ANNUAL REPORT

2019/2020

productivity sa

Inspiring a Competitive South Africa

CONTENTS

PART A

GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

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LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BBBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DEL	Department of Employment and Labour
the dtic	Department of Trade, Industry and Competition
ESD	Enterprise supplier development
ETD	Education training development
EWS	Early warning system
GDP	Gross domestic product
ILO	International Labour Organisation
IMD	Institute of Management Development
IPAP	Industrial Policy Action Plan
JICA	Japan International Cooperation Agency
MTEF	Medium-term expenditure framework
MTSF	Medium-term strategic framework
NDP	National Development Plan
OCEO	Office of the CEO
PFMA	Public Finance Management Act
POS	Productivity organisational solutions
SEFA	Small Enterprise Finance Agency
SETA	Sector Training and Education Authority
SDF	Skills development facilitator
SCM	Supply chain management
SMME	Small, medium and micro Enterprise
TAS	Turnaround solutions
TCT	Total cost to company
UIF	Unemployment Insurance Fund
WPC	Workplace Challenge Programme

CHAIRMAN'S FOREWORD

It is my pleasure and privilege to table the 2019/2020 Annual Report for the financial year that ended on 31 March 2020. The 2019/2020 financial year can best be characterised as an eventful year, with unprecedented and unexpected events, requiring unprecedented courage and action to shape the geo-political order and the socio-economic landscape. Reflecting back on this year, it is apt to cite the long-held saying that "change is the only constant" and the African idiom, "do not let sunrise find you where the sunset left you". You must keep moving forward to stay relevant and impactful. This of course resonates with productivity and the Kaizen principle of continuous improvement. In the backdrop of this change, several events which took place have had a bearing on Productivity SA's business environment.

South Africa held its national elections, which ushered in the sixth administration, and Mr Thembelani Thulas Nxesi (MP) was appointed Minister of Employment and Labour (in what was renamed the Department of Employment and Labour) in May 2019. The sixth administration identified several priorities for the Medium-Term Strategic Framework (MTSF) 2019–2024 (which is a high-level five-year implementation plan to guide the implementation and monitoring of the National Development Plan (NDP) 2030.

The MTSF 2019–2024 has a set of focused priorities and sectoral outcomes accompanied by a set of sector-specific priorities. The sector-specific priorities are key to improving the impact and delivery performance of individual government sectors as outlined in high-level strategic documents to guide the MTSF five-year implementation and monitoring of the NDP 2030. Within the MTSF priorities there are two priorities that are of critical importance to Productivity SA, namely: (i) economic transformation and job creation, and (ii) a capable, ethical and developmental state.

In June 2019, the International Labour Organisation (ILO) held its centenary celebrations. The ILO, meeting at its 108th Session (10–21 June 2019) on the centenary of the ILO, adopted the ILO Centenary Declaration for the Future of Work, along with Convention No. 190, on 21 June 2019. The adoption called for the elimination of violence and harassment in the world of work, which has implications for the socio-economic and labour market landscape, and consequently, the business environment of National Productivity Organisations (NPOs).

These instruments confirm the added responsibility of NPOs for leading a productivity-driven agenda, giving priority to the implementation of the human-centred approach for the future of work. The instruments also confirm the advancement of decent and productive work and inclusive economic growth considering the impact that technological change, as well as financial, economic and trade policies, has on employment, the world of work, workers' protection and the need for appropriate education and new skills.

The African Continental Free Trade Area (AfCFTA), which is one of the flagship projects of the African Union's Agenda 2063, was officially launched at the 12th Extraordinary Summit of the African Union (AU) in Niamey, Niger on 7 July 2019. The AfCFTA will, amongst other things, address the challenges of youth unemployment, skills development, industrialisation, women's empowerment and infrastructure development, as well as create a single super-market for goods and services, which will strengthen trade and inter-African investment. The NPOs on the continent, including the Pan African Productivity Association (PAPA) member countries, are called upon to unlock the continent's productivity potential for sustained competitiveness and economic growth on the continent.

The above events were given credence by the adoption of the

Abidjan Declaration by government, employers' and workers' delegates from 49 African countries who met at the 14th ILO African Regional Meeting from 3–6 December 2019 in Abidjan, Côte d'Ivoire. The ILO African Regional Meeting also marked the 60th year of the Organisation's presence on the continent, with the aim of forging a regional framework to unleash Africa's potential for inclusive growth and shaping a future of work with social justice. The Abidjan Declaration of 2019 confirms that there is, more than ever before, a need for Africa to urgently accelerate transformative processes for the realisation of the Sustainable Development Goals, the African Union Agenda 2063, and the African Continental Free Trade Area.

Addressing the development challenges on the continent requires structural transformation through value-addition across the broad sectors of agriculture, manufacturing and services, domestic resource mobilisation, investment in the care economy and improving productivity. Given Africa's largely young and energetic population of 1.3 billion, and its abundance of natural resources, Africa's potential for further growth is promising; however, this is only possible if action is undertaken in a collaborative manner by all stakeholders. This is a further clarion call for countries on the continent to unlock the continent's productivity potential for sustained competitiveness and economic growth on the continent.

During the 2019/2020 financial year, Productivity SA achieved a significant milestone as the entity notched a remarkable 50 years of existence underpinned by decades of job-saving and doing its best to galvanise the South African economy into higher levels of productivity. This milestone was celebrated by the Board, whose term of office ended in November 2019. I wish to take this opportunity to thank them for their commitment to resolving the maladministration and irregularities that beset the entity prior to their tenure as Productivity SA Board members.

The outgoing Board members left Productivity SA with a positive, unqualified audit opinion and ensured there was no irregular expenditure during their term through their relentless efforts to ensure that the entity is adequately funded to deliver on its mandate. The highlight of the Board's term was ensuring the Unemployment Insurance Fund (UIF) pledged R104 million towards Productivity SA's Business Turnaround and Recovery (BT&R) Programme. Another significant and commendable development is that Productivity SA achieved a 100% completion of its targets on the Annual Performance Plan (APP). This is a monumental milestone for the entity, which has averaged 70% over the past financial years, and I would like to thank fellow Productivity SA Board members and Executive Management for enabling this achievement.

I must also congratulate the new Board that came into office in December 2019, as at the time of their assumption of duty the commitment to commit R104 million for the BT&R Programme was not yet signed off. The new Board ensured that this matter reached its rightful conclusion and that the provision of funds gets underway. Regarding the expansion of the funding provided for Productivity SA, I am convinced that the matter will be resolved during the 2020/2021 financial year, given the commitment by the Minister of Employment and Labour and the Director-General. In resolving this matter, the new Board has its work cut out and this includes ensuring Productivity SA sustains its 100% performance whilst taking Productivity SA to new heights, to lead a productivity-driven agenda for South Africa's sustained competitiveness and economic growth.

Whilst Productivity SA remains committed to delivering on its legislative mandate, which is to promote employment growth and productivity, thereby contributing to South Africa's socio-economic development and competitiveness, as outlined in section 31 of the Employment Services Act, No. 4 of 2014, the entity must consistently adapt to change. The ability to adapt enables the entity to continually deliver on its mandate.

The outbreak of the Covid-19 pandemic, which necessitated a national state of disaster and a nation-wide lockdown in the latter part of the 2019/2020 Financial Year, hit South Africa at a point when most of the macro-economic and labour market issues which matter most, including our productivity and competitiveness levels, were at an all-time low. Productivity, specifically in some formal and productive sectors of the economy, was brought to a grinding halt, with distressed companies, mostly Small Medium and Micro Enterprises (SMMEs), closing shop, declaring bankruptcy, and some scaling down operations to stay afloat. This resulted in some firms being unable to pay full salaries and paying workers the bare minimum in line with the UIF Act threshold or the National Minimum Wage, thereby adding to our poverty challenges.

Over the MTSF 2019–2024, the focus of Productivity SA's strategic and operational intervention will be on vigorously unlocking South Africa's productivity potential for sustained economic growth and competitiveness, thereby improving the competitiveness and sustainability of enterprises, specifically SMMEs, and enabling them to preserve existing jobs and to create new decent jobs.

Productivity SA's work during and post-Covid-19 pandemic will become more critical than ever, given the devastation the pandemic has left in its wake, with retrenchments at an all-time high, adding to the millions of South Africans already unemployed (unacceptably high at 30.1%, with even higher rates at above 45% in certain provinces), and leaving some under-employed and facing extreme poverty. The added consequence is that this is reversing the policy and programmatic gains made since the introduction of the Workplace Challenge (WPC) Programme in 1998, which is administered by Productivity SA and funded by the Department of Trade, Industry and Competition (the dtic) and the Business Turnaround and Recovery Programme (formerly known as the Turnaround Solutions Programme/ TAS), administered by Productivity SA and funded by the Department of Employment and Labour's entity, the Unemployment Insurance Fund (UIF). This further erodes gains made to address poverty in employment through sectoral determinations and the national minimum wage and to reduce inequality (including inequality of opportunity, income and wealth) through the Employment Equity Act, No. 55 of 1998 (EEA) and the Broad-Based Black Economic Empowerment Act, No.53 of 2003 (B-BBEEA).

Sadly, it is worth reporting that during the 2019/2020 financial year, the Business Turnaround and Recovery Programme remained suspended. The suspension was necessitated by an unacceptable and irresponsible unavailability of funds since early 2017. It is sad that, during all this time, Productivity SA was rendered unable to respond to the calls to provide turnaround strategies and plans to restructure and improve the productivity and operational efficiency of companies facing economic distress in order to save jobs or minimise the retrenchment of employees. This naturally contributed to matters getting messier on the ground as there was a complete inability to respond to pleas for interventions in the economy for over two years.

The good news is that the suspension was lifted on 15 June 2020, against the backdrop of the Department of Employment and Labour having provided for this in terms of section 5(d) of the UIF Amendment Act, as reported above. The commitment of R104 million for the programme in the new financial year

has already seen the first tranche of R23 million transferred to Productivity SA. This is a good and welcome start, and we hope that the Department will finalise the development of a single-source funding model in line with section 12 of the Employment Services Act urgently so as to resolve Productivity SA's funding challenges in time before the start of the 2021/2022 financial year, as also referred to above. The department is also aware that, due to the Covid-19 pandemic, the previously requested funds leading to the R104 million commitment will not even scratch the surface, and substantially more funds will be required for meaningful economic interventions. Far more than R104 million will do justice. All the existing commitment does is get us on the runway.

The allocation of funds for implementing turnaround strategies will go a long way towards enabling Productivity SA to fulfil its mandate as outlined in section 32(g) of the Act, and the objectives of the Presidential Jobs Summit Framework Agreement, to save jobs and create conditions conducive for job retention and creation. It will, of course, not be able to do this alone. This requires team effort with the highly inefficient funding agencies, including the PIC (which takes over 10 months to process applications for funding when lucky), huge political will or, better, a changed mindset that includes listening to voices one may not like that have the ability and intellect to contribute to the reconstruction of this country. Additionally, the banking sector must be revolutionised urgently in how it deals with funding applications from SMMEs, particularly when they are black-owned. The state needs to understand developmental state approaches and meet the need for them with action that goes beyond rhetoric.

It has been a battle to get to this point and we thank our key stakeholders, including those who attended the Annual General Meeting (AGM) and NEDLAC constituencies, for their support. We also thank the Honourable Minister of Employment and Labour, Mr Thulas Nxesi, for making the funding of Productivity SA a priority upon his appointment as Minister of Employment and Labour in 2019. The funding of the BT&R Programme also forms part of the fulfilment of the resolutions of the Jobs Summit and the social compact by NEDLAC social partners that supporting initiatives aimed at the preservation of existing jobs is as important as creating new jobs, and that Productivity SA should be better resourced and capacitated to perform these functions.

As much as the allocated funds in no way address the adverse consequences of the Covid-19 crisis, the funds afford us an opportunity to begin with much-needed assistance for business continuity and interventions that can make a difference. The Department has given notification that there is work underway to address the additional funding due to the expanded mandate of Productivity SA we have been lobbying for.

Productivity SA will definitely require additional funding for its Competitiveness Improvement Programmes, noting the low productivity growth and competitiveness of our economy. Our labour market performance has over time been dismal, with the gross value added by key labour-absorbing sectors of the economy, such as agriculture, mining, manufacturing and construction, having been sub-minimal and at times declining. Should the labour-intensive and productive sectors of the economy continue shedding jobs significantly, with Productivity SA unable to make interventions for reasons I have already discussed above, we face a calamity beyond the Covid-19 crisis. I raise this alarm having observed that signs are already there that the outbreak of the Covid-19 pandemic is worsening pre-existing conditions, with the challenges of poverty (including in employment), unemployment (including under-employment) and inequality reaching unprecedented levels and the highest by world standards. The UN World Food Programme's Executive Director is quoted as having said the whole world is facing unprecedented hunger of unimaginable proportions, with a staggering number of over 265 million people projected to go hungry by the end of 2020. South Africa, unfortunately, is not excluded from these numbers.

The above situation is compounded by our country's lack of appreciation for the value of and accountability for productivity (which is defined as the efficiency and effectiveness with which labour, capital, materials, energy and other resources are combined and utilised in an environmentally and socially sustainable manner to produce quality goods and services for the satisfaction of human needs). Declining productivity growth and rising inequality are two of the biggest obstacles to improved economic performance (OECD report, 2016). These two main factors are behind slowing productivity gains and rising or persisting inequalities as well as the risk of a vicious cycle setting in, where individuals with fewer skills and poorer access to opportunities are confined to unproductive and often precarious jobs. This confirms South Africa's dire competitiveness and economic growth challenges, which require a different approach to doing things. The recent IMD Global Competitiveness Report, in which South Africa now moved to position 59 (from 56) out of 63 countries, is evidence of how dire the situation has become. Over the last 10 years, our ranking has declined from position 44.

However, the outbreak of the Covid-19 pandemic coupled with the advancement in technology presents South Africa with an opportunity to place productivity at the centre of the country's long-term competitiveness and economic activity recovery. This is an opportunity to calibrate and attend to pre-existing economic structural flaws, an opportunity to seize the moment and to build back better and to have a better normal. The crisis is also creating an important opportunity for leadership in government to create an enabling environment and partner with leaders in business and labour to take decisive and urgent action to turn things around. The global call for collaboration by the International Organisation of Employers (IOE) to have enhanced and urgent cooperation between the private and public sectors must be heeded. We should collectively, as government, business, labour and civil society, collaborate in developing a response, and if not done urgently, there is a risk of at least 3 million more South Africans losing their jobs and many more millions facing starvation and joining the large numbers of the poor that we have in abundance. While urgently reviewing and addressing deep structural problems (some of which I have referred to above), we should design and implement productivity-enhancing policies and frameworks as we look to create new jobs, absorb job losses from those sectors hardest hit, manage the necessary transition of those threatened with unemployment and the unemployed to sectors that can absorb them, and restructure the urban and rural economies towards prosperity and a more just and equal society that allows for broader access to opportunities and resources. We also need to urgently focus on business continuity and recovery and ensure an enabling environment for business development and resilience. It is no time for timid thinking and staying with traditional approaches that have clearly failed; it is a time to change gears, think big, think bold and act.

The country should utilise the capability of Productivity SA as a labour market institution to harness with urgency and diligence the productivity capability of South Africa in order to improve our competitiveness and sustainable growth and to address the most persistent structural economic inequities that have existed for too long in post-apartheid South Africa. This crisis presents an unrivalled opportunity to re-imagine

and re-design our labour market system, finding innovative ways and initiatives to improve the competitiveness and sustainability of our enterprises, specifically small businesses, and to safeguard our citizens' well-being. This would be the only way to re-calibrate our economy and re-invent ourselves, not only as a political miracle of the Mandela era, but also as an economic miracle, with resultant impact and the realisation of social justice. I reiterate that determined collaboration between the public and the private sectors is more important than ever now, while also ensuring actions to protect and promote productive employment and incomes.

Productivity SA's programmes are geared towards supporting the country to achieve a productive, high-income economy which is globally competitive, targeted at the priority economic sectors that have a potential for labour absorption. The interventions are structured to contribute to: sustainable, inclusive growth and development, as well as growth with rising decent employment creation; wealth and income growth; sustainable enterprises; job preservation or minimising the retrenchment of workers; and to promoting collaborative relations and dialogue on productivity and competitiveness issues in the workplace.

We call upon the Department of Employment and Labour to urgently lead (as provided for in section 2.2 of the Employment Services Act) in coordinating the activities of public and private sector partners, whose activities impact on employment growth, to develop a non-ideological, pragmatic, implementable and action-oriented economic recovery and revitalisation plan premised on unlocking South Africa's productivity potential to improve its competitiveness and sustainable economic growth, targeting SMMEs as a catalyst for full and productive employment and consequently for decent work for all. Taking these steps calls for leadership, accompanied by radical and bold measures to review policies and institutional arrangements aimed at transforming and restructuring the economy and the labour market, as well as significant investment in productivity-enhancing programmes, if we want to improve our prospects for improved competitiveness and future economic growth.

We therefore need to turn our attention and focus to augmenting, with urgency and diligence, the capability to enhance the competitiveness and sustainability of SMMEs to prevent further job losses and create new jobs, targeting the priority economic sectors that are identified in the Sector Master Plans. This should include finding new and innovative ways to: 1) expand the capability of the current Public Employment Services System and Labour Activation Programmes, including the Temporary Employer/Employee Relief Scheme (TERS), to buffer against the loss of jobs by reintegrating or reabsorbing/transitioning retrenched workers into other economic sectors, 2) initiate new strategies, including the Turnaround strategies, to restructure and improve the competitiveness and sustainability of industrial sectors and companies facing economic distress in order to save jobs or minimise the retrenchment of workers, and to transition workers between jobs and industries or secure alternative employment for those affected by possible job losses, and 3) to support SMMEs to create new jobs.

To drive this agenda, we recommend that our interventions should focus on the following pillars:

(i) **An Integrated Training and Skills Development Ecosystem that also encourages life-long learning, with active involvement of employers' organisations in the governance of skills systems in order to ensure that the supply of skills responds to labour market needs.**

(ii) **An Integrated Enterprise Development Ecosystem to improve the competitiveness and sustainability of enterprises, with a focus on SMMEs.** Driving this should be the simple appreciation that, without enterprises, there is no employment, and without employment, there can never be any work, let alone decent work. Helping SMMEs to restructure and move up the productivity value chain through well-coordinated assistance programmes is critical. Experience to date is that there is limited policy cohesion and programme alignment, resulting in efforts to support enterprises (SMMEs in particular) being very fragmented, which in turn often results in duplication and/or even competition amongst public sector entities for scarce resources to provide such assistance. One critical policy decision we recommend is that government should be the funder of first resort, and that funding disbursements should be linked to productivity outcomes.

The centrality of the private sector as a principal role player in the creation of employment, as well as the role of sustainable enterprises as generators of employment and promoters of innovation and decent work, is also crucial; which reaffirms the ILO Centenary Declaration for the Future of Work (2019). Therefore, supporting the role of the private sector as a principal source of economic growth and to ultimately take the lead in creating the bulk of the jobs and opportunities that our country and its people so desperately needs is crucial.

(iii) **An Integrated Research and Innovation Ecosystem to ensure the provision of productivity- and competitiveness-related value-added information and statistics in order to inform evidence-based planning as well as monitoring and evaluating the impact of our interventions.**

(iv) **A national Productivity Movement to promote a stronger culture of productivity at all levels and build awareness of the importance of, and a new mind-set about, productivity in South Africa**, which could pave the way for many more, and more highly paid – jobs and ultimately a more inclusive society.

The centrality of Productivity SA in leading a productivity-driven agenda is critical; therefore, the entity's adequate resourcing is both urgent and critical, as mentioned above. Its Competitiveness Improvement Programmes should promote a productivity and entrepreneurship culture and consciousness in order to promote decent work. At the centre of its programmes is the recognition that social dialogue contributes to the overall cohesion of societies and is crucial for a well-functioning and productive economy. We are confident that our programmes will contribute immensely to the enhanced industrial strategy and Master Plans targeting industries with high-growth potential, which plans are founded on partnerships between government, industry and labour.

