000,00	(32 793 238,47)	(252 407 276,96)	376 122 277,22

Contractual Commitments as at 31 March 2022									
Interventions	Opening Balance A/P Audited AFS	Cumulative Restatements	Restated Balance	Additions 21-22	Additions 21-22 Admin	Adjustments	Sweepings	Expenditure 20-21	Closing Balance
AET	1 417 980,00	-	1 417 980,00	2 475 000,00	-	-	(369 780,00)	(1 628 400,00)	1 894 800,00
Apprenticeships	123 843 304,50	-	123 843 304,50	38 510 000,00	-	880 000,00	(14 260 520,00)	(33 354 412,50)	115 618 372,00
Bursaries	20 440 004,89	-	20 440 004,89	19 002 914,40	552 500,00	(158 315,00)	(2 300 038,00)	(15 620 551,88)	21 916 514,41
Learnerships	98 395 306,67	-	98 395 306,67	88 180 800,00	-	397 500,00	(10 422 220,00)	(84 353 486,67)	92 197 900,00
Qualifications Development	19 474 824,01	-	19 474 824,01	4 876 950,00	-	-	-	(4 148 497,64)	20 203 276,37
Skills Programmes	32 640 203,00	-	32 640 203,00	28 801 100,00	-	(265 500,00)	(1 611 360,00)	(31 285 440,31)	28 279 002,69
Temporary Employer/Employee Relief Scheme (TERS)	722 728,67	-	722 728,67	525 600,00	-	-	(213 481,69)	(594 652,00)	440 194,98
Work Integrated Learning (HET)	10 247 231,43	-	10 247 231,43	8 676 000,00	770 400,00	2 394 177,60	(2 185 511,43)	(10 869 561,68)	9 032 735,92
Work Integrated Learning (TVET)	20 626 696,00	-	20 626 696,00	29 190 000,00	1 543 500,00	540 000,00	(719 040,00)	(21 754 680,00)	29 426 476,00
Workplace Experience / Internship	16 021 140,00	-	16 021 140,00	13 446 000,00	673 200,00	(1 860 376,00)	(1 020 600,00)	(14 060 516,62)	13 198 847,38
Non Pivotal / Sectoral Priorities	44 368 320,86	-	44 368 320,86	34 359 139,90	-	(1 848 401,60)	(3 136 894,78)	(40 101 849,48)	33 640 314,90
Total	388 197 740,03	-	388 197 740,03	268 043 504,30	3 539 600,00	79 085,00	(36 239 445,90)	(257 772 048,78)	365 848 434,65

Note

Commitments as at 31/03/2022 have been restated by R2.6 million.

31. Change in Estimate

Property, plant and equipment

The estimated useful life of property and plant assets was revised by management during the year taking into account the physical condition and expected usage of the asset. The impact of the change is a decrease in depreciation for the current year amounting to R367 000 and the depreciation expense for future periods is expected to increase by the same amount.

Asset Class	Carrying Value before revision of estimate R'000	Carrying Value after revision of estimate R'000	Impact of change in estimate R'000
Computer equipment	222	340	119
Furniture and Fittings	24	81	57
Office equipment	510	668	158
Motor Vehicle	14	47	33
	770	1 136	367

32. Budget Differences

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

32.1 Interest Income (un-favourable)

Interest income is lower due to the decreased interest rate.

32.2 SDL Income (un-favourable)

The Levy revenue is 2 % above budgeted as levies had shown an increasing trend in the current financial year.

32.3 SDL penalties and interest received

This typically varies depending on level of non-compliance by companies.

32.4 Employer grant and project expenses

Discretionary grant expenditure represents payments on tranches claimed by companies.

32.5 Personnel expenses

Payroll costs are currently lower due to vacancies that existed.

32.6 General expenses

The budget was set higher than normal. As a result of cost pressures the focus was to curtail costs resulting in savings for the year.

32.7

Variance due to write off of assets.

32.8

Depreciation cost increased due to purchase of new assets and licences for the new MIS system.

32.9

Savings due to moving to smaller premises..

Clothing



Footwear



Forestry



Furniture



General Goods



Leather



Packaging



Printing



Print Media



Publishing



Pulp and Paper



Textiles



Wood Products





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