As we enter the next phase of the NDP, we must have the whole of South Africa rally behind our productivity-awareness efforts, which include Productivity Month in October being recognised as a government programme as well as the Productivity Awards that are an annual climax of our efforts at show-casing the work we do. Productivity Month is a yearly campaign and its objective is to promote the importance of productivity and inculcate a sense of competitiveness in every South African. The purpose of the month is to highlight the importance of productivity in the country and to treat productivity as an enabling tool for transforming our economic growth and stimulating the creation of jobs. While our lead department is the Department of Employment and Labour, with

our Minister being the champion for this, we need to inculcate an environment in which the Presidency takes a hugely active role in leading by example, with the President himself seen to be in the forefront. The creation of employment and jobs equates to a better life for more people.

The Board and Productivity SA would like to take this opportunity to thank the Honourable Minister of Employment and Labour, Mr Thembelani Thulas Nxesi. The year 2019 was particularly special for us at Productivity SA, not only because the entity turned 50 years old, but also because the Minister took time out of his busy schedule to visit Productivity SA premises and meet with the Productivity SA Board, Executive Management and staff and attended our AGM – a first, I am told. Some of the key outcomes from the engagements with the Minister resulted in Productivity SA being included, for the first time, in the NEDLAC deliberations and participation in the Jobs Summit TERS Task Team for monitoring the implementation of the Job Summit resolutions, particularly on job preservation.

We also thank the Director-General, Mr Thobile Lamati, for the continued support and relentless efforts to ensure that Productivity SA is adequately funded. We believe that his commitment will come through for us during the 2020/2021 financial year. We also commend him for ensuring the UIF remains a critical partner for us, as this is also the only way it can continue to be sustainable. This working together will yield a lot for the country.

The dtic remains our valuable strategic partner in the implementation of the Workplace Challenge Programme, which is our flagship programme for improving the competitiveness and sustainability of enterprises, particularly in support of the SEZs and Industrial Parks. We thank you for the continued support.

Finally, I wish to thank my colleagues on the board and the staff of Productivity SA for the good work done in 2019/2020.

We invite you all to follow us on the various social media platforms, including @productivitysa on Twitter, as well as follow me on @Tzoro1, without hesitating to offer suggestions and feedback that can assist us to build a better, sustainable South Africa. We are also building a strong presence on LinkedIn.

Prof. Mthunzi Mdwaba
Chairman of the Board
Productivity SA


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OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

As I present the Overview for the 2019/2020 Annual Report, it is with a sense of pride, as Productivity SA closed off the financial year with a 100% achievement of the Annual Performance Plan's (APP) set targets. This achievement marked a commendable improvement in the performance of the organisation, up from 54% in the 2018/2019 financial year. The 2019/2020 performance is a confirmation of the strategic role of a National Productivity Centre leading by example, whose vision is to lead and inspire a productive and competitive South Africa.

More than ever, Productivity SA remains committed to delivering on its legislative mandate, which is: to promote employment growth and productivity, thereby contributing to South Africa's socio-economic development and competitiveness, as provided for in section 32 of the Employment Services Act, No. 4 of 2014, read together with sections 2 and 7 of the Act. Our programmes are designed and structured towards supporting South Africa to achieve a productive, high-income economy which is globally competitive, targeted at the priority economic sectors that have a potential for labour absorption. The programme interventions in 2019/2020, which marks the first year of the MTSF 2019-2024, marked the building blocks for an implementable and action-oriented economic recovery and revitalisation plan, premised on unlocking South Africa's productivity potential for sustained competitiveness and economic growth, targeting SMMEs as a catalyst for full and productive employment and, consequently, decent work for all.

Continuing on this trajectory, we are convinced that we are geared as a country to improve the competitiveness and sustainability of enterprises, to preserve current jobs and to create the decent jobs which we require the most, and ultimately to address the challenges of unemployment and underemployment, poverty (including in employment), and inequality (of opportunity, income, wealth, and societal well-being), with our Gini coefficient ranging from about 0.660 to 0.696, along with low competitiveness and economic growth in our economy.

During the 2019/2020 Financial Year, we ramped up our interventions to target and support SMMEs and co-operatives, particularly in the productive or priority sectors of the economy with strong growth and employment multipliers. Through the Workplace Challenge Programme, we were able to provide competitiveness improvement services to 100 companies with 3 Industrial/Sector Clusters established (Forestry, Footwear & Leather, Metal and Engineering), 6 Kaizen Clusters (Geographical), 22 companies supported in the Special Economic Zones (SEZs) and 17 companies supported in the Industrial Parks. The enterprises supported through the programme are capacitated to adopt world-class productivity-enhancement best practices focusing on products, processes and people. Through these interventions we were able to preserve over 6 170 jobs.

Productivity SA displayed a marked improvement in governance and regulatory compliance during the year under review. We achieved an unqualified audit opinion with no irregular expenditure and will have to work hard in the 2020/2021 financial year to achieve a clean audit. The KwaZulu-Natal Export Competitiveness programme funded by the KwaZulu-Natal Economic Development, Tourism and Environmental Affairs department in partnership with SEDA, Trade & Investment KwaZulu-Natal (TIKZN) and implemented by Productivity SA was completed in October 2019.

The impact of the programme saw a 22% average improvement in efficiency, 9% average improvement in quality,

7% decrease in waste and a 15% average improvement on utilisation in companies that participated in the programme. The programme assisted in increasing the overall turnover of the combined companies by 8% to R853million of KZN's GDP. The combined cluster companies retained a total of 1605 jobs, and the programme contributed in creating 5% additional jobs.

During the 2019/20 financial year Productivity SA established strategic partnership with the International Labour Organisation (ILO), and entered into a Memorandum of Understanding (MOU) with the objective of collaborating on productivity and employment promotion in South Africa as pronounced in the Mandate of the Department of Employment and Labour (DEL) and to advance the productivity movement across Africa.

Areas of collaborations included Sustaining a Competitive and Responsible Enterprises (SCORE) training. The Clothing Manufacturing Industry partnered with the ILO to implement SCORE training. Two Productivity Practitioners from Productivity SA were chosen to be trained as Champions to roll out the programme at Clothing and Textile Businesses nationally. A total of ten trainers from various organisations were selected and trained by the ILO on the SCORE Programme.

Key strategic objectives achievements during the year under review:

- Productivity SA generated over R11 million in additional revenue during the 2019/2020 financial year, compared to over R10 million in the 2018/2019 financial year, which reflects an increase of roughly 11%. It is commendable that the entity was able to generate additional revenue even though operating at 70% capacity given the moratorium on employee recruitment. Employee costs were contained within 4%, which is made up of the 5.1% annual salary increase plus savings from the moratorium currently in place. Goods and services were also below budget due to savings initiatives implemented by the entity.
- Productivity SA achieved 100% overall annual performance. It should be noted that the approved Strategic Plan and APP 2019/2020 included the Turnaround Solutions Programme; however, there were no targets set against it as the programme remains in suspension.
- The Enterprise competitiveness and sustainability programme provides productivity awareness and business improvement workshops to cultivate a productivity mindset and behaviour among cooperatives and emerging entrepreneurs. Some 4 031 beneficiaries – including emerging entrepreneurs/cooperatives, education, training and developments (ETDs), and skills development facilitators (SDFs) – were capacitated in 2019/2020 to improve productivity and business efficiency.

Financial viability and the going-concern status of Productivity SA remain a challenge

Productivity SA posted a surplus of R835 694 for 2019/2020. Exchange revenue was up R10 477 million to R11 370 million, including revenue generated from Itukise programme, a 4% increase that indicates the organisation's ability to generate its own revenue, especially from the Transnet project. However, the funds in the Transnet project will probably be depleted in the 2020/2021 financial year.

Spending trends

Over and above the key operating expenses essential to keeping the company fully functional, the spending trend of Productivity SA is driven by its mandate, which is to promote employment growth and productivity, thereby contributing to South Africa's socio-economic development and competitiveness. Most of the expenditure was spent on interventions to achieve this. Our value proposition is carried out through the Workplace Challenge (WPC) Programme and the Productivity Organisational Solutions (POS) Programme, which are designed to fulfil Productivity SA's mandate. The WPC and POS programmes fully used the funds allocated during the financial year and these programmes have advanced the objectives required to fulfil Productivity SA's mandate.

Capacity constraints and challenges

Productivity SA's current funding model does not allow adequate achievement of its national mandate of leading and inspiring a competitive and productive South Africa. The organisation is also under-resourced in human capacity, which hinders its ability to make a meaningful and desirable nationwide impact.

Constraints and challenges include:

- insufficient funding to cover operational costs
- low market share for Productivity SA services and products offering (inadequate product and service modification/improvement)
- lack of a clearly defined value proposition
- limited national footprint, resulting in inadequate provincial coverage of the entity's service offering
- inadequate resource and capability competitive advantages over competitors (inability to attract and retain competent skills)
- few service delivery channels.

Discontinued activities/activities to be discontinued

The Turnaround Solutions (TAS) Programme, remained suspended during the 2019/2020 financial year due to failure by the Department of Employment and Labour to ensure UIF funding transfers in line with the MoA.

For the 2019/2020 financial year, key projects implemented focused on:

- Enterprise competitiveness and sustainability. The Programme consisted of: (a) Competitiveness Improvement (Workplace Challenge Programme) and (b) Enterprise Development (Productivity Organisational Solutions). These programmes support South Africa's strategic objectives in scaling up efforts to promote the long-term industrialisation and transformation of the economy, targeting enterprises of all sizes within the productive sectors of the economy, with a focus on IPAP Priority Sectors.
- Providing productivity- and competitiveness-related value-added information and statistics, best practices and systems through research activities and databases. Productivity SA is a partner and contributor to the Institute for Management Development World Competitiveness Yearbook (IMD WCY), and we collected data which was used for the report during the last quarter of the 2019/2020 financial year. The IMD WCY 2020 was published in June 2020 and paints a gloomy picture of South Africa's competitiveness. The country's overall global competitiveness (both in terms of ranking and competitiveness score/index value) was low in 2019 and has deteriorated further in 2020.

  The IMD WCY 2020 confirms this state of affairs, with our ranking having dropped from 56 in 2019 to 59 out of 63 countries in 2020. The competitiveness score/index value is at 45.163, which is way below the competitiveness "frontier" of 100 (the aggregate ideal across all factors of competitiveness). The score/index value is also way below what is necessary to have an economy that can respond to

the challenges we have of full and productive employment and the creation of decent work for all, while delivering healthy returns for investors, in our striving to meet the Sustainable Development Goals (SDGs), specifically Goal 8.

- In 2019 Productivity SA published the Productivity Statistics Report, which painted a gloomy picture of South Africa and confirmed that the country is still experiencing low overall productivity (which is a key driver of long-term competitiveness and economic performance) growth, with the Labour Productivity (LP), Capital Productivity (CP) and Multifactor Productivity (MFP) indices low. We recorded a decline in productivity growth, with Labour Productivity at -0.9% and Multifactor Productivity at -0.4% (Productivity Statistics Report, 2019).

  The report further confirmed why our overall competitiveness both in terms of ranking and score/index value is low. These three elements (productivity growth, competitiveness and economic growth) have been getting progressively worse year on year and are surely set to deteriorate further as a consequence of the outbreak of the Covid-19 epidemic.
- We continued with our efforts to promote a productivity culture and mindset across all segments of society through our Annual National Productivity Awards, held in October, which is a Productivity Month is South Africa, as well as through awareness and advocacy campaigns.

The awareness and advocacy efforts included the flagship awareness project, namely the National Productivity Awards. The Regional and National Productivity awards provide a platform to inspire a competitive and productive South Africa. The Productivity Awards aim to recognise and reward companies that epitomise the highest qualities and attributes of productivity. The broader objectives of the Awards are to promote productivity among South Africans, and to raise awareness about the potential role of productivity in growing and developing the South African economy, with the primary aim being to galvanise companies into adopting productivity as a fundamental tool for improving South Africa's competitiveness. During the 2019 National Productivity Awards, 57 companies from all over South Africa participated in the awards, with many of the entrants being SMMEs. Overall, 25 companies from the emerging sector, 10 from the corporate sector and 5 from the public sector participated in the awards. Beyond participation in the awards ceremony, the process of selection involved more companies and the footprint in terms of productivity awareness straddled all provinces.

We envisage establishing a Nationwide Productivity and Competitiveness Movement (The Movement) in 2020. The Movement will lead a productivity-driven growth and development agenda for the country, including strategies and programmes designed to create an awareness and understanding of the importance and benefits of productivity and competitiveness, and to drive accountability for productivity performance across sectors (national, sector and enterprise levels).

During the 2019/2020 financial year we established a strategic partnership with the International Labour Organisation (ILO), and entered into a Memorandum of Understanding (MOU) with the objective of collaborating on productivity and employment promotion in South Africa, as set out in the mandate of the Department of Employment and Labour (DEL), and to advance the productivity movement across Africa.

The ILO–Productivity SA partnership supports the fulfilment of the 2018 Presidential Job Summit commitment to building more inclusive and cooperative workplace engagements between workers and management in solving workplace problems.

The overall goal of this partnership is to work together in promoting a productivity and entrepreneurship culture and consciousness in order to create decent employment and sustainable enterprises. The MOU will result in interventions within a host of South African companies. The programmes will be implemented in these companies to enhance the productivity and operational efficiency of enterprises with a focus on enabling SMMEs and co-operatives to adopt world-class productivity-enhancement practices.

SMMEs are targeted because they have tremendous potential to make an impact on attaining the SDGs through the employment they create, the business practices they choose to adopt and the sectors in which they operate. SMMEs have an impact on innovation and diversification in the economy.

The ILO's global Sustaining Competitive and Responsible Enterprises (SCORE) programme will be implemented in the chosen companies and, through the signing of this MOU, workers who have been retrenched will be assisted with transiting into other occupations and/or self-employment through re-skilling and up-skilling training.

- A Productivity and Competitiveness Framework was developed. The Framework is aimed at supporting economic policy and boosting growth in productivity. The Framework highlights the need for productivity to be addressed holistically across all levels (national, sector and enterprise). The framework further provides for the development of a comprehensive and cohesive productivity-enhancing national policy, which anchors productivity initiatives in a targeted and focused manner with clear outcomes at national, sectoral and enterprise levels.

Requests to roll over funds

There were no requests to roll over funds as there were no funds received from the UIF to fund activities for the financial year.

Supply chain management

Productivity SA follows the provisions of the Preferential Procurement Policy Framework Act (PPPFA) and its own supply chain management (SCM) policy to ensure a strong internal control and compliance environment. The following are true for the financial year under review:

- No unsolicited bid proposals were under review
- SCM processes and systems are in place and continue to be improved.

The implementation of the SCM committees, the Bid and Evaluation Committee and the Adjudication Committee continues to eliminate possible non-compliance instances.

Audit report matters in the previous year

There were no audit findings.

Predetermined objectives

Productivity SA has implemented a performance management tool to ensure that quarterly reporting is consistent and in line with approved predetermined objectives.

New or proposed programmes and activities into the future

The outbreak of the Covid-19 pandemic, along with advancement in technology, are worsening our health and economic wellbeing, and are disrupting, with devastating effect, our already fragile socio-economic and labour market systems, and infrastructure and business models, and consequently also changing the nature and future of work. Economic and business performance has over time been dismal, with the gross value added by key labour-absorbing sectors of the economy, such as agriculture, mining, manufacturing and construction, having been sub-minimal and at times declining. There are visible signs that the pandemic is aggravating existing conditions, with the unemployment rate reaching an all-time high at 30.1% (7.1 million people), with even higher rates at above 45% in certain provinces in Q1 2020, over 40% of citizens living in poverty, and inequality reaching unprecedented levels and being the highest by world standards. Most of the macro-economic and labour market issues which matter most, including our productivity and competitiveness levels, are at an all-time low. Our overall productivity growth, which is a key driver of long-term competitiveness and economic performance, is low. In 2019 we recorded a decline in productivity growth, with labour productivity at -0.9% and multifactor productivity at -0.4% (Productivity Statistics Report, 2019).

The reconfiguration of the Department of Labour to include employment as part of its mandate (Department of Employment and Labour) puts Productivity SA in a strategic position to lead a productivity- and competitiveness-driven inclusive and sustainable growth and development agenda for South Africa. Productivity SA acknowledges that the South African economic landscape under, and post, Covid-19 is significantly different to that faced in October 2018; therefore, there is an urgent need for a "whole-of-society" response to a looming economic and employment crisis. The preservation of existing jobs is as important as creating new jobs, and for that productivity growth is an essential necessity. Implementation of the Employment Services Act, particularly section 2(1) read together with sections 7, 31 and 32, presents us with an opportunity to advance programmes for addressing productivity (which is a driver of competitiveness and sustainable growth) challenges holistically at all levels – that is, national, sector and enterprise levels.

Accelerating and sustaining productivity growth and the long-term competitiveness of enterprises requires a country-specific mix of policies and programmes aimed at presenting a holistic approach towards unlocking the country's productivity potential at all levels:

At national level – We should develop effective policies and programmes aimed at securing full, productive and freely chosen employment and decent work opportunities for all. This should also include facilitating the transition from education and training to work or retention and re-integration programmes for retrenched or displaced workers. Introduction and effective implementation of the Temporary Employer/Employee Relief Scheme, formally known as the Training Lay-off Scheme, as well as the Labour Activation Programme.

At sector level – To lead a productivity-driven growth and development agenda and meet the demand of the future economy will require a stronger collaboration between government, business, labour and academia. This should include promoting and inculcating a higher level of awareness and understanding of the importance and benefits of productivity and competitiveness, along with guidance on how to measure and track productivity and competitiveness.

This new approach to productivity will shift from primarily government-driven initiatives at the national level to targeted actions across industry players and individual enterprises, with industry champions identified to role model change and ensure buy-in across stakeholders.

At enterprise level – The enterprises supported through the Enterprise Support Programmes should be capacitated to adopt world-class productivity-enhancement best practices focusing on products, processes and people. The offering should be in the form of Integrated Productivity Improvement Solutions and Techniques, a suite of Business Processes Improvement Tools and Techniques which systematically help businesses of different sizes to optimise and be competitive.
Dealing with the challenges of economic performance and business efficiency, which are the key measures of competitiveness as per the IMD, WEF and SDGs, requires major policy shifts and structural economic reforms. Interventions and plans should highlight the need for productivity to be addressed holistically at all levels to ensure a systemic change across the economy, which is a departure from previous fragmented efforts to raise productivity. The plans should call for renewed efforts to boost productivity in a focused and targeted manner, with clear and measurable productivity targets and outcomes, and ensure that the set outcomes are closely monitored, and the impact evaluated.

Collaboration and co-ordination is the way to go. The private sector (organised business and organised labour) should be positioned and given the responsibility of driving the productivity agenda, including culture and accountability thereof, in partnership with government and civil society. We therefore need to turn our attention and focus on mitigating, with urgency and diligence, the capability to enhance the competitiveness and sustainability of SMMEs in order to prevent further job losses and create new jobs, targeting the priority economic sectors as identified in the Sector Master Plans.

The interventions should include finding new and innovative ways to:

(i) Expand the capability of the current Public Employment Services System and Labour Activation Programmes, including the Covid-19 Temporary Employer-Employee Relief Scheme (TERS), to buffer against the loss of jobs by reintegrating or re-absorbing/transitioning the retrenched workers into other economic sectors
(ii) Initiate new strategies, including the Turnaround strategies, to restructure and improve the competitiveness and sustainability of industry sectors and companies facing economic distress, to save jobs or minimise the retrenchment of workers, and to transition workers between jobs and industries or secure alternative employment for those affected by possible job losses
(iii) Support SMMEs in preserving current jobs and creating new ones. Support for companies and workers in addressing the health risks of the pandemic through access to protective equipment, guidance and financial support.

Collection of revenue

Productivity SA continues to send letters of demand to customers requesting that all outstanding debts be settled, and the response has been positive, resulting in long-outstanding debts being settled.

Procurement and contract management

No disciplinary actions were taken for non-compliance with SCM prescripts during the financial year.

Outlook/plans to address financial challenges

The Business Model is being reviewed with a focus on ensuring that our service offerings are relevant to the changing nature and future of work, and attractive for SMMEs as they traverse the challenges brought about by the Fourth Industrial Revolution and the Covid-19 pandemic.

The Productivity SA Turnaround and Financial Sustainability Strategy is being developed and we believe that this will provide a framework for targeting government programmes and those in the private sector in order to generate maximum revenue and sustain the entity.

Annual Financial Statements note

The entity registered a surplus of R 835 694 during the financial year.

Economic viability

The entity remains technically insolvent in that current liabilities (R40 767 million) continue to exceed current assets (R23 437 million). The accumulated deficit is at R13 690 million and the going concern remains at risk; however, there are plans in place by the Chairman of the Board to ensure that the entity is fully funded.

Events after the reporting date

There were no events after the reporting date.

Appreciation

I extend my gratitude to the Board of Productivity SA (including members whose term of office ended in November 2019) for their visionary leadership, to the Honourable Minister of Employment and Labour, Mr T. W. Nxesi, and the DG, Mr T. Lamati, for their continued support in ensuring that Productivity SA is adequately funded, and to the dtic for entrusting us with the administrative responsibility for the WPC and Itukise Programmes. I am looking forward to more support and collaboration as we tackle the challenges brought about by the Covid-19 pandemic.

My gratitude goes to the staff of Productivity SA for ensuring that the entity makes a meaningful impact in promoting and enhancing the competitiveness of South Africa and its enterprises, in particular SMMEs.

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 Nexia SAB&T.

The annual report is complete, accurate and free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report issued by the National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the South African standards of Generally Recognised Accounting Practice (GRAP).

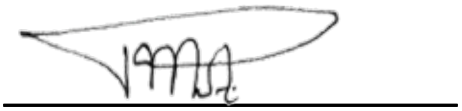
The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgments accompanying this information.

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 performance information, the human resources 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 human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully



Mothunye Mothiba
Chief Executive Officer
28 September 2020

Mthunzi Mdwaba
Chairman of the Board
28 September 2020

LEGISLATIVE AND OTHER MANDATES

CONSTITUTIONAL MANDATE

Productivity SA's strategic goals and programmes are, as is the case with the Department of Employment and Labour, formulated and conducted within the confines of the South African Labour Legislative framework and active labour market policies and programmes that are informed by the South African Constitution, Chapter 2, and the Bill of Rights, with a focus on, amongst other things, the following:

- Section 9, to ensure equal access to opportunities.
- Section 10, to promote labour standards and fundamental rights at work.
- Section 24, to ensure an environment that is not harmful to the health and wellbeing of those in the workplace.
- Section 27, to provide adequate social security nets to protect vulnerable workers.

OTHER LEGISLATIVE MANDATES

THE EMPLOYMENT SERVICES ACT, NO. 4 OF 2014

Productivity SA is established in terms of section 31 of the Employment Services Act, No. 4 of 2014 as a juristic person, with the mandate to promote employment growth and productivity, thereby contributing to South Africa's socio-economic development and competitiveness.

PUBLIC FINANCE MANAGEMENT ACT, NO. 1 OF 1999, AS AMENDED

The objective of this Act is to regulate financial management in the National Government and Provincial Governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; and to provide for the responsibilities of persons entrusted with financial management in those governments and to provide for matters connected therewith.

THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT, NO. 5 OF 2000, AS AMENDED

In this Act, unless the context indicates otherwise – "acceptable tender" means any tender which, in all respects, complies with the specifications and conditions of tender as set out in the tender document.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT, NO. 53 OF 2003 AND THE CODES OF GOOD PRACTICE

This Act establishes a legislative framework for the promotion of Broad Based Black Economic Empowerment. It furthermore empowers the Minister to issue codes of good practice, to publish transformation charters, to establish the Black Economic Empowerment Advisory Council and to provide for matters connected therewith.

HEALTH AND SAFETY ACT, NO. 85 OF 1993, AS AMENDED

The Occupational Health and Safety Act aims to provide for the health and safety of persons at work and for the health and safety of persons in connection with the activities of persons at work and to establish an advisory council for occupational health and safety. This is also a requirement for the licensing of gambling operations.

THE UNEMPLOYMENT INSURANCE ACT, NO. 30 OF 2001, AS AMENDED (UIA)

The Act provides for the financing of employment services, with section 5 (d) relating to financing of the retention of contributors in employment and the re-entry of contributors into the labour market and any other scheme aimed at vulnerable workers.

OTHER POLICY MANDATES

PRODUCTIVITY SA IS AN ENTITY OF THE DEPARTMENT OF LABOUR, WHOSE MANDATE IS TO REGULATE THE LABOUR MARKET THROUGH POLICIES AND PROGRAMMES DEVELOPED IN CONSULTATION WITH SOCIAL PARTNERS, WHICH ARE AIMED AT, AMONGST OTHER THINGS, THE FOLLOWING:

- improved economic efficiency and productivity.
- creation of decent employment.
- eliminating inequality and discrimination in the workplace.
- enhancing occupational health and safety awareness and compliance in the workplace.
- giving value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for the competitiveness of enterprises which is balanced with the promotion of decent employment.

The entity is governed by a Tripartite Board appointed in terms of section 33 of the Act, consisting of 7 members – a Chairperson and six members (4 drawn from NEDLAC – 2 representing organised labour and 2 organised business), and 2 members representing the government.

THE NATIONAL DEVELOPMENT PLAN (NDP), SOUTH AFRICA'S VISION 2030

The NDP provides a long-term vision through to 2030 towards dealing with the challenges of unemployment, inequality and creating a more inclusive society. Central to meeting the vision enshrined in the NDP is the implementation of the New Growth Path (NGP), the Industrial Policy Action Plan (IPAP) and the National Infrastructure Plan.

The NDP advances government's key developmental objectives of industrialisation, skills development, job creation, localisation and supplier development to create and develop black industrialists and entrepreneurs.

Three priorities stand out in the NDP, namely:

- Raising employment through faster economic growth, including introducing, in the short term, active labour market policies and incentives to grow employment, particularly for young people and in sectors employing relatively low-skilled people.
- Improving the quality of education, skills development and innovation
- Building the capability of the state to play a developmental and transformative role.

The NDP also recognises the importance of improving the quality of economic management for the purposes of both sustainability and impact on inclusion.

THE INDUSTRIAL POLICY ACTION PLAN (IPAP)

The plan requires the country to pursue an industrial development path that is characterised by the increased participation of previously marginalised citizens and regions of our country.

Central to the IPAP is competitiveness enhancement in productive sectors of the economy, with a focus on supporting agriculture and mining, the local procurement drive and other programmes.

Government seeks to strengthen the competitiveness, productivity and trade performance of the core productive sectors of the economy. New opportunities in the green economy, the ocean economy and exports of goods and services to growing African markets will be promoted. Research and technology development will continue to be supported through tax incentives and partnerships between our science councils and the business sector.

Obstacles to the use of our mineral products in manufacturing will be addressed and options to support beneficiation through mining licences will be explored. The Department of Mineral Resources will provide increased support for exploration, development and production in mining in ways that lay the basis for sustained growth in output going forward.

THE MEDIUM-TERM STRATEGIC FRAMEWORK 2014 – 2019

Productivity SA's strategic plan is being reviewed to ensure alignment of its strategic objectives and programmes to the National Agenda as articulated in the National Development Plan (NDP), the NDP: Vision 2030, the Industrial Policy Action Plan, and the Medium-Term Strategic Framework 2014–2019, in particular the following service delivery outcomes:

- Outcome 4: Decent employment through inclusive growth.
- Outcome 5: A skilled and capable workforce to support an inclusive growth path.
- Outcome 12: An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

THE CORE FUNCTIONS AND SERVICES RENDERED BY PRODUCTIVITY SA

Section 32 of the Employment Services Act, read together with sections 2 (1) (e) and (f) and section 7 of the Act, as well as section 5 (d) of the UI Amendment Act, enjoin Productivity SA to, amongst other things, develop relevant productivity competencies and competitiveness in workplaces, with a focus on the following key functions:

i. To promote employment and income growth, and workplace productivity.

This includes enhancing the productive and operational efficiency of emerging and existing enterprises (big and small) to be competitive and achieve sustained levels of inclusive economic growth and decent employment creation.

ii. To improve the employment and re-employment prospects of employees facing retrenchments and retrenched workers.

This includes enhancing the productive and operational efficiency of enterprises in economic distress (financial or operational difficulties) to be financially viable and competitive, through developing and implementing turn-around strategies, training lay-off schemes or alternative employment opportunities.

iii. To provide productivity measures and evaluate productivity improvement and competitiveness in workplaces.

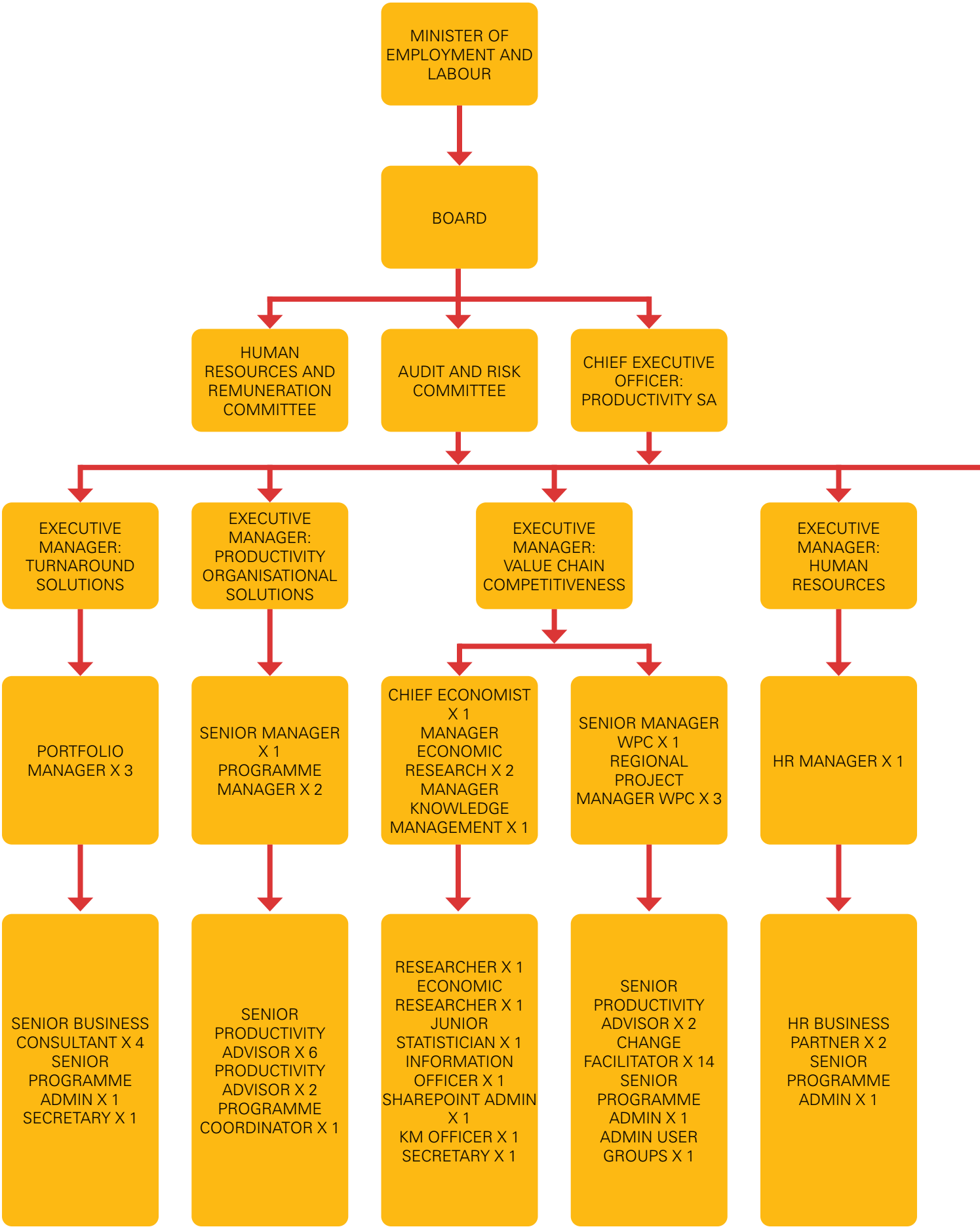
This includes developing and maintaining a database of productivity and competitiveness systems and tools, as well as measures for evaluating their efficacy in the workplace.

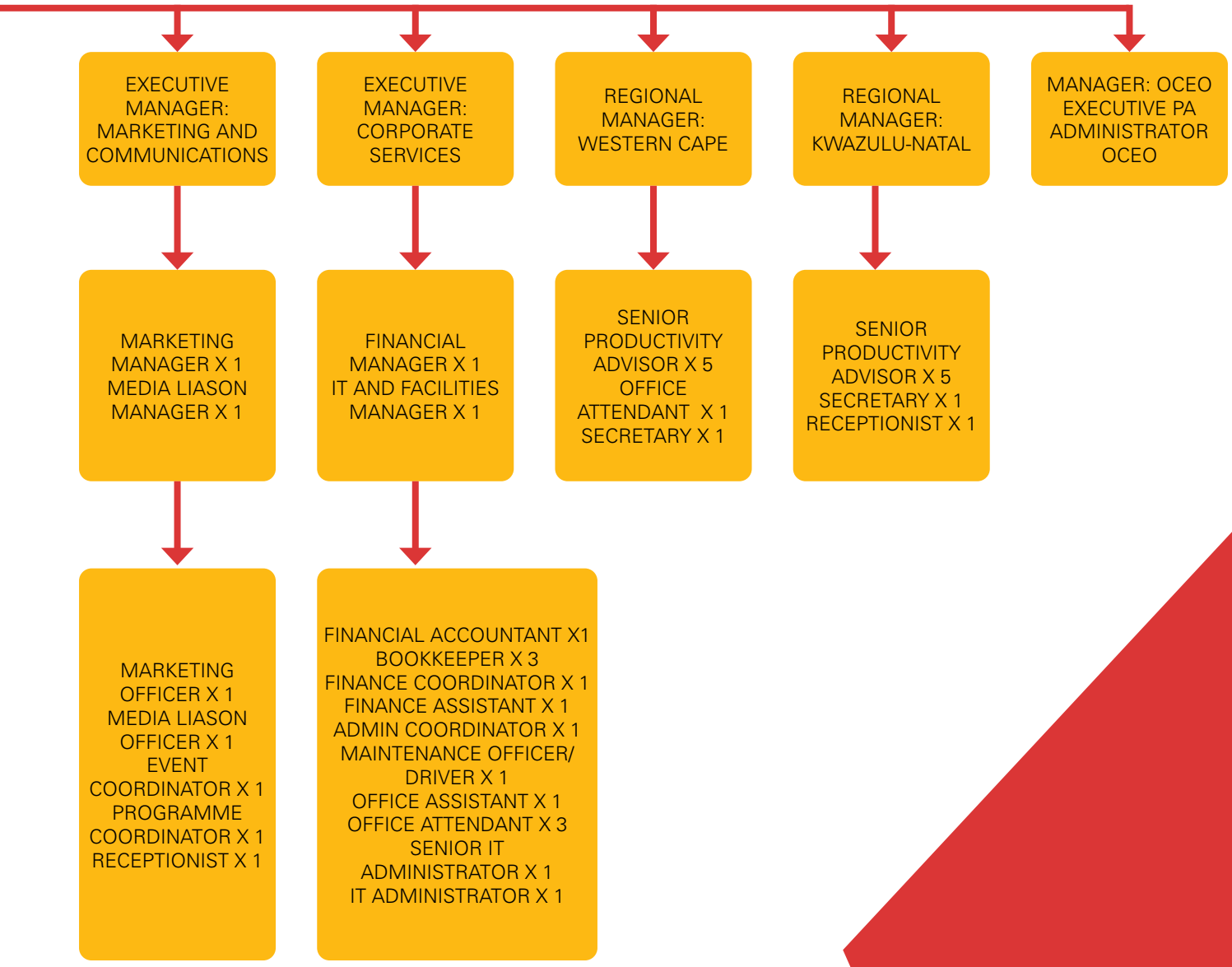
iv. To conduct research on productivity- and competitiveness-related matters, and collection and supply of information.

v. To promote social dialogue and inculcate a culture of productivity and a competitive mind-set in the workplace and all spheres of the nation's economic and community life.

These include sustained communication and dissemination of productivity-related information, which drives improved competitiveness and ultimately results in improved prosperity for all.

ORGANISATIONAL STRUCTURE




EXECUTIVE MANAGER: MARKETING AND COMMUNICATIONS
EXECUTIVE MANAGER: CORPORATE SERVICES
REGIONAL MANAGER: WESTERN CAPE
REGIONAL MANAGER: KWAZULU-NATAL
MANAGER: OCEO EXECUTIVE PA ADMINISTRATOR OCEO
MARKETING MANAGER X 1 MEDIA LIASON MANAGER X 1
FINANCIAL MANAGER X 1 IT AND FACILITIES MANAGER X 1
SENIOR PRODUCTIVITY ADVISOR X 5 OFFICE ATTENDANT X 1 SECRETARY X 1
SENIOR PRODUCTIVITY ADVISOR X 5 SECRETARY X 1 RECEPTIONIST X 1
MARKETING OFFICER X 1 MEDIA LIASON OFFICER X 1 EVENT COORDINATOR X 1 PROGRAMME COORDINATOR X 1 RECEPTIONIST X 1
FINANCIAL ACCOUNTANT X1 BOOKKEEPER X 3 FINANCE COORDINATOR X 1 FINANCE ASSISTANT X 1 ADMIN COORDINATOR X 1 MAINTENANCE OFFICER/ DRIVER X 1 OFFICE ASSISTANT X 1 OFFICE ATTENDANT X 3 SENIOR IT ADMINISTRATOR X 1 IT ADMINISTRATOR X 1

BOARD MEMBERS

Prof Mthunzi Mdwaba
Board Chairman

Mr Mothunye Mothiba
CEO and Executive Board Member

Ms Farida Khan
Board Member

Dr Annaline Chetty
Board Member

Ms Marsha Bronkhorst
Board Member

Ms Shivani Singh
Board Member

Mr Welile Nolingo
Board Member

EXECUTIVE MANAGEMENT

Mr Mothunye Mothiba
Chief Executive Officer

Dr Sibusiso Sabela
Chief Financial Officer

Ms Tracey Wereley
Human Resources
Executive Manager

Dr Nandi Dabula
Corporate Relations
Executive Manager

Ms Amelia Naidoo
KwaZulu Natal Regional Manager and
Acting Value Chains Competitiveness
Executive Manager

Ms Lalane Janse Van Rensburg
Productivity Organisational
Solutions Executive Manager

Mr Justice Tshifularo
Turnaround Solutions
Executive Manager

Mr Albert Brink
Western Cape
Regional Manager

PART B

PERFORMANCE INFORMATION

PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

Nexia SAB&T currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 57 of the Auditor's Report, published in Part E: Financial Information.

2. OVERVIEW OF PRODUCTIVITY SA'S PERFORMANCE

SITUATIONAL ANALYSIS

The National Development Plan (NDP): Vision 2030 articulates that, for South Africa to stay competitive and to move up the value chain, three interventions are necessary: (i) labour-market reforms aimed at promoting employment, particularly of young people; (ii) action to promote productivity gains and new entry by firms; and (iii) research and development for innovation. Coupled with this, Government has, through the promulgation of the Employment Services Act, No. 4 of 2014 (the Act), changed the legal form and expanded the mandate of Productivity SA to include promoting employment, growth

and workplace productivity. This mandate is aligned to, and fits well within, the mandate of the Department of Employment and Labour (DEL), which is to regulate the labour market through policies and programmes developed in consultation with social partners, which are aimed at, amongst other things, "improved economic efficiency and productivity".

Furthermore, the mandate and programmes of Productivity SA are acknowledged by the Portfolio Committee on Labour, which is required by Section 5 of the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009 to annually assess the performance of the entity and to hold it accountable for delivery and attainment of its strategic goals and contribute to service delivery as well as financial accountability. To this end, the Committee has recommended in its Budgetary Review and Recommendation Report (BRRR), dated 27 October 2016, that the Minister of Labour should ensure that Productivity SA is appropriately capitalised to be able to extend its services to areas where they are currently not operating and to ensure the entity is rendered more visible.

As a result, Productivity SA has, after consultation with the DEL and relevant strategic partners, reviewed its Strategic Plan 2014/2015 – 2019/2020 and the Business Model in 2017 to ensure alignment of its strategic objectives and Enterprise Support Programmes with the NDP, IPAP, the MTSF and the mandate of the Department to demonstrate relevance. Part of this process includes repositioning the entity to lead a productivity-driven growth and development agenda for South Africa and to be sustainable.

It is without doubt that the revised Strategic Plan 2014/2015 – 2019/2020 and the related Annual Performance Plans are being implemented in an environment in which South Africa is still facing major challenges of poverty, unemployment and inequality, including economic exclusion. The GDP growth forecast was at only 0.7% in 2018 and 1.1% for 2019, whilst the unemployment rate was at its highest, at 27,5% (Q3: 2018), with over 6.2 million people unemployed, most of whom were Black and Africans, with youth and women being particularly affected. Manufacturing and mining sectors shed the most jobs for the third quarter of 2018 (-1.7% and -8.9% respectively). The expanded unemployment rate also rose 0.1% to 37.3%. Over 30.4 million, or 55.5%, of South Africans are living in poverty, with most households dependent on social grants for subsistence living.

Not only are we as a country faced with the inclusive and sustainable growth and development challenges, but also the country's overall competitiveness is low, with the competitiveness rating at 53 out of 63 countries according to the IMD World Competitiveness Yearbook (2018). The country has hovered between 52 and 54 over several years. According to the WEF Annual Global Competitiveness Index (GCI) report 2017/2018, South Africa has dropped 14 places and now sits at 61 out of 137 countries. The country has declined steeply in economic productivity, with the economy nearly at a standstill and the economy having experienced two consecutive quarter-on-quarter negative growth trends in GDP%, putting the country into a technical recession.

Further to the above, our economy and its enterprises are feeling the effects of the Fourth Industrial Revolution, which is characterised by rapid globalisation, disruptive technologies, the growth of the digital economy and changing worker attitudes and values, which are radically reshaping the world and the future of work. The growth of the digital economy is disrupting almost every industry in every country and these changes, together with the drastic changes in the organisation of work, are transforming how, when, where and what type of work is done, as well as how people communicate, collaborate and work.

From mid-2010 to mid-2018, formal manufacturing lost 85 000 jobs. That equalled 5% of its total employment. Meanwhile, the failure to fundamentally redress inequality and joblessness has led to increasingly fierce contestation over economic decisions. Of great concern is that most job losses experienced in 2017 and the three quarters of 2018 were mostly in the productive sectors of the economy (manufacturing and mining), which carry with them significant knock-on effects for the economy in general, thus further adversely affecting our competitiveness, sustainable growth and development. This scenario suggests that South Africa is unlikely to meet its NDP targets of eliminating poverty and reducing unemployment and inequality unless something drastic is done. Mitigating these challenges requires redoubling our efforts to achieve a productive, high-income economy which is globally competitive, creative and innovative, with a focus on the productive sectors of the economy, which have a high potential for increased labour absorption.

We took note of the evidence presented through studies across the world, particularly in the most competitive economies, that improving the level of national productivity is the most efficient way to attain the average GDP growth rate, employment growth and reduced costs of doing business. Having noted the interventions in other countries which have and are still experiencing growth despite the global economic challenges, the challenges ahead for South Africa lie in collectively working towards a productivity-driven agenda for sustainable and inclusive growth and development, with the objective of improving South Africa's economic performance and business efficiency. This requires redoubling our efforts to achieve a productive, high-income economy which is globally competitive, creative and innovative, with a focus on the productive sectors of the economy, which have a potential for labour absorption.

Upon scrutiny of the NDP, it is imperative that we put in place plans which will make it possible to achieve the NDP Goals by 2030, including the creation of at least 24000 jobs or reducing unemployment to at least 6% and, through productivity growth, consistently attaining 6% GDP growth rates (best case scenario) or 3.9% (worst case scenario) yearly in the next 12 years, and increasing the earnings of working people.

We acknowledge that Productivity SA has a major role to play in improving the productive capacity and competitiveness of the South African economy through interventions that promote economic performance and business efficiency with a focus on improving productivity and efficiency, management practices, attitudes and values, and employment relations.

To respond to the NDP and the MTSF, Productivity SA will focus mainly on the following:

Government Priority	Link to the NDP
Outcome 4: Decent employment through inclusive economic growth • Improve performance of the core productive sectors including manufacturing, agriculture and mining, local procurement and other programmes. • Promote growth and employment from new opportunities such as green economy, etc. • Increase growth of the small business sector.	**Chapter 3** of the NDP: Target programmes that contribute to sustainable and inclusive growth and development • Growth with rising employment creation and income growth. • Increase economic opportunities for historically excluded groups.
Outcome 5: A skilled and capable workforce to support an inclusive growth path.	**Chapter 9 of the NDP** • Improve the linkage between Sector Training and Education Authorities (SETAs) and employers as the basis for improving responsiveness and quality in training. • Research, Development and Innovation partnerships between government and the private sector strengthened.
Outcome 12: An efficient and development-oriented public service.	**Chapter 13 of the NDP.** • Improve the quality of administration of many government activities. • Implement programmes that improve efficiency and effectiveness of government.

To address the issues raised above, we reviewed the Strategic Plan 2014/2015 – 2019/2020 and the Business Model to give effect to the provisions of s32 of the Act, which requires of Productivity SA to develop and enhance relevant productivity competencies and business efficiency in the workplace, with a focus the following Key Functions (Core Business):

- To promote employment growth and workplace productivity.
- To provide support to enterprises facing economic distress and to initiatives or schemes aimed at preventing job losses or minimising the retrenchment of employees.

Our Enterprise Support Programmes, whose core objective is to improve productivity and competitiveness of enterprises within the IPAP priority sectors and to promote employment growth and job retention or minimise the retrenchment of workers, will have to be streamlined and comprehensive to achieve the NDP Goals. The Programmes should focus on achieving a productive, high-income economy which is globally competitive by targeting the productive sectors of the economy which have a potential for labour absorption.

It is without doubt that Productivity SA's response to the challenges facing the country must be integrated and comprehensive, involving all stakeholders from the public and private sectors to academia and civil society.

PERFORMANCE ENVIRONMENT

In the 2018/2019 financial year we refocused our Enterprise Support Programmes towards targeted interventions in the strategic economic sectors of the economy as identified in the IPAP, with a focus on mining (platinum group metals); manufacturing (metal fabrication), agriculture (agro-processing and agri-business) and, in the future, the green and energy sectors. These were done with a view to ensuring that the critical and strategic role of Productivity SA in the economy be understood by the country as a whole and to integrate the culture of productivity and competitiveness in everything we do. Productivity and competitiveness should be the driver of our sustainable and inclusive growth and development as espoused in the NDP.

The Workplace Challenge Programme (a world-class or best operating practice programme aimed at supporting enterprises in the manufacturing sector to improve productivity and become competitive), funded by the dtic and the Turnaround Solutions Programme (providing support to enterprises facing economic distress and initiatives or schemes aimed at minimising the retrenchment of employees or preventing job losses, funded by the UIF) remain two of Productivity SA's flagship programmes.

The challenges ahead include, but are not limited to:

(i) enhancing our resources and capabilities, including the competencies of our employees to deliver on our mandate and generate revenue to sustain the entity.

(ii) establishing and maintaining a network of strategic partners, including the dtic and UIF, who will enhance our service delivery capability and our capacity to address our funding requirements.

(iii) enhancing the capacity of our Regional Offices and network of service delivery points to effectively provide services to the nine (9) provinces country-wide.

(iv) continuous review and innovation of our business model, particularly our value proposition and business infrastructure, to ensure that we provide cutting-edge research and innovative solutions to enterprises throughout the business lifecycle, thereby enabling them to be productive and competitive.

(v) putting more emphasis on the generation and dissemination of productivity- and competitiveness-related information and knowledge.

In support of the NDP objectives, Productivity SA has in its arsenal programmes to improve the competitiveness of the economy and improve the business efficiency of firms (promoting them to world class through the Workplace Challenge Programme). Operational efficiencies are also improved through the Enterprise and Supplier Development Programme to support SMMEs in developing their productive competencies and enhancing the quality of their products and improving their production capacity.

Productivity SA is also involved in the Competitive Supplier Development Programme which helps government achieve broad-based industrialisation as espoused by the Industrial Policy Action Plan (IPAP). These programmes entail procuring in such a way as to increase the competitiveness, capacity and capability of the local supply base, where there are comparative advantages and potential competitive advantages of local supply.

ORGANISATIONAL ENVIRONMENT

Productivity SA is South Africa's institution with a responsibility to improve productivity and operational efficiency in all economic sectors. However, it has not yet optimally exerted its authority and means to influence the efficiency and productivity of sectors that are vital to the competitiveness of our economy. More than ever before, there is an urgent need to reposition Productivity SA to become a centre of excellence and authority to lead the agenda for productivity-driven growth and development.

The entity has positioned itself to support the NDP objectives and has in its arsenal programmes to improve the competitiveness of the economy, improve business efficiency of firms (promoting them to world class through the workplace challenge programme).

To deliver on its mandate of promoting employment growth and productivity, and thereby contributing to South Africa's socio-economic development and competitiveness, the entity only has a staff complement of 107. This falls short if we must deliver services to enterprises and industry clusters in the economy, particularly the productive sectors of our economy, in an equitable manner across the country's nine provinces.

Productivity SA's activities will have to be expanded to cover productivity improvement in areas beyond industry with the participation of labour and management, academic experts and bureaucrats.

These will include measures to improve the quality of public employment services towards implementation of active labour market policies (ALMPs) and deliver on active labour activation programmes and incentives to grow employment, particularly for young people and in sectors employing relatively low-skilled people, as well as measures to support enterprise development and self-employment programmes.

Furthermore, Productivity SA's challenges lie in addressing its operational and financial obligations, which gave rise to the review of the current business model to ensure growth and financial sustainability of the organisation, whilst demonstrating the impact of its mandate to the South African economy in general and to the labour market in particular.

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME 1: ADMINISTRATION – CORPORATE SERVICES

Programme Purpose

To provide strategic leadership, management and support services to Productivity SA.

Sub-programmes/Main activities

- Finance, IT and Facilities and Office of the CEO

Objectives of the Programme

- To ensure that Productivity SA adheres to governance and general compliance with policies and regulations.
- To enhance financial management capability and the ability to generate revenue for the organisation to be financially sustainable.
- To establish procedures for reporting and organisational performance management.

Performance Indicators

STRATEGIC OBJECTIVE 1: STRENGTHEN THE INSTITUTIONAL CAPACITY OF PRODUCTIVITY SA TO DELIVER ON ITS MANDATE AND BE FINANCIALLY SUSTAINABLE							
Key performance indicators	Actual achievement 2016/2017	Actual achievement 2017/2018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target to actual achievement for 2019/2020	Comment on deviations
Percentage of SMMEs paid within 30 days of receipt of statement	New indicator	84%	100%	100%	100%	0	n/a

Strategy to overcome areas of underperformance

n/a

Changes to planned targets

n/a

Linking performance with budgets

	2019/2020			2018/2019		
Programme/activity/objective	Budget	Actual expenditure	(Over)/Under-expenditure	Budget	Actual expenditure	(Over)/Under-expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Finance, IT and facilities	15 558	18 508	2 950	18 217	13 601	(4 616)
OCEO	5 487	5 733	246	4 854	4 560	(294)
TOTAL	21 045	24 241	3 196	23 071	18 161	(4 910)

3.2 PROGRAMME 2: ADMINISTRATION – HUMAN RESOURCES MANAGEMENT

Programme Purpose

To create a world-class performance culture that establishes Productivity SA as the employer of choice, where the best talent will be attracted, managed, developed and retained.

Main activities

- Talent management.
- Climate enhancement and culture and values.
- Performance management.
- Learning and growth.
- Leadership.

Objectives of the Programme

- Talent management: To develop a pool of skilled and competent potential leaders that will drive the organisation's strategic objectives.
- Climate enhancement and culture and values: To define the desired culture, values and associated behaviours to support a proposed performance-driven culture.
- Performance management: To review and re-design the performance management system to reward and recognise performance excellence and cascade strategic priorities and goals to programmes and individual key performance indicators.
- Learning and growth: To have competent and skilled employees that will support and implement organisational strategy.
- Leadership: To have competent and skilled leaders that will drive organisational strategy.

Performance Indicators

STRATEGIC OBJECTIVE 1: STRENGTHEN THE INSTITUTIONAL CAPACITY OF PRODUCTIVITY SA TO DELIVER ON ITS MANDATE AND BE FINANCIALLY SUSTAINABLE							
Key performance indicators	Actual achievement 2016/2017	Actual achievement 2017/2018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target to actual achievement for 2019/2020	Comment on deviations
Percentage of workplace skills plan and training interventions achieved to capacitate the workforce	New indicator	88%	49%	80%	82%	2%	n/a

Strategy to overcome areas of underperformance

n/a

Changes to planned targets

n/a

Linking performance with budgets

	2019/2020			2018/2019		
Programme/activity/objective	Budget	Actual expenditure	(Over)/Under-expenditure	Budget	Actual expenditure	(Over)/Under-expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Training and development	455	466	11	780	299	481

3.3 PROGRAMME 3: MARKETING AND COMMUNICATIONS

Programme Purpose

Drive the productivity movement by promoting a culture of productivity in the workplace and in society in general.

Sub-Programmes/Main activities

- Productivity awards.
- Stakeholder management.
- Milestone and awareness workshops.
- Public relations and publications.

Objectives of the Programme

- To lead, inform and galvanise South Africans into higher levels of productivity by promoting the concept of productivity and competitiveness through various media: print, broadcast and online.
- To build and strengthen stakeholder relations through:
  - Sustaining relations between government, business and labour.
  - Being a major role player in productivity-related forums, i.e. Manufacturing Indaba, Buy Local Summit.
  - Embarking on sustainable media partnerships.

Performance Indicators

STRATEGIC OBJECTIVE 5: PROMOTE SOCIAL DIALOGUE AND A CULTURE OF PRODUCTIVITY AND COMPETITIVENESS IN THE WORKPLACE AND COMMUNITY LIFE							
Key performance indicators	Actual achievement 2016/2017	Actual achievement 2017/2018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target to actual achievement for 2019/2020	Comment on deviations
Number of productivity awards and regional mile-stone workshops hosted	New indicator	84%	100%	100%	100%	0	n/a

Strategy to overcome areas of underperformance

n/a

Changes to planned targets

n/a

Linking performance with budgets

	2019/2020			2018/2019		
Programme/activi-ty/objective	Budget	Actual expenditure	(Over)/Under-expenditure	Budget	Actual expenditure	(Over)/Under-expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Marketing and Communications	10 331	8 460	1 871	8 835	8 590	(245)

3.4 PROGRAMME 4: PRODUCTIVITY ORGANISATIONAL SOLUTIONS AND WORKPLACE CHALLENGE

Programme Purpose

Enterprise development and productivity training programmes to enhance the appropriate capacities of small and medium enterprises and co-operatives to adopt world-class productivity enhancement best practices, with a focus on products, processes and people.

Sub-Programmes

- Assessment Centre.
- Education and Training.
- Small Enterprise Development.
- Productivity Improvement projects.

Objectives of the Programme

- To provide productivity training to intermediaries such as educators, skills development facilitators (SDFs) and ETD service providers to extend our reach to organisations and communities.
- To conduct direct training for managers, workers and emerging entrepreneurs in order to foster continuous performance improvement in their workplaces.
- To implement productivity improvement projects in government departments to improve efficiency and productivity.
- To achieve full accreditation and education training quality assurance (ETQA) status for accreditation of service providers linked to Productivity SA.
- To develop assessment methodologies and instruments to establish performance levels of organisations, identify constraints that hamper growth and performance and assist with the compilation of action plans and work plans to resolve the identified constraints.
- Workplace Challenge: To improve the productivity and competitiveness of enterprises; and to increase the competitiveness and therefore employment in the previously underdeveloped regions of the country.

Performance Indicators

STRATEGIC OBJECTIVE 2: PROVIDE SUPPORT TO PROGRAMMES AIMED AT SUSTAINABLE EMPLOYMENT AND INCOME GROWTH							
Key performance indicators	Actual achievement 2016/2017	Actual achievement 2017/2018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target to actual achievement for 2019/2020	Comment on deviations
Number of enterprises capacitated to improve productivity and business efficiency	5 527	5 523	5 588	3 100	3686 Province / Target / Actual EC 116 158 FS 105 40 GP 774 1 416 KZN 661 744 LP 463 418 MP 53 121 NC 102 5 NW 218 173 WC 608 611 **Total** 3 100 3 686	586	Due to a combination of efforts between two programmes – WPC and POS, Productivity SA has access to larger pool of beneficiaries which assists with target achievement in the 3 regions.

STRATEGIC OBJECTIVE 5: PROMOTE SOCIAL DIALOGUE AND A CULTURE OF PRODUCTIVITY AND COMPETITIVENESS IN THE WORKPLACE AND COMMUNITY LIFE							
Key performance indicators	Actual achievement 2016/2017	Actual achievement 2017/2018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target to actual achievement for 2019/2020	Comment on deviations
Number of Education, Training and Development (ETD) practitioners and Skills Development Facilitators (SDF) trained	New Indicator	327	217	200	345 Province / Target / Actual EC - 28 FS - - GP 80 166 KZN 60 70 LP - 12 MP - 16 NC - - NW - 4 WC 60 49 **Total** 200 345	145	Regional allocation strengthened as business solution includes Productivity Champions as nucleus to productivity solutions provided.

Strategy to overcome areas of underperformance

n/a

Changes to planned targets

n/a

Linking performance with budgets

	2019/2020			2018/2019		
Programme/activity/objective	Budget	Actual expenditure	(Over)/Under-expenditure	Budget	Actual expenditure	(Over)/Under-expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Productivity Organisational Solutions	13 166	11 704	1 462	11 193	11 482	(289)
Workplace Challenge Programme	20 341	10 462	9 879	12 879	12 859	20
TOTAL	33 507	22 166	11 341	24 072	24 341	(269)

3.5 PROGRAMME 5: VALUE CHAIN COMPETITIVENESS

Programme Purpose

To provide cutting-edge productivity-related research, statistics and innovative solutions to improve the productivity and competitiveness of the economy and industry.

Sub-Programmes

- Research, Innovation and Knowledge Management

Objectives of the Programme

- The Research unit: To undertake research through generating information and knowledge which influence policy debates and decision-making and support industrial policy implementation.
- The Statistics unit: To collect and collate productivity-related statistics which present a comprehensive overview of recent and long-term trends on productivity levels and growth in South Africa.
- Knowledge and Innovation Management unit (KIM): To develop and maintain a database of productivity-improvement and competitiveness system and tools, as well as measures for evaluating their efficacy in the workplace and industry.

Performance Indicators

STRATEGIC OBJECTIVE 4: GENERATION AND DISSEMINATION OF PRODUCTIVITY RELATED RESEARCH AND STATISTICS							
Key performance indicators	Actual achievement 2016/2017	Actual achievement 2017/2018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target to actual achievement for 2019/2020	Comment on deviations
Number of research reports and publications on priority sectors produced and disseminated	6	2	2	4 published reports	4 published reports	0	n/a
Number of statistical reports on productivity and competitiveness published	New indicator	3	1	2	4	2	Due to the previous year's reports not completed within the correct timeframes, an acceleration plan was put in place to ensure the relevant year stats are published in the correct year.

Strategy to overcome areas of underperformance

Enhance the capacity of staff to deliver on a more focussed research agenda to ensure timeous delivery of the reports.

Changes to planned targets

n/a

Linking performance with budgets

	2019/2020			2018/2019		
Programme/activity/objective	Budget	Actual expenditure	(Over)/Under-expenditure	Budget	Actual expenditure	(Over)/Under-expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Research development	11 266	9 499	9 499	8 683	9 449	(766)

3.6 PROGRAMME 6: TURNAROUND SOLUTIONS

Programme Purpose

The Declaration of the Presidential Jobs Summit (October 1998) outlined a Turnaround Solutions Programme that aims to prevent job losses or a decline in employment. The Turnaround Solutions Programme is funded by the Unemployment Insurance Fund in response to section 7 of the Employment Services Act, No. 4 of 2014.

Objectives of the Programme

The programme provides technical support to companies facing financial and operational distress with the aim to:

- Save jobs and create conditions conducive for job retention and creation.
- Assist in the reduction of unemployment. The drive is to assist businesses to improve their efficiency and productivity, thereby promoting their sustainability and helping them remain competitive.
- Lessen the social and economic impact on individuals, companies, regions and the national economy.
- Sustain existing jobs as a proactive solution. Productivity SA assists in the identifying of inefficiencies and solutions to ensure improved organisational efficiencies and job retention.
- Productivity SA capacitates Future Forums (workplace forums) to establish early warning systems (EWS) to manage enterprise problems proactively.

Key performance indicators, planned targets and actual achievements

STRATEGIC OBJECTIVE 3: PROVIDE SUPPORT TO COMPANIES FACING ECONOMIC DISTRESS TO RETAIN JOBS							
Key performance indicators	Actual achievement 2016/2017	Actual achievement 2017/2018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target to actual achievement for 2019/2020	Comment on deviations
Number of jobs saved in companies facing economic distress	4 760	8 504	0	*0	*0	0	Funding for 2019/2020 has not been received. The programme is still being placed on hold.
Number of companies facing economic distress supported through turn-around strategies to retain jobs (nurturing)	55	99	0	*0	*0	0	Funding for 2019/2020 has not been received. The programme is still being placed on hold.
Number of workplace / Future Forums members trained and capacitated through productivity-improvement solutions	53	71	0	*0	*0	0	Funding for 2019/2020 has not been received. The programme is still being placed on hold.

**The APP will be amended upon receipt of funding*

Strategy to overcome areas of underperformance

Funding for 2019/20 has not been received. The programme is still being placed on hold.

Changes to planned targets

n/a

Linking performance with budgets

	2019/2020			2018/2019		
Programme/activity/objective	Budget	Actual expenditure	(Over)/Under-expenditure	Budget	Actual expenditure	(Over)/Under-expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Turnaround Solutions	20 000	9	19 991	60 326	1 099	59 227

4. REVENUE COLLECTION

	2019/2020			2018/2019		
Sources of revenue	Estimate	Actual amount collected	Over-/(under-) collection	Estimate	Actual amount collected	Over-/(under-) collection
	R'000	R'000	R'000	R'000	R'000	R'000
Transfers and subsidies						
DEL	54 610	66 794	12 184	53 261	66 776	13 515
UIF	20 000	9	(19 991)	60 326	1 099	(59 227)
The dtic	9 748	9 748	-	9 231	9 231	-
Donations	1 118	450	(668)	350	400	50
Other income						
Sales of goods and services, interest and other income	18 178	11 370	(6 808)	21 715	10 477	(11 238)
Total	103 654	88 371	(15 283)	144 883	87 983	(56 900)

The bulk of revenue collection activities relate to transfers by way of grants from two main sources, namely the DEL and the dtic. The main and guaranteed source of funds is the DEL, which amounted to R66 794 million, which includes a R9 100 million financial assistance package received in March 2020 plus additional revenue received for IT refresh.

Transfers/grants have, to a great extent, been received on time via the service level agreements and memoranda of understanding agreed with the funders. There were no transfers from the UIF to fund the Turnaround Solution Programme during the financial year, therefore the programme remained suspended.

CAPITAL INVESTMENT

The replacement of outdated software and hardware initiated in the previous financial year gained momentum during the current financial year. Two tenders were issued during the current year following the request quotation that was done in the previous year for Unified communications.

The two tenders issued during the current year were for the replacement of servers as well as the replacement of the accounting system. The tenders were awarded as follows:

- The replacement of servers tender was awarded to Sizwe IT Group (R4 500 million).
- The replacement of accounting system to SAP Business One was awarded to Epi-use (R2 400 million).

To date, no amount has been spent on the replacement of servers as the servers we delivered in March 2020 when the country was moving into a national lockdown due to Covid-19. The implementation of SAP Business One was initiated early in 2020 and R1 800 million was spent on licences by the end of the financial year.

To comply with the requirements of the PFMA and GRAP, measures were taken to ensure that the public entity's asset register remained up to date during the period under review. These included maintaining an up-to-date asset register with asset descriptions, identification codes and a record of all acquisitions, movements and disposals. Further, a physical asset count is performed every quarter. The decisions as to which assets to dispose of and scrap lie with the Asset Disposal Committee. All movements in assets are authorised by a responsible official of Productivity SA.

Assets comprise mainly computers, furniture and motor vehicles, 95% of which are in good condition. Should certain assets be identified as not fit and proper for the entity's use, they are disposed of via donations or outright sale and replaced.

No major maintenance projects were undertaken during the period under review.

PART C

GOVERNANCE

1. INTRODUCTION

Corporate governance embodies processes and systems through which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regards to public entities is applied through the precepts of the PFMA and run in tandem with the principles contained in the King Report: King Code of Governance Principles and the King Report on Corporate Governance (King IV).

Parliament, the Executive Authority and the Accounting Authority of the public entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEES

Productivity SA, along with its sister entities that report to the Department of Employment and Labour (DEL), is part of the Portfolio Committee on Employment and Labour.

Productivity SA attended the meetings with Portfolio Committee on Employment and Labour on the following dates:

- 10 July 2019 – Budget vote 2019
- 21 August 2019 – Briefing on performance in Quarter 3 of 2018/2019 Financial Year
- 28 August 2019 – Briefing on performance in Quarter 4 of 2018/2019 Financial Year
- 18 September 2019 – Tabling of the Annual Report for the 2018/2019 Financial Year

- 8 October 2019 – Select Committee meeting
- 6 and 13 November 2019 – Briefing on performance in Quarter 1 of 2019/20 Financial Year
- 4 and 5 February 2020 – Orientation workshop to focus on the core operations of the DEL, including its public entities
- 11 March 2020 – Briefing on performance in Quarter 2 of 2019/2020 Financial Year

The Committee had not identified any risk areas but did note that the entity operates on limited resources for the marketing, funding and implementation of Productivity SA programmes as well as increasing the public entity's footprint.

3. EXECUTIVE AUTHORITY

Productivity SA produces regular reports, including the Annual Performance Plan (APP) 2019/2020 and the Strategic Business Plan 2019/2020.

The first draft of the APP 2019/2020 and Strategic Business Plan 2019/2020 was produced on 24 August 2018, while the second draft was produced on 23 November 2018. The final draft was submitted on the 31 January 2019 and approved by the Minister.

No significant issues relating to the APP and the Strategic Plan were raised by the DEL.

4. THE ACCOUNTING AUTHORITY / BOARD

The importance and purpose of the Board:
The Board members serve as the Accounting Authority of Productivity SA. The duties of the Board are captured in the Productivity SA Constitution and outlined in the requirements of the Public Finance Management Act (PFMA), No. 1 of 1999 (as amended by Act 29 of 1999).

The Board's responsibilities and accountability for the public entity's performance and strategic direction:

The Board as the Accounting Authority of Productivity SA meets at least four (4) times a year.

The Board sets the vision and mission of Productivity SA and is responsible for the overall strategic direction, performance and control of the entity in executing its mandate as per the Employment Services Act, No. 4 of 2014.

The role of the Board is as follows:
The Board's role and responsibility is to

- Determine the strategic direction of Productivity SA and oversee the performance of the organisation in executing its mandate.
- Formulate the general policy.
- Appoint a Chief Executive Officer (CEO) on terms stipulated in the Constitution and subject to the Labour Relations Act (LRA) and other relevant legislations.
- Determine the remuneration terms and conditions of the employment of the CEO and other employees.
- Approve annual budgets, business plans and the financial strategy of Productivity SA.
- Appoint committees and sub-committees as it may deem necessary due to performance of its duties.

Constitution
Provide commentary on the Board Constitution and comment on the progress made on complying with the Constitution.

Composition of the Board
Board for the period: 1 December 2014 – 31 November 2019

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/term ended	Qualifications	Area of expertise	Board directorships (list the entities)	Other committees or task teams (e.g.: Audit Committee / Ministerial Task Team)	No. of meetings attended
Mthunzi Mdwaba	Non-Executive Chairman	2 Feb 2015	Current	Bachelor of Arts and Bachelor of Laws	Business	Productivity SA	Board	7
Nico Vermeulen	Non-Executive	9 Dec 2014	31/11/2019	B.Commerce (Honours), B.Social Science	Business	Productivity SA	Board/Audit and Risk Committee	9
Monga Phaladi	Non-Executive	9 Dec 2014	31/11/2019	Diploma in Business Management	Business	Productivity SA	Board/HR and R Committee	8
Esther Tloane	Non-Executive	9 Dec 2014	31/11/2019	Bachelor of Arts Social work & Bachelor of Arts Honours (Psychology)	Government	Productivity SA	Board/HR and R Committee	9
Jocelyn Vass	Non-Executive	9 Dec 2014	31/11/2019	MA (ECON) Labour Studies	Government	Productivity SA	Board/Audit and Risk Committee	8
Leela Reddy	Non-Executive	9 Dec 2014	31/11/2019	Matric	Labour	Productivity SA	Board/Audit and Risk Committee	10
Noel Mbongwe	Non-Executive	9 Dec 2014	31/11/2019	Matric	Labour	Productivity SA	Board/HR and R Committee	7

Committees for the period: 1 December 2014 – 31 November 2019

Committee	No. of meetings held	No. of members	Name of members
Audit & Risk Committee	5	4	Yaswant Gordhan Nico Vermeulen Leela Reddy Jocelyn Vass
Human Resource and Remuneration Committee	4	3	Noel Mbongwe Monga Phaladi Esther Tloane

New Board for the period: 1 December 2019 – 31 November 2024
Meetings Attended: 29 January 2020 - 31 March 2020

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/term ended	Qualifications	Area of expertise	Board directorships (list the entities)	Other committees or task teams (e.g.: Audit Committee / Ministerial Task Team)	No. of meetings attended
Mthunzi Mdwaba	Non-Executive Chairman	1 Dec 2019	Current	Bachelor of Arts and Bachelor of Laws	Business	Productivity SA	Board	2
Shivani Singh	Non-Executive	1 Dec 2019	Current	Master of Commerce (Economics)	Business	Productivity SA	Board/Audit and Risk Committee	3
Farida Khan	Non-Executive	1 Dec 2019	Current	Master's in Business Administration	Business	Productivity SA	Board/HR and R Committee	3
Marsha Bronkhorst	Non-Executive	1 Dec 2019	Current	Master of Arts	Government	Productivity SA	Board/HR and R Committee	2
Anneline Chetty	Non-Executive	1 Dec 2019	Current	PhD in Geography and Environmental Science	Government	Productivity SA	Board/Audit and Risk Committee	3
Welile Nolingo	Non-Executive	1 Dec 2019	Current	Junior Certificate	Labour	Productivity SA	Board/Audit and Risk Committee	2
Astrid Al-Anani	Non-Executive	1 Dec 2019	Current	Diploma in Management (Labour Relations)	Labour	Productivity SA	Board/HR and R Committee	1

Committees for the period: 1 December 2019 – 31 November 2024

Committee	No. of meetings held	No. of members	Name of members
Audit & Risk Committee	1	4	Yaswant Gordhan Shivani Singh Welile Nolingo Anneline Chetty
Human Resource and Remuneration Committee	1	3	Marsha Bronkhorst Farida Khan Astrid Al-Anani

Remuneration of board members

The Board members' rates are paid irrespective of meetings lasting the whole day or only for a few hours.

- No fees will be payable should a Board member not attend a scheduled meeting or if a completed document and signed claim form has not been received.
- These fees will also apply in cases where a Board member is asked by Productivity SA to officiate at a meeting or function on behalf of Productivity SA.

Those members that are not remunerated:

- Government representatives are not entitled to any fees or refunds for travel and accommodations costs.
- The rates will be reviewed annually in line with Productivity SA as guided by the National Treasury.

Other expenses, e.g. travel, reimbursed by the public entity:

- Travel and accommodation costs for functions or meetings on behalf of Productivity SA are incurred by Productivity SA.

Remuneration paid to each board member:

- Remuneration rates for the Board of the Productivity SA

Non-Executive Chairman of the Board
R4 317.00 per meeting

Independent Chairperson of the Audit and Risk Committee
R4 317.00 per meeting

Non-Executive Board/Alternate/Co-opted members
R2 619.00 per meeting

Board for the period: 1 December 2014 – 31 November 2019

Name	Remuneration for Attendance
Mthunzi Mdwaba	R133 015
Nico Vermeulen	R48 348
Monga Phaladi	R41 074
Leela Reddy	R46 172
Noel Mbongwe	R51 039
Yaswant Gordhan	R50 045

Board for the period: 1 December 2019 - 31 November 2024
Board Remuneration: 29 January 2020 - 31 March 2020

Name	Remuneration for Attendance
Astrid Al-Anani	R2 927
Farida Khan	R11 171
Welile Nolingo	R9 328
Shivani Singh	R8 440

5. RISK MANAGEMENT

Due to its size and its quest for value and independence, Productivity SA outsources its risk management to internal auditors, Rakoma and Associates Inc.

Senior management, with the assistance of the outsourced internal audit function, is committed to assessing, on an on-going basis, the major operational, business and fraud-related risks that Productivity SA faces. Internal Audit plans are drawn up and progress is monitored against these plans continually. A risk management workshop was facilitated by Rakoma where senior management revisited the risks facing Productivity SA. The Audit and Risk Committee evaluates reports prepared by Rakoma to identify areas where management's further attention may be required.

6. INTERNAL CONTROL UNIT

Internal control is evaluated in a combined effort by management, internal audit and external audit. The findings on internal controls by internal audit and external audit are reported to the Audit and Risk Committee and actions to clear them are monitored.

For the year under review, Rakoma carried out the annual internal audit plan as approved by the Audit and Risk Committee, which included the following internal audit work:

- Performance information review.
- Human resource management review.
- Information and communication technology review.
- Financial management review.
- Supply chain management review.

Rakoma's findings have been reported to the Audit and Risk Committee and communicated to management, who have adequately addressed them.

While periodic evaluations by management and independent reviews by internal and external auditors identified areas of further improvement, management is satisfied that internal controls implemented and relied on continued to provide reasonable assurance regarding financial and performance management and compliance with Productivity SA policies and procures as well as legislation.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

Rakoma, an outsourced firm responsible for Productivity SA's internal audit function, provides an independent appraisal function that is designed to examine and evaluate Productivity SA's internal controls. In particular, Rakoma is charged with the responsibility of examining and evaluating the effectiveness of Productivity SA's operational activities, the attendant business risks and the system of internal, operational and financial controls.

Any major weaknesses detected are brought to the attention of the Audit and Risk Committee, the external auditors and members of management for their consideration and remedial action. Rakoma meets with external auditors on a regular basis and discusses plans and results in respect of the audits carried out during the year. The committee meets periodically with management, external auditors and internal auditors, and it also meets separately with external and internal auditors when necessary.

The Audit and Risk Committee has a written charter approved by the Board of Directors. The committee does not have any operational or executive responsibilities. Its objectives are:

- Establishing a channel of communication between the Board of Directors, management, external auditors and internal auditors.
- Evaluating whether management creates and maintains an effective control environment to safeguard Productivity SA's assets, and that management demonstrates the necessary respect for the entity's internal control structure.
- Reviewing the scope and outcome of audits. This review includes an assessment of the effectiveness of the annual statutory audit and ensuring that sufficient emphasis is placed on issues which, in the opinion of the committee, management or the auditors, deserve special attention.
- Ensuring that the Board of Directors makes informed decisions and is aware of the implications of these decisions for accounting policies, practices and disclosure.
- Safeguarding the Directors' liability by informing the Board of Directors about issues that impact on the business and the status of financial reporting.

The table below discloses relevant information on the audit committee members.

Committee for the period: 1 December 2019 - 31 November 2024

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	No. of meetings attended
Yaswant Gordhan	CA(SA) and Master of Science (Bus Admin)	External	N/A	1 July 2016	Current	5
Nico Vermeulen	B.Commerce (Honours), B.Social Science	External	N/A	9 Dec 2014	31/11/2019	5
Leela Reddy	Matric	External	N/A	9 Dec 2014	31/11/2019	5
Jocelyn Vass	M A (ECON) Labour Studies	External	N/A	9 Dec 2014	31/11/2019	4

Committee for the period: 1 December 2019 - 31 November 2024

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	No. of meetings attended
Yaswant Gordhan	CA(SA) and Master of Science (Bus Admin)	External	N/A	1 July 2016	Current	5
Shivani Singh	Master of Commerce (Economics)	External	N/A	1 Dec 2019	Current	2
Welile Nolingo	Junior Certificate	External	N/A	1 Dec 2019	Current	2
Anneline Chetty	PhD in Geography and Environmental Science	External	N/A	1 Dec 2019	Current	2

8. COMPLIANCE WITH LAWS AND REGULATIONS

Productivity SA regularly conducts an exercise to evaluate and advise it on compliance with all relevant legislation that it would be required to abide by. In 2018/2019 financial year. The overarching principle of Productivity SA is that it subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards its stakeholders.

9. FRAUD AND CORRUPTION

Management has developed a multi-pronged plan towards addressing fraud and corruption. Firstly, the possible risks that could prevent the entity from achieving its objectives were identified along with what could go wrong. From this exercise a fraud and risk checklist were developed to ensure that all bases are covered.

Awareness was created via presentations to staff on a quarterly basis. Staff members are aware of the processes and procedures to be followed should they suspect or have evidence that fraud and corruption is taking place. A fraud hotline was sought from the DEL as Productivity SA is too small an entity to warrant having its own dedicated hotline.

The emerging risks mentioned above are reported on a quarterly basis at the Audit and Risk Committee and monthly at the Executive Committee meeting. The combination of managerial efforts, along with the internal and external audit processes, in creating awareness as well as devising steps to detect and prevent fraud and corruption, is believed to be sufficient to adequately address this subject.

In light of the above, management are continuously investigating allegations including, where warranted, forensic evidence that has come to their attention.

10. MINIMISING CONFLICT OF INTEREST

Productivity SA management views conflict of interest in supply management in a serious light. To this end, the standard contract that Productivity SA would sign with service providers contains a water-tight clause on conflict of interest and provides for possible prosecution should it be found that an employee or a service provider violated the provisions of this clause.

Furthermore, Productivity SA strives to comply with the PFMA on the sourcing of goods and services, which prescribes the three levels, i.e. quotations, a signed contract and open tender should certain limits be reached.

All employees of the entity have signed the declaration of interest at the time when they joined. It is also a standard item on the agenda of all committee meetings that members declare their interest to avoid conflict.

11. CODE OF CONDUCT

Productivity SA subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards its stakeholders. Should this code be breached, the Productivity SA Constitution prescribes that the relevant breach be addressed according to the policy that covers it.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Although the entity was already observing some health and safety standards at the time, in October 2012 Productivity SA engaged the services of an expert in the establishment of occupational health and safety (OHS) practices to formalise the process. The aim was to ensure compliance of Productivity SA, its staff and contractors to the principles of OHS.

The OHS process entails the following:

1) Inspections by means of audits for any physical hazards, hygiene stress factors, environmental concerns and general liability risk issues.
2) Informing all staff of their rights and responsibilities in terms of the OHS and Compensation for Occupational Injuries and Diseases acts.
3) Establishing an OHS Committee.
4) Appointing and coaching Health and Safety Representatives.
5) Establishing an effective evacuation instruction.

The basis of OHS in Productivity SA revolves around five (5) main areas, namely: the premises, regulation of the facilities, stacking and storage, fire protection and electrical machinery. These are the main areas for setting out the manner in which audits are conducted for the facilities. On top of that, Productivity SA is then audited on the administrative function, whereby compliance is measured on reporting and appointment of representatives.

An initial audit indicated a number of low- to medium-risk items, which were immediately addressed. Based on the initial audit findings the compliance rating was very low due to the administrative structures not being implemented as yet.

This administrative process was initiated in October 2012, whereby the management structures and appointment of key Health and Safety Representatives began.

13. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2020.

Audit and Risk Committee members and members' attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet at least four times per annum, as per approved terms of reference.

During the current year, five meetings were scheduled and held. The Audit and Risk Committee confirms that it has discharged its responsibility in terms of the Productivity SA Audit and Risk Committee Charter.

Committee for the period: 1 December 2014 – 31 November 2019

Name	AUDIT AND RISK COMMITTEE				
	30/4/2019	20/5/2019	23/7/2019	20/09/2019	14/11/2019
Yaswant Gordhan	√	√	√	√	√
Nico Vermeulen	√	√	√	√	√
Leela Reddy	√	√	√	√	√
Jocelyn Vass	√	√	√	√	√

√= Present

Committee for the period: 1 December 2019 - 31 November 2024

Name	AUDIT AND RISK COMMITTEE	
	27/2/2020	14/5/2020
Yaswant Gordhan	√	√
Shivani Singh	√	√
Welile Nolingo	√	√
Anneline Chetty	√	√

√= Present

The 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 of 1999 and Treasury Regulations 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.

Effectiveness of Internal Control

The Audit and Risk Committee reviewed the findings by the internal auditors, which were based on certain weaknesses revealed through the risk assessment that was conducted, and which were raised with management. We are satisfied with the additional controls that management has implemented in addressing these internal audit findings.

Internal Audit

Rakoma and Associates Inc. were appointed in September 2018 for the provision of internal audit services for the financial year 2019/2020. The following reviews were conducted:

- Performance information review.
- Human resource management review.
- Information and communication technology review.
- Financial management review.
- Supply chain management review.

From these internal audit reports and those from the external auditor, the Audit and Risk Committee has recommended improvements in the internal control environment. Management has committed to address these and the Audit and Risk Committee will continue to monitor such remedial action in the ensuing year.

In-Year Management and Monthly / Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority.

Evaluation of Audited Annual Financial Statements

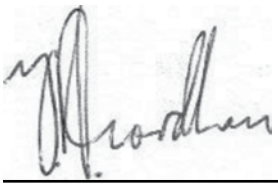
We have reviewed the audited annual financial statements and we are satisfied that they conform to the applicable and appropriate accounting standards. The Audit and Risk Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the auditor and the accounting authority.
- Reviewed the auditor's management report and management's response thereto.
- Reviewed the accounting policies and practices as reported in the entity's annual financial statements.
- Reviewed the entity's compliance with legal and regulatory provisions.
- Reviewed the information in predetermined objectives included in the Annual Report.
- Reviewed material adjustments resulting from the audit.
- Reviewed the effectiveness and adequacy of the internal audit function and adequacy of its annual work plan.
- Reviewed the results of the work performed by the internal audit and any significant investigation and management responses thereto.
- Reviewed the external auditor's findings and reports submitted to management.
- Reviewed the independence and objectivity of the external auditors.

The Audit and Risk Committee recommended the audited annual financial statements to the Board for approval and adoption.

Auditor's Report

We have reviewed Productivity SA implementation plan for audit issues raised in the prior year and we are satisfied that the matters raised there have been adequately resolved. The Audit and Risk Committee concurs and accepts the conclusions of the Auditors on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditors.



Y.N. Gordhan and Company
Chartered Accountant (SA)
(Member No: 154484)

PART D

HUMAN RESOURCES MANAGEMENT

1. INTRODUCTION

OVERVIEW OF HUMAN RESOURCES OBJECTIVES

During the 2019/2020 financial year the Human Resources Department aimed to create a high-performance organisational culture to drive the expanded legislative mandate of Productivity SA.

Despite financial constraints, 82% of the overall Training Plan was implemented against an annual target of 80%.

The Bargaining Forum reached an agreement regarding salary increases for 2019/2020 during August 2019. The agreement was based on gap closure for affected employees against the Equate salary scales 2018/2019 followed by a salary increase of 5.2% for all executive staff, senior management or any other employee earning R1 million and above, or a salary increase of 5.7% for all employees earning below R1 million. The salary increase was back dated to 1 April 2019.

Key positions filled during this period included the Cost and Management Accountant, Productivity Advisor EC (fixed-term) and Graduate KZN (fixed-term) positions. Acting appointments continued to take place within senior positions to bring stability to the respective programmes/departments.

A moratorium was placed during May 2019 on the recruitment of new staff and/or the replacement of employees due to the precarious financial situation and the impact thereof on the sustainability and 'going concern' status of the organisation. As at March 2020, there were 30 vacancies within the organisation, including 24 vacancies within the service delivery programmes and 6 vacancies within the support programmes. The Executive Committee reconsidered the moratorium on recruitment during October 2019 in view of operational requirements and the strategic priorities of the organisation.

Guidelines around the appointment of staff were communicated to the organisation during October 2019. In terms of these guidelines, fixed-term contract appointments were considered for fully funded contracts, as well as the filling of funded positions that had been budgeted for during the 2019/2020 financial year. Appointments for non-funded positions that were not provided for in the 2019/2020 budget were not considered for filling. However, in exceptional circumstances these positions could be considered provided that the cash flow of the respective cost centre was not adversely affected. In all instances, the relevant Executive/Regional Manager had to seek approval from the CEO, regardless of the level of the position.

The Human Resources Department experienced resource challenges during this period as the HR Business Partner Payroll and Admin vacancy could not be filled during 2019/2020 due to financial constraints. The Senior Programme Administrator HR was appointed as Acting HR Business Partner in order to ensure that critical deliverables were implemented.

The South African Parastatal and Tertiary Institutions Union (SAPTU) membership dropped below the 30% plus one employee within the Bargaining Unit threshold during July/August 2019. During October 2019 Management issued SAPTU with one month's notice of termination of the Recognition Agreement, which ended on 8 November 2019.

An introductory meeting between Management and the National Education, Health and Allied Workers' Union (NEHAWU) took place on 12 March 2020. At this meeting NEHAWU informed Management that they had 34 members within the entity and as such believed that they had majority status. Management acknowledged receipt of the membership forms and processed payroll-related transactions accordingly. The Collective Agreement between Productivity SA and NEHAWU was due to be signed by the end of March 2020. This process has, however, been delayed due to the national lockdown.

A notification was received from the High Court indicating that it had granted the lawyers representing the 32 pensioners leave to appeal the terminated medical aid benefit. However, the date for the matter has not yet been communicated. Awaiting further correspondence.

HUMAN RESOURCES PRIORITIES

The following key priorities were identified for the year under review:

- Human resources policies.
- Organisational design.
- Employee wellness.
- Performance management.
- Learning and growth.

HUMAN RESOURCES PLANNING FRAMEWORK AND STRATEGIES

The implementation of the revised organisational structure was placed on hold pending the availability of financial resources, as per the Board resolution on 6 December 2018; however, EXCO resolved to implement certain components of the structure.

The revised organisational structure, including the reconfiguration of programmes and the establishment of Region 1, came into effect on 1 April 2020. A consultation process took place with all affected employees in terms of changes in their job titles, job content and reporting lines. This process commenced in December 2019. Consultation meetings took place with the respective employees from December 2019 until March 2020. Affected employees received individual letters from the CEO during April 2020, confirming their revised job titles and reporting lines.

EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM

Performance Review 1 for the period of April 2019 to September 2019 and Performance Review 2 for the period October 2019 to March 2020 will be finalised by 3 July 2020.

Performance Contracting for 2020/2021 will be finalised by 31 July 2020.

The Human Resources Department revised the Performance Management Policy during this period and the policy was approved by Board during August 2019.

EMPLOYEE WELLNESS PROGRAMME

The Employee Wellbeing Programme Policy was approved by the Board during August 2019. The Human Resources Department is monitoring sick leave utilisation levels to determine whether there has been a reduction due to the Employee Wellness Programme.

The engagement rate for the period March 2019 to February 2020 was 47.8%. Annualised individual usage of the core counselling and advisory services of 33.2% was recorded during the most recent period, which compares to 20.8% during the previous period and 12.7% across all ICAS client companies during the most recent review period.

During the period under review and the preceding period, the most commonly utilised service was professional counselling, which constitutes 57.1% of total engagement in the most recent period and 64.5% during the previous period.

The Employee Wellness Report reflected the following top 4 reasons for employee referrals:

- Musculoskeletal issues.
- Trauma.
- Mental illness/psychiatric issues.
- Stress.

HUMAN RESOURCES POLICY DEVELOPMENT

The Board approved the following new/revised Human Resources policies during 2019/2020:

- Training and Development Policy (revised).
- Remuneration Policy (revised).
- Performance Management Policy (revised).
- Employee Wellbeing Programme Policy (new).
- Bereavement Policy (new).
- Code of Ethics Policy (revised).
- HIV/AIDS Policy (revised).
- Recruitment and Selection Policy (revised).
- Acting and Secondment Policy (revised).
- Grievance Policy (revised).
- Affirmative Action and Employment Equity Policy(revised).

These policies have been uploaded onto SharePoint for easy access and referencing.

The Basic Conditions of Employment Policy and the Disciplinary Policy and Code are still under review by the Human Resources Department.

HUMAN RESOURCES HIGHLIGHTS AND CHALLENGES

The Human Resources Department's highlights and challenges over this period were as follows:

Highlights		Details
1.	Achievement of APP target	The Human Resources Department has implemented 82% of the Training Plan for 2019/2020, against the annual target of 80%. This target was achieved despite resource constraints within the department.
2.	Regulatory reports submitted timeously	The Human Resources Department has timeously submitted the relevant regulatory reports during this period.

Challenges		Details
1.	Legal matters	Employee relations matters resulted in CCMA / Labour Court referrals and have contributed to high legal costs being incurred.
2.	Resource constraints	A moratorium on recruitment due to financial constraints resulted in the organisation being unable to fill 30 vacancies. This has placed strain on the existing resources due to the additional workload that they have had to carry.
3.	Project commitments	The organisation entered into an agreement with the dtic during August 2019 regarding the payment of Intern stipends for the Itukise project. This has placed an additional workload on the HR Department's resources; however, a temporary resource has been appointed in order to alleviate the workload.

FUTURE HUMAN RESOURCES PLANS AND GOALS

The Human Resources Department's future plans and goals are as follows:

- Finalise the review of HR policies.
- Review job profiles.
- Finalise the implementation of the revised organisational structure.
- Finalise the Resource and Capability Framework.
- Implementation of learnership or internship programmes.

2. HUMAN RESOURCES OVERSIGHT STATISTICS

2.1 HUMAN RESOURCES COST BY PROGRAMME/ ACTIVITY/ OBJECTIVE

Permanent Employees

Programme/ activity/ objective	Total expenditure for the entity	Personnel expenditure	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee
	(R'000)	(R'000)	(R'000)		(R'000)
Productivity SA (All except WPC and TAS)	77 084	50 034	65%	64	782
Workplace Challenge	10 443	7 547	72%	9	836
Turnaround Solutions	9	3 147	n/a	4	786
Total	**87 536**	**60 728**	**69%**	**77**	**787**

Temporary Employees

Programme/ activity/ objective	Total expenditure for the entity	Personnel expenditure	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee
	(R'000)	(R'000)	(R'000)		(R'000)
Productivity SA (All except WPC and TAS)	77 084	851	1.1%	4	213
Workplace Challenge	10 443	42	0.4%	1	42
Turnaround Solutions	9	0	n/a	0	0
Total	**87 536**	**893**	**1%**	**5**	**179**

2.2 HUMAN RESOURCES COST BY SALARY BAND

The following amounts reflected in the below tables exclude leave provisions.

Permanent Employees

Level	Personnel expenditure	% of Personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee
	(R'000)	(R'000)		(R'000)
Top management	8 894	15%	6	1 482
Senior management	16 415	27%	15	1 094
Professional qualified	26 374	43%	34	776
Skilled	7 765	13%	18	431
Semi-skilled	1 280	2%	4	320
Unskilled	0	0%	0	0
TOTAL	**60 719**	**100%**	**77**	**789**

Temporary Employees

Level	Personnel expenditure	% of Personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee
	(R'000)	(R'000)		(R'000)
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	667	75%	1	667
Skilled	42	5	1	42
Semi-skilled	184	21%	3	61
Unskilled	0	0	0	0
TOTAL	**893**	**100%**	**5**	**179**

2.3 PERFORMANCE REWARDS

Level	Personnel expenditure	% of Personnel expenditure to total personnel cost	Number of employees
	(R'000)	(R'000)	(R'000)
Top management	0	0	0
Senior management	0	0	0
Professional qualified	0	0	0
Skilled	0	0	0
Semi-skilled	0	0	0
Unskilled	0	0	0
TOTAL	**0**	**0**	**0**

3. TRAINING AND DEVELOPMENT

The purpose of the Training and Development Plan is to have competent and skilled employees that will support and implement organisational strategy, the mandate in terms of the Employment Services Act, No. 4 of 2014 and the revised business model. This section highlights the efforts displayed by the organisation regarding skills development and uplifting employees through the organisation's financial assistance and training programmes.

3.1 TRAINING INITIATIVES

The training budget for 2019/2020 was R 454 525. The training budget was drastically reduced in line with the organisation's grant allocation from R 779 712 during 2018/2019 to R454 525 during 2019/2020. This resulted in overspending of R 11 023 during 2019/2020 to achieve the Annual Performance Plan (APP) target.

3.1.1 Below is a tabular illustration of employees who attended training interventions:

Level	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	% Race
	M	F	M	F	M	F	M	F				F	HDI
1	0	0	0	0	0	0	0	0	0	0	0	0%	0%
2	1	0	0	0	0	0	0	1	1	1	2	50%	50%
3	1	0	0	0	0	2	1	0	2	2	4	50%	75%
4	2	0	0	0	0	0	0	0	0	2	2	0%	100%
5	7	10	1	1	1	1	0	0	12	9	21	57%	100%
6	2	2	0	0	0	2	0	1	5	2	7	71%	85%
7	0	4	0	0	0	1	0	0	5	0	5	100%	100%
8	1	0	0	0	0	0	0	0	1	0	1	100%	100%
9	0	0	0	0	0	1	0	0	1	0	1	100%	100%
Grand Total	**14**	**16**	**1**	**1**	**1**	**7**	**1**	**2**	**27**	**16**	**43**	**62%**	**93%**

3.2 TRAINING COSTS

Programme/ activity/ objective	Personnel expenditure	Training expenditure	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee
	(R'000)	(R'000)			
Productivity SA (all except WPC and TAS)	48 102	336 375	0.7%	34	R 4 411
Workplace Challenge	9 323	109 254	1.2%	6	R 4 400
Turnaround Solutions	3 332	19 919	0.6%	3	R 2 000
Total	**60 757**	**465 548**	**0.5%**	**43**	**R 4 271**

3.3 FINANCIAL ASSISTANCE

Productivity SA offers financial assistance towards the costs of tertiary level studies to assist employees to obtain formal qualifications that are in line with organisational objectives. This will ensure that employees are equipped to achieve the organisational mandate as espoused in the business model and the Employment Services Act, No. 4 of 2014. After the employees have acquired the qualification, they are required to demonstrate a return on investment by fulfilling a service obligation agreement with the organisation.

Financial assistance amounting to R 288 287.45 was given to fourteen (14) employees towards costs for academic qualifications.

Applications submitted were for the following qualifications:

- Bachelor of Communication
- Bachelor of Commerce in Business Management
- Post-Graduate Diploma in Business Management
- ICB Financial Accounting – Intermediate Level 2019
- Diploma in Management Accounting
- Bachelor of Arts – Honours in Industrial and Organisational Psychology
- Postgraduate – Business Management
- Postgraduate Diploma in Business Management
- Bachelor of Commerce in Industrial and Organisational Psychology (98308-IOP)
- Bachelor of Commerce – Honours in Business Management (98452)

- Bachelor of Commerce in Industrial and Organisational Psychology (98308-IOP)
- Bachelor of Arts – Honours in Integrated Organisational Communication
- Postgraduate Diploma in CTA 98230
- Postgraduate: Human Resource Management

4. ORGANISATIONAL DEVELOPMENT

Productivity SA has embarked on a Culture Shift Journey and the following cultural pillars are currently being implemented to bring about the desired culture:

4.1 CULTURE AND VALUES PILLAR

Purpose:
- To define the desired culture, values and associated behaviours to support a performance-driven environment.

Deliverables:
- Implementation of Climate Survey
- Define desired behaviours that will depict organisational values

Progress:
- The Climate Survey was not implemented in 2019/2020 due to the financial constraints experienced by the organisation. It may be implemented during 2020/2021 subject to the availability of financial resources.

4.2 ORGANISATIONAL DESIGN AND REVIEW PILLAR

Purpose:
- To create a flexible structure.
- To enable career growth.
- To support a performance-driven culture.
- To improve Productivity SA's footprint and service delivery access points across the country in all the provinces to ensure that the organisation delivers the full spectrum of its service offering closer to where clients are.
- To improve the leadership and management capacity within the Head Office to deliver on the mandate of Productivity SA.
- To enhance Productivity SA's research and knowledge management capacity to undertake cutting-edge productivity-related research and modernisation of knowledge management
- Systems and productivity improvement solutions to add value to the efforts of the rest of government and industry.
- To secure funding towards promoting a culture of productivity in the workplace and in society in general.

Deliverables:
- Redesign organisational structure.
- Review job profiles.
- Conduct job evaluation and re-grading exercises.

Progress:
- The revised organisational structure resulted in changes in terms of the job content of certain positions. A job evaluation project will take place during 2020/2021 to determine whether the changes in job content would lead to job grade changes and related salary adjustments.
- This process will include the standardisation of job descriptions for certain administrative support positions to eliminate inconsistencies.

4.3 PERFORMANCE MANAGEMENT PILLAR

Purpose:
- To review and re-design the current performance management system to reward and recognise performance excellence.
- To cascade the strategic priorities and goals to programmes and to individual key performance indicators.

Deliverables:
- Improved Performance Management system aligned to organisational strategy, where individual performance is monitored, assessed and evaluated.

Progress:
- The organisation reviews employees' performance over the following review periods:
  - Review period 1 (April to September).
  - Review period 2 (October to March).
- Performance Contracting 2019/20, Performance Review 1 and Performance Review 2 submission rate was 96%.
- Performance Contracting 2020/2021 must be submitted by 31 July 2020.

4.4 LEARNING AND GROWTH PILLAR

Purpose:
- To have competent and skilled employees that will support and implement organisational strategy.

Deliverables:
- Skills audit.
- Training and development plan.
- Talent management strategy, plan, processes and tools.

Progress:
- 82% of the Training Plan for 2019/2020 was implemented against an annual target of 80%.
- Talent Management Career Path discussions are still on hold due to financial constraints.
- The Skills Audit will be conducted by 30 October 2020.

- The Training Plan for 2020/2021 was submitted to PSETA on the 27 May 2020.

4.5 REWARD AND RECOGNITION PILLAR

Purpose:
- To implement a reward and recognition system that will recognise performance excellence.

Deliverables:
- Salary benchmarking.
- Remuneration policy.
- Incentive scheme.

Progress:
- The Draft Reward and Recognition Policy and Short-term Incentive Scheme have been placed on hold pending the availability of financial resources.

4.6 LEADERSHIP PILLAR

Purpose:
- To have competent and skilled leaders that will drive organisational strategy.

Deliverables:
- Leadership competency model.
- Leadership branding and communication.
- Leadership development.

Progress:
- Leadership development programme will be launched pending the availability of financial resources and the implementation of the new organisational structure.

5. RECRUITMENT AND SELECTION

5.1 EMPLOYMENT AND VACANCIES

Permanent Employees

Programme/ activity/ objective	2018/2019 Number of employees April 2019	2019/2020 Approved posts	2019/2020 Number of employees March 2020	2019/2020 Vacancies	% of Vacancies
Productivity SA (All except WPC and TAS)	70	77	64	13	43%
Workplace Challenge	11	22	9	13	43%
Turnaround Solutions	4	8	4	4	14%
Total	**77**	**107**	**77**	**30**	**100%**

Temporary Employees

Programme/ activity/ objective	2018/2019 Number of employees April 2019	2019/2020 Approved posts	2019/2020 Number of employees March 2020	2019/2020 Vacancies	% of Vacancies
Productivity SA (All except WPC and TAS)	3	4	4	0	0%
Workplace Challenge	0	1	1	0	0%
Turnaround Solutions	0	0	0	0	0%
Total	**3**	**5**	**5**	**0**	**0%**

Permanent Employees

Programme/ activity/ objective	2018/2019 Number of employees April 2019	2019/2020 Approved posts	2019/2020 Number of employees March 2020	2019/2020 Vacancies	% of Vacancies
Top management	6	7	6	1	3%
Senior management	15	22	15	7	24%
Professional qualified	34	53	34	19	63%
Skilled	18	18	18	0	0%
Semi-skilled	4	7	4	3	10%
Unskilled	0	0	0	0	0%
Total	**77**	**107**	**77**	**30**	**100%**

Temporary Employees

Programme/ activity/ objective	2018/2019 Number of employees April 2019	2019/2020 Approved posts	2019/2020 Number of employees March 2020	2019/2020 Vacancies	% of Vacancies
Top management	0	0	0	0	0%
Senior management	0	0	0	0	0%
Professional qualified	1	1	1	0	0%
Skilled	1	1	1	0	0%
Semi-skilled	3	3	3	0	0%
Unskilled	0	0	0	0	0%
Total	**5**	**5**	**5**	**0**	**0%**

5.2 EMPLOYMENT CHANGES

Permanent Employees

Salary band	Employment at beginning of period April 2019	Appointments	Terminations	Employment at end of period March 2020
Top management	6	0	0	6
Senior management	15	1	1	15
Professional qualified	40	0	6	34
Skilled	18	0	0	18
Semi-skilled	6	0	2	4
Unskilled	0	0	0	0
Total	**85**	**1**	**9**	**77**

Temporary Employees

Salary band	Employment at beginning of period April 2019	Appointments	Terminations	Employment at end of period March 2020
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	1	0	0	1
Skilled	0	1	0	1
Semi-skilled	2	1	0	3
Unskilled	0	0	0	0
Total	**3**	**2**	**0**	**5**

5.3 REASONS FOR STAFF LEAVING

Nine (9) permanent employees left the organisation. Five (5) employees resigned, three (3) employees retired and one (1) employee sadly passed away.

The labour turnover in terms of resignation of employees (permanent and temporary) represents 11% of the overall workforce against the target of 5%.

The below table reflects both permanent and temporary terminations:

Reason	Number	% of Total number of staff leaving
Death	1	11%
Resignation	5	56%
Dismissal	0	0%
Retirement	3	33%
Ill health	0	0%
Expiry of contract	0	0%
Other: Internal movements	0	0%
Total	**9**	**100%**

6. LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary action	Number
Verbal warning	0
Written warning	0
Final written warning	0
Dismissal	0
Total	**0**

7. WORKFORCE PROFILE

7.1 Below is a tabular illustration of Productivity SA's permanent workforce profile:

Level	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	% Race
	F	M	F	M	F	M	F	M				F	HDI
1	0	1	0	0	0	0	0	0	0	1	1	0	100
2	1	2	1	0	0	0	1	0	3	2	5	60	80
3	1	3	0	0	1	0	0	1	2	4	6	33	83
4	3	5	0	0	1	0	0	0	4	5	9	44	100
5	16	12	1	2	1	1	1	0	19	15	34	56	97
6	4	2	0	1	2	0	2	0	8	3	11	73	82
7	5	0	1	0	1	0	0	0	7	0	7	100	100
8	0	2	0	0	0	0	0	0	0	2	2	0	100
9	1	0	1	0	0	0	0	0	2	0	2	100	100
Grand Total	**31**	**27**	**4**	**3**	**6**	**1**	**4**	**1**	**45**	**32**	**77**	**58**	**94**

7.2 Below is a tabular illustration of Productivity SA's temporary workforce profile, including fixed-term employees and graduates:

Level	African		Coloured		Indian		White		Total Females	Total Males	Grand Total	% Gender	% Race
	F	M	F	M	F	M	F	M				F	HDI
1	0	0	0	0	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0	0	0	0	0
5	0	1	0	0	0	0	0	0	0	1	1	0	100
6	0	1	0	0	0	0	0	0	0	1	1	0	100
7	0	0	0	0	0	0	0	0	0	0	0	0	0
8	0	0	0	0	0	0	0	0	0	0	0	0	0
9	1	1	0	0	1	0	0	0	2	1	3	67	100
Grand Total	**1**	**3**	**0**	**0**	**1**	**0**	**0**	**0**	**2**	**3**	**5**	**40**	**100**

Table 7.2 is broken down as follows:

Fixed-term employees:	2
Productivity SA graduates:	3
Total:	5

8. EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Explanations: The below targets include the current workforce profile for 2018/2019 and the targets are for the 2019/2020 period.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	3	0	0	0	0	0	1
Senior management	8	8	0	1	0	0	1	2
Professional qualified	12	18	2	3	1	1	0	3
Skilled	2	2	1	1	0	0	0	0
Semi-skilled	2	3	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	**27**	**34**	**3**	**5**	**1**	**1**	**1**	**6**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	2	1	1	0	0	1	1
Senior management	4	6	0	1	2	2	0	1
Professional qualified	16	19	1	3	1	1	1	3
Skilled	9	10	1	1	3	3	2	2
Semi-skilled	1	3	1	1	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	**31**	**40**	**4**	**7**	**6**	**6**	**4**	**7**

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	**0**	**0**	**0**	**0**

PART E

FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT:

Nexia SAB&T
accountants | auditors | consultants

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Independent auditor's report to Parliament on Productivity SA

Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of the Productivity SA set out on pages 66 to 95, which comprise the statement of financial position as at 31 March 2020, the statement of financial performance, statement of changes in net liabilities, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Productivity SA as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of this auditor's report.

4. We are independent of the entity in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of professional conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* respectively.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

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

7. We draw attention to note 29 to the financial statements, which indicates that the entity had an accumulated deficit of R13 689 627 for the year ended 31 March 2020 and, as of that date the entity's current liabilities exceeded its total assets by R13 689 627. As stated in note 29, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

Emphasis of matter

8. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Events after the reporting date – COVID-19

9. We draw attention to note 30 in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of Covid-19 on the entity's future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances.

Responsibilities of accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA, and 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.

11. In preparing the financial statements, the accounting authority is responsible for assessing the 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 accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

12. Our 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 our 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.

13. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act of South Africa of 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

15. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. Our procedures do not examine whether the actions taken by the entity enabled service delivery. Our procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

16. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2020:

Programmes	Pages in the annual performance report
Programme 4 - Productivity Organisational Solutions and Workplace Challenge	32 – 34

17. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. We did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

    - Programme 4 - Productivity Organisational Solutions and Workplace Challenge

Other matter

19. We draw attention to the matter below. Our opinions are not modified in respect of this matter.

Achievement of planned targets

20. Refer to the annual performance report on pages 29 to 36 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.

24. Material misstatements of intangible assets, operating expenses, revenue from non-exchange transactions, commitments and related parties identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure Management

25. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R120 940, as disclosed in note 23 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest and penalties on late payment of accounts.

Other information

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

27. My opinion on the financial statements and my findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

28. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. If based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

30. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matter reported below is limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

31. Leadership did not implement effective controls to ensure accurate financial reporting nor did they exercise adequate oversight responsibility over compliance with applicable legislation, which resulted in fruitless and wasteful expenditure and material adjustments made to the financial statements.

Auditor tenure

32. We report that Nexia SAB&T has been the auditor of Productivity SA for 7 years.

Nexia SAB&T
C. Chigora
Engagement Director
Registered Auditor
30 September 2020

119 Witch-Hazel Avenue
Highveld Techno-park
Centurion
0146

Nexia SAB&T

Annexure – Auditor's responsibility for the audit

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

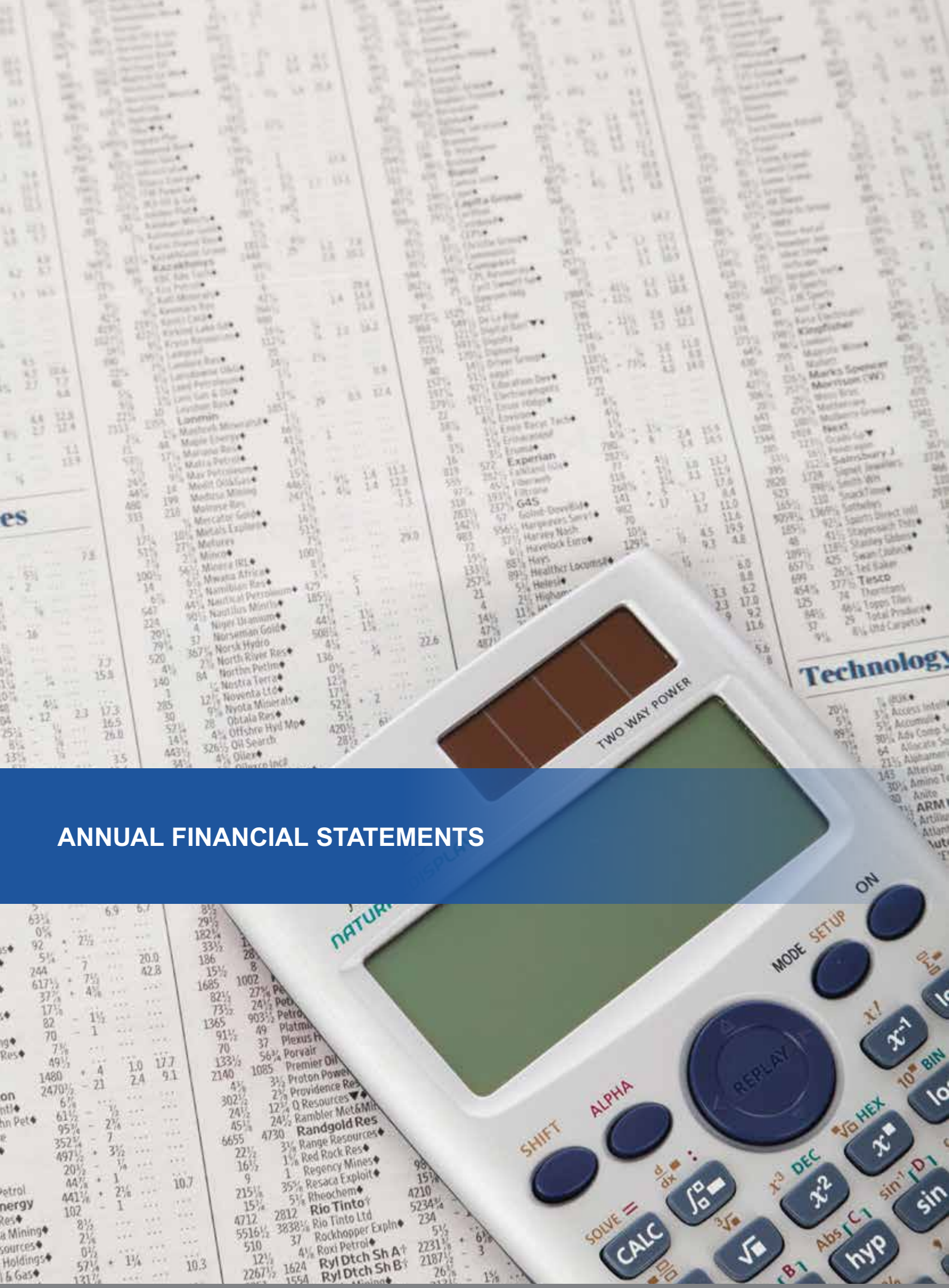
Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We 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 Productivity SA to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause an 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. We 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 we identify during our audit.
4. We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.



ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the Parliament:

Statement of Financial Position as at 31 March 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Current assets			
Inventories	3	223 967	221 832
Receivables from exchange transactions	4	2 299 371	1 489 706
Cash and cash equivalents	5	20 914 124	24 283 189
		23 437 462	**25 994 727**
Non-current assets			
Property, plant and equipment	6	1 220 594	2 116 293
Intangible assets	7	1 524 724	11 520
Other receivables - deposit	8	894 987	882 000
		3 640 305	**3 009 813**
Total assets		**27 077 767**	**29 004 540**
Liabilities			
Current liabilities			
Finance lease obligation	9	80 980	459 955
Operating lease liability		1 187 593	1 317 142
Payables from exchange transactions	10	4 095 001	2 557 653
Unspent conditional transfers and receipts	11	34 798 252	38 463 120
Provisions	12	605 568	651 011
		40 767 394	**43 448 881**
Non-current liabilities			
Finance lease obligation	9	-	80 980
Total liabilities		**40 767 394**	**43 529 861**
Accumulated deficit		(13 689 627)	(14 525 321)
Net liabilities		**27 077 767**	**29 004 540**

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019
Revenue			
Revenue from exchange transactions			
Rendering of services		1 792 043	4 495 597
Other income	13	8 173 678	5 505 859
Interest received		1 404 481	475 352
Total revenue from exchange transactions		**11 370 202**	**10 476 808**
Revenue from non-exchange transactions			
Transfer revenue			
Transfers received	14	76 550 997	77 105 795
Donations		450 000	400 000
Total revenue from non-exchange transactions		**77 000 997**	**77 505 795**
Total revenue		**88 371 199**	**87 982 603**
Expenditure			
Employee related costs	15	(62 484 534)	(64 595 216)
Depreciation and amortisation		(913 272)	(616 655)
Finance costs		(36 558)	(124 072)
Lease rentals on operating lease		(5 660 974)	(5 731 928)
Debt impairment	16	(77 765)	-
Legal fees		(1 928 495)	(758 714)
Loss on disposal of assets		(25 459)	(17 491)
Operating expenses	17	(16 408 448)	(15 922 194)
Total expenditure		**(87 535 505)**	**(87 766 270)**
Surplus for the year		**835 694**	**216 333**

Statement of Changes in Net Liabilities

Figures in Rand	Net liabilities	Total net liabilities
Balance at 01 April 2018	**(14 741 654)**	**(14 741 654)**
Surplus for the year	216 333	216 333
Balance at 01 April 2019	**(14 525 321)**	**(14 525 321)**
Surplus for the year	835 694	835 694
Balance at 31 March 2020	**(13 689 627)**	**(13 689 627)**

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019
Cash flows from operating activities			
Receipts			
Receipts from customers		10 788 373	9 977 551
Transfers received		76 550 997	77 105 795
Interest received		1 404 481	475 352
Donations		450 000	400 000
		89 193 851	87 958 698
Payments			
Employee related costs		(62 484 534)	(64 595 215)
Payment to suppliers and others		(28 025 633)	(12 301 693)
Finance costs		(36 558)	(124 072)
		(90 546 725)	(77 020 980)
Net cash flows from operating activities	18	**(1 352 874)**	**10 937 718**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(31 512)	(620 394)
Proceeds from sales of property, plant and equipment		-	10 336
Purchase of other intangible assets	7	(1 524 724)	-
Net cash flows from investing activities		**(1 556 236)**	**(610 058)**
Cash flows from financing activities			
Finance lease payments		(459 955)	(418 426)
Net (decrease)/ increase in cash and cash equivalents		**(3 369 065)**	**9 909 234**
Cash and cash equivalents at the beginning of the year		24 283 189	14 373 955
Cash and cash equivalents at the end of the year	5	**20 914 124**	**24 283 189**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	28 551 000	(23 887 000)	**4 664 000**	1 792 043	**(2 871 957)**	22.1
Other income	5 858 000	-	**5 858 000**	8 173 678	**2 315 678**	22.2
Interest received	617 000	-	**617 000**	1 404 481	**787 481**	22.3
Total revenue from exchange transactions	**35 026 000**	**(23 887 000)**	**11 139 000**	**11 370 202**	**231 202**	
Revenue from non-exchange transactions						
Transfer revenue						
Transfers received	197 090 000	(105 693 000)	**91 397 000**	76 550 997	**(14 846 003)**	22.4
Donations	350 000	768 000	**1 118 000**	450 000	**(668 000)**	22.5
Total revenue from non-exchange transactions	**197 440 000**	**(104 925 000)**	**92 515 000**	**77 000 997**	**(15 514 003)**	
Total revenue	**232 466 000**	**(128 812 000)**	**103 654 000**	**88 371 199**	**(15 282 801)**	
Expenditure						
Employee related costs	(77 155 000)	14 091 000	**(63 064 000)**	(62 484 534)	**579 466**	22.6
Depreciation and amortisation	(447 000)	(202 000)	**(649 000)**	(913 272)	**(264 272)**	22.7
Finance costs	(412 000)	380 000	**(32 000)**	(36 558)	**(4 558)**	
Lease rentals on operating lease	(6 172 000)	(536 000)	**(6 708 000)**	(5 660 974)	**1 047 026**	22.8
Debt impairment	-	-	**-**	(77 765)	**(77 765)**	
Legal fees	(657 000)	(193 000)	**(850 000)**	(1 928 495)	**(1 078 495)**	22.9
Operating expenses	(147 623 000)	115 272 000	**(32 351 000)**	(16 408 448)	**15 942 552**	22.10
Total expenditure	**(232 466 000)**	**128 812 000**	**(103 654 000)**	**(87 510 046)**	**16 143 954**	
Operating surplus	**-**	**-**	**-**	**861 153**	**861 153**	
Loss on disposal of assets	-	-	**-**	(25 459)	**(25 459)**	
Surplus for the year	**-**	**-**	**-**	**835 694**	**835 694**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**835 694**	**835 694**	

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual 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 Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Provisions

Provisions were raised for which management determined the best estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12.

Assessment of useful lives

The residual value and useful life of an asset are regarded as accounting estimates and intrinsically have an element of uncertainty associated with them. As such, they are based on information available at the time that they are estimated.

It is therefore expected that these estimates will differ at various stages of an asset's life depending on economic times and management's intentions. Useful lives and residual amounts are reviewed and assessed at each reporting date.

Such review and assessment takes into consideration the nature of the assets, their intended use and technical obsolescence. The residual value and useful life of an asset is reviewed and revised if necessary at each reporting date.

Allowance for doubtful debts

An impairment loss on receivables is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Management considers all external receivables exceeding 90 days to be impaired.

1.3 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the entity will continue to operate as a going concern in the next foreseeable future.

1.4 Inventories

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity. The entity's inventories consist of only consumables.

1.5 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.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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.

1.6 Property, plant and equipment

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.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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.

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.

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

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

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

Item	Depreciation method	Average useful life
Library	Straight-line	3-5 years
Furniture and fixtures	Straight-line	6-10 years
Motor vehicles	Straight-line	5-8 years
Computer equipment	Straight-line	3-5 years
Finance lease assets	Straight-line	5 years

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.

1.6 Property, plant and equipment (continued)

The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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.

1.7 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.

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

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.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	2-3 years

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 intangible assets is included in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

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.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

1.8 Financial instruments (continued)

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 equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	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
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its armotised cost plus transaction costs that are directly attributable to the acquisition.

Subsequent measurement of financial assets and financial liabilities

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

Derecognition

Financial assets

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.

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, expires or waived.

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.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

The entity provided post-retirement health care benefits upon retirement to some retirees in the past.

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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

1.10 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus/(deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

1.11 Commitments

Commitments are disclosed in note 26.

1.12 Revenue from exchange transactions

Revenue from exchange transactions relates to revenue earned through consulting services rendered to companies in line with the entity's mandate.

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest 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 effective interest rate method.

1.13 Revenue from non-exchange transactions

Revenue from non-exchange transactions takes the form of grants from Department of Employement and Labour, Unemployment Insurance Fund and Department of Trade, Industry and Competition.

1.13 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.14 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.

1.15 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.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the Annual 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 Annual Financial Statements.

Irregular expenditure that was incurred and identified during the current reporting date 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 Annual Financial Statements.

Where irregular expenditure was incurred in the previous reporting date and is only condoned in the following reporting date, the register and the disclosure note to the Annual Financial Statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current reporting date 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.

1.16 Related parties

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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

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

1.16 Related parties (continued)

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

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact

Figures in Rand	2020	2019

3. Inventories

Inventories	223 967	221 832
Inventories recognised as an expense during the year	67 416	51 752

4. Receivables from exchange transactions

Accrued income	122 519	22 581
Other receivables	300 186	100
Provision for doubtful debts	(379 274)	(613 434)
Trade receivables	2 255 940	2 080 459
	2 299 371	**1 489 706**

Receivables aging is as follows:

0 - 30 days	1 106 072	1 386 114
31 - 60 days	90 608	59 625
61 - 90 days	451 848	233 719
Over 90 days	1 030 117	423 681
Less allowance for impairment	(379 274)	(613 433)
	2 299 371	**1 489 706**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due amounting to R1 587 654 (2019: R1 679 458) are not considered to be impaired. The entity considers receivables owing for more than 90 days for impairment.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(613 434)	(782 210)
Provision for impairment	(74 091)	-
Amounts written off as uncollectible	140 241	168 776
Unused amounts reversed	168 010	-
	(379 274)	**(613 434)**

The creation and release of provision for impaired receivables have been included in operating expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	748 441	162 908
Short-term deposits	20 165 683	24 120 281
	20 914 124	**24 283 189**

6. Property, plant and equipment

	2020			2019		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Computer equipment	2 493 117	(1 627 387)	865 730	2 759 900	(1 629 908)	1 129 992
Finance lease asset	1 949 159	(1 885 003)	64 156	1 949 159	(1 493 670)	455 489
Furniture and fixtures	2 000 390	(1 772 228)	228 162	2 014 050	(1 541 773)	472 277
Library	178 088	(118 480)	59 608	178 088	(154 097)	23 991
Motor vehicles	157 601	(154 663)	2 938	157 601	(123 057)	34 544
Total	**6 778 355**	**(5 557 761)**	**1 220 594**	**7 058 798**	**(4 942 505)**	**2 116 293**

Reconciliation of property, plant and equipment - 2020

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Computer equipment	1 129 992	25 518	(24 921)	(264 859)	865 730
Finance lease asset	455 489	-	-	(391 333)	64 156
Furniture and fixtures	472 277	5 994	(530)	(249 579)	228 162
Library	23 991	-	-	35 617	59 608
Motor vehicles	34 544	-	-	(31 606)	2 938
	2 116 293	**31 512**	**(25 451)**	**(901 760)**	**1 220 594**

Reconciliation of property, plant and equipment - 2019

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Total**
Computer equipment	792 928	620 394	(27 132)	(4 905)	(251 293)	1 129 992
Finance lease asset	845 753	-	-	-	(390 264)	455 489
Furniture and fixtures	393 555	-	(695)	4 905	74 512	472 277
Library	83 109	-	-	-	(59 118)	23 991
Motor vehicles	23 879	-	-	-	10 665	34 544
	2 139 224	**620 394**	**(27 827)**	**-**	**(615 498)**	**2 116 293**

Assets subject to finance lease

Finance lease asset	64 156	455 489

Figures in Rand	2020	2019

7. Intangible assets

	2020			2019		
	Cost	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Computer software	1 524 724	-	1 524 724	104 580	(93 060)	11 520

Reconciliation of intangible assets - 2020

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software	11 520	1 524 724	(7)	(11 513)	1 524 724

Reconciliation of intangible assets - 2019

	Opening balance	**Amortisation**	**Total**
Computer software	12 677	(1 157)	11 520

8. Other receivables - deposit

Rental office deposits

Head office	727 000	727 000
KZN regional office	46 000	46 000
WC regional office	109 000	109 000
PE satelite office	12 987	-
	894 987	**882 000**

Figures in Rand	2020	2019

9. Finance lease obligation

Minimum lease payments due		
- within one year	81 943	491 659
- in second to fifth year inclusive	-	81 943
	81 943	573 602
less: future finance charges	(962)	(32 667)
Present value of minimum lease payments	**80 981**	**540 935**
Present value of minimum lease payments due		
- within one year	80 980	459 955
- in second to fifth year inclusive	-	80 980
	80 980	**540 935**
Non-current liabilities	-	80 980
Current liabilities	80 980	459 955
	80 980	**540 935**

At the reporting date Productivity SA had a lease agreement in respect of office equipment. The lease agreements are not renewable at the end of the lease term and Productivity SA does not have any option to acquire the equipment at the end of the lease term.

The average lease term is five years and the average effective borrowing rate was 10% (2019: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The lease agreement does not impose any restrictions on the entity.

10. Payables from exchange transactions

Accrued bonus	389 117	404 887
Accrued leave pay	1 742 999	1 317 610
Accrued expenses	1 962 524	756 435
Other payables	361	-
Trade payables	-	78 721
	4 095 001	**2 557 653**

11. Unspent conditional transfers and receipts

These are government grants received that will be recognised in future accounting periods. This conditional revenue will be recognised in future period upon completion of Turnaround Solutions and Transnet projects in the 2020/21 year end.

Movement during the year	**Turnaround Solutions**	**Productivity SA**	**Transnet**	**Total**
Opening balance	18 971 139	12 323 000	7 168 981	38 463 120
Amount received	3 145 750	1 639 200	-	4 784 950
Interest capitablised	165	-	267 561	267 726
Income recognised	(8 712)	(3 084 285)	(5 624 547)	(8 717 544)
	22 108 342	**10 877 915**	**1 811 995**	**34 798 252**

12. Provisions

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Total
Audit fees	651 011	605 568	(651 011)	605 568

Reconciliation of provisions - 2019

	Opening balance	Additions	Utilised during the year	Total
Audit fees	431 245	651 011	(431 245)	651 011

The provision for audit fees relates to the audit strategy based on the assumption of future audit fees according to the audit engagement.

13. Other income

Bad debts recovered	216 344	5 000
Commitment fee	11 798	8 166
Management fee - Itukise	1 643 357	-
Staff development	91 010	81 599
Sundry income	586 622	-
Transnet income	5 624 547	5 411 094
	8 173 678	**5 505 859**

14. Transfers received

Operating transfers		
Department of Employment and Labour	66 794 285	66 775 999
Conditional transfers		
Department of Trade, Industry and Competition	9 748 000	9 231 000
Unemployment Insurance Fund	8 712	1 098 796
	9 756 712	**10 329 796**
	76 550 997	**77 105 795**

15. Employee related costs

Basic	60 771 348	59 897 619
Leave pay provision charge	863 422	(25 701)
Medical aid - Pensioners	-	3 863 048
SDL	547 783	537 526
UIF	301 981	322 724
	62 484 534	**64 595 216**

16. Debt impairment

Bad debts written off	3 674	-
Debt impairment	74 091	-
	77 765	**-**

Figures in Rand	2020	2019

17. Operating expenses

Auditors remuneration	1 352 066	1 080 241
Bank charges	67 879	40 329
Board fees	399 988	183 679
Communications	1 417 708	1 209 119
Computer expenses	1 504 367	568 608
Consumables	123 526	111 053
Insurance	203 842	320 003
Magazines, books and periodicals	2 255	5 550
Motor vehicle expenses	35 019	22 668
Office maintenance	409 259	268 997
Other expenses	128 078	220 368
Penalties	116 085	120 713
Placement fees	1 813	219 404
Printing and stationery	609 702	471 032
Project implementation costs - TAS	-	838 078
Promotions	37 489	216 070
Seminars	92 255	245 883
Staff welfare	63 367	56 330
Subscriptions and membership fees	213 208	197 168
Support/consulting services	4 095 262	4 296 587
Training	454 625	221 936
Travel - local	3 409 052	3 775 321
Travel - overseas	404 890	93 984
Utilities	1 266 713	1 139 073
	16 408 448	**15 922 194**

18. Cash (used in) generated from operations

Surplus	835 694	216 333
Adjustments for:		
Depreciation and amortisation	913 272	616 655
Loss on disposal of assets	25 459	17 491
Debt impairment	77 765	-
Movement in operating lease assets and accruals	(129 549)	331 733
Movements in provisions	(45 443)	219 766
Changes in working capital:		
Inventories	(2 135)	(32 979)
Receivables from exchange transactions	(822 652)	(23 905)
Debt impairment	(77 765)	-
Payables from exchange transactions	1 537 348	(7 464 158)
Unspent conditional transfers and receipts	(3 664 868)	17 056 782
	(1 352 874)	**10 937 718**

19. Taxation and VAT exemption

The entity is exempted from income tax in term of section 10(1) (cN) of the Income Tax Act, No. 58 of 1962.

The entity was granted exemption for VAT from July 2005 as its activities no longer comply with the definition of "enterprise" in section 1 of VAT Act and the requirement of VAT registration in terms of section 23 of the same Act. The entity is now included in the amended definition of "public authority" in terms of section 1 of the VAT Act.

20. Related parties

Relationships

Board members	Refer to member's emolument note 21
Controlling entity	Department of Employment and Labour
Entities with common control	Unemployment Insurance Fund
Controlled entities	Turnaround Solutions and Workplace Challenge
Other goverment department	Department of Trade, Industry and Competition
Local departments	LEDET, Western Cape Government and The KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

Related party balances

Department of Employment and Labour	9 238 715	11 585 000
Unemployment Insurance Fund	22 108 342	18 971 139
The KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs	-	738 000
Transnet	1 811 995	7 168 981
Western Cape Government: Vuselela Project Fund	1 639 200	-
	34 798 252	**38 463 120**

The nature and extent of government grants recognised in the Annual Financial Statements is an indication of other forms of government assistance from which the entity has directly benefited.

Related party transactions

Department of Employment and Labour	66 056 285	66 775 999
Unemployement Insurance Fund	8 712	1 098 796
Department of Trade, Industry and Competition	9 748 000	9 231 000
LEDET	450 000	400 000
Transnet	5 624 547	5 411 094
The KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs	738 000	797 000
	82 625 544	**83 713 891**

Productivity SA received a transfer payment of R73 458 000 (2019: R98 293 179) for funding its administrative activities from The National Revenue Fund through Department of Employment and Labour and Department of Trade, Industry and Competition.

Members and Executives' emoluments (executives and non-executives) are disclosed in note 21.

21. Member's emoluments

Productivity SA does not pay salaries to non-executive Board members. However, expenses incurred are compensated as an allowance.

Executive

2020

	Designation	Emoluments	Other benefits*	Total
Mothiba M	Chief Executive Officer	1 515 859	320 750	1 836 609
Sabela S	Chief Financial Officer	1 340 264	181 135	1 521 399
Janse van Rensburg L	Executive - POS	1 146 004	247 964	1 393 968
Wereley T	Executive - HR	1 298 723	292 654	1 591 377
Dabula N	Executive -MC	1 160 200	165 766	1 325 966
Tshifularo J	Executive - TAS	1 148 699	164 991	1 313 690
Brink A	Acting Executive - HR	943 575	517 620	1 461 195
Naidoo A	Acting Executive - VCC	839 563	449 609	1 289 172
		9 392 887	**2 340 489**	**11 733 376**

2019

	Designation	Emoluments	Other benefits*	Total
Mothiba M	Chief Executive Officer	1 493 703	127 318	1 621 021
Sabela S	Chief Financial Officer	1 301 087	111 015	1 412 102
Janse van Rensburg L	Executive - POS	1 186 747	101 169	1 287 916
Wereley T	Executive - HR	1 358 034	115 834	1 473 868
Dabula N	Executive - MC	852 610	92 237	944 847
Tshifularo J	Executive - TAS	1 200 077	96 403	1 296 480
Mosai S - resigned 23/04/2018	Executive - VCC	83 708	10 005	93 713
Phalatse R - resigned 30/04/2018	Executive - MC	181 707	15 208	196 915
		7 657 673	**669 189**	**8 326 862**

* Other benefits comprise of UIF, SDL, medical aid, and pension contributions made by the entity.

21. Member's emoluments (continued)

Non-executive

2020

	Designation	Member's fees	Travel and subsistence	Total
Mdwaba M	Chairman - Board	128 033	4 982	133 015
Phaladi M	Member	36 976	4 098	41 074
Reddy L	Member	45 715	457	46 172
Mbongwe N	Member	46 005	5 034	51 039
Vermeulen N	Member	44 548	3 800	48 348
Gordhan Y	Chairperson - Audit and Risk Committee	50 045	-	50 045
Khan F	Member	10 476	695	11 171
Nolingo C	Member	7 857	1 471	9 328
Al-Anani A	Member	2 619	308	2 927
Singh S	Member	7 857	583	8 440
		380 131	**21 428**	**401 559**

2019

	Designation	Member's fees	Travel and subsistence	Total
Mdwaba M	Chairman - Board	36 068	2 915	38 983
Phaladi M	Member	14 542	3 333	17 875
Reddy L	Member	27 630	546	28 176
Mbongwe N	Member	13 088	3 576	16 664
Vermeulen N	Member	18 905	3 576	22 481
Gordhan Y	Chairperson - Audit and Risk Committee	60 869	-	60 869
		171 102	**13 946**	**185 048**

22. Budget differences

Material differences between budget and actual amounts

Budget narrations are included for variations above R100 000.

22.1. Rendering of services

Rendering of services was below budget mainly due to the entity's continued inability to fill revenue generating vacancies due to funding constraints.

22.2. Other income

Productivity SA was approached by the Department of Trade, Industry and Competition during the reporting date to assist it by taking over the payment of the Itukise interns. The Board of Productivity SA agreed to assist the dtic and monies were transferred to the entity, thereafter payments were made to interns and host companies, however management fee earned from this project was never budgeted for in the books of the entity.

22.3. Interest received

The delay in implementing IT refresh projects resulted in invested monies earning more interest than anticipated.

22. Budget differences (continued)

22.4. Transfers received

Transfers received was below budget mainly due to the continued suspension of the TAS programme as a result of failure by DEL to transfer funds to the entity.

22.5. Donations

More funds were expected from other departments including Western Cape Government as well as Durban Municipality but never materialised.

The shortage of fee earning employees made it difficult for the entity generate revenue through the rendering of services as that is directly linked to consulting services by the entity's professional consultants.

22.6. Employee related costs

Employee related costs were below budget mainly due to unfilled vacancies as well as resignations not filled due during the current reporting date.

22.7. Depreciation

Depreciation was above budget mainly as a result of not incorporating previous year's assets reassessment in the budgeted amount. The impact is that the majority of assets are budgeted at R1 carrying value resulting in no depreciation during the year.

22.8. Lease rentals

Lease rentals on operating lease represents a 1.2% reduction from previous reporting date because the lease rental is coming to an end, however the budget was based on an incremental budget thus resulting in a 16% variance when compared to budget.

22.9. Legal fees

Legal costs are above budget mainly because the existing disciplinary case against a suspended executive was never budgeted to take this long. The case is still ongoing.

22.10. Operating expenses

The R14 million savings on operational expenditure is mainly due to over R11 million saved on consulting services due to the continued suspension on the Turnaround Solutions. This also resulted in almost R2 million additional savings on travelling related to the same programme.

Changes from the approved budget to the final budget

The changes between the approved and final budget are as a consequence of changes in the budget for TAS programme due to failure by DEL to ensure that UIF transfers funds on time and in full in line with the MoA.

23. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Figures in Rand	2020	2019

23. Risk management (continued)

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2020	Less than 1 year
Finance lease obligation	80 980
Payables from exchange transactions	4 095 001

At 31 March 2019	Less than 1 year	Between 1 and 2 years
Finance lease obligation	459 955	80 980
Payables from exchange transactions	2 557 653	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade receivables. The entity is committed to deposit funds in terms of the PFMA.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

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

Financial instrument	2020	2019
Cash and cash equivalents	20 914 124	24 283 189
Receivables from exchange transactions	2 299 371	1 489 706

24. Fruitless and wasteful expenditure

Opening balance	687 324	518 093
Add:Fruitless and wasteful expenditure - current	120 940	169 231
Less: Amount condoned	(687 324)	-
Closing balance	**120 940**	**687 324**

Fruitless and wasteful expenditure includes interest and penalties on late payment of accounts.

25. Irregular expenditure

Opening balance	-	152 780
Less: Amount condoned	-	(152 780)
Closing balance	**-**	**-**

Figures in Rand	2020	2019

26. Commitments

Total commitments

Authorised capital expenditure	5 115 163	1 144 940
Authorised operational expenditure	2 121 306	3 213 383
	7 236 469	**4 358 323**

Operating leases - as lessee

Minimum lease payments due		
- within one year	6 230 215	5 710 760
- in second to fifth year inclusive	4 815 596	10 354 562
	11 045 811	**16 065 322**

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of five years and rentals are smoothed over the term of the lease. No contingent rent is payable.

Rental expenses relating to operating leases		
Minimum lease payments	5 660 983	5 731 928

27. Contingencies

The Board meeting of 06 December 2018 resolved that the entity will no longer provide post-retirement health care benefits upon retirement.

Productivity SA, with the assistance from DEL, successfully defended a court case relating to payment of pensioners' medical aid benefit amounting to about R4 million per annum. However, the pensioners have appealed the matter, and the matter was not resolved by the end of the reporting date. In the event that they win the court case, Productivity SA may be expected to continue making these payments annually.

The entity is currently defending itself in a case involving a suspended HR Executive and therefore there is a possibility that the case might be delayed resulting in excessive legal costs. The entity is exposed to current and future legal costs in excess of R1 million as well as possible settlement in excess of another R1 million.

28. Change in estimate

Property, plant and equipment

In terms of the requirement of GRAP 17 property, plant and equipment, management revised the estimated useful life of computer equipment, furniture and library and the effect of the change does not affect future periods. The condition of the asset is considered in revising the estimated useful lives of the assets.

The impact on the Statement of Financial Performance is R356 960 (2019: R458 851).

29. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

As the entity had an accumulated deficit of R13 689 627 and the entity's total liabilities exceed its assets by R13 689 627 as at 31 March 2020, a material uncertainty exists regarding the liquidity position of the entity. The ability of the entity to continue as a going concern, is dependent on a number of factors. These include the following significant factors:

- The agreed funding will be received as per the signed memoranda of agreement with DEL, UIF and the dtic,
- The non exchange funding is increased to fully cover the operations of the entity.

29. Going concern (continued)

Management have made an assessment of the entity's ability to continue as a going concern in line with GRAP 1 paragraph 27. In determining the going concern assumption, management considered the signed MoA with DEL for the 2020/21 reporting date and there has been no indication that the DEL will not continue to fund the entity. Furthermore, DEL provides financial assistance to Productivity SA to cover shortfall in operational expenditure. In considering the uncertainties described above, Management has also considered the impact of Covid-19 on the companies that are being assisted and the possibility of them not honouring their obligations towards the Entity. In considering all these factors, management have a reasonable expectation that the entity has adequate resources to continue operations for the foreseeable future and therefore continues to adopt the going concern basis of accounting to prepare the financial statements.

30. Events after the reporting date

Management has assessed the financial impact to the entity of the Covid-19 and the declaration of the National State of Disaster. The assessment included the testing of assets for impairment, recoverability of receivables as well as the impact on revenue. Management is convinced that the impact of Covid-19 will not result in an adjusting subsequent event for the period ending 31 March 2020 as revenue generated through external sources amounts to less than 10% of the entity’s revenue generated.

The impact of Covid-19 has the potential to affect the generation of additional revenue as there will be limited time available for the entity to assist companies, however this will be offset by the additional revenue to be generated through the Turnaround Solutions programme which has recently been funded to the tune of R104 million for the 2020/21 year end. The additional revenue to be generated from theTAS programme has the potential to off-set any possible grant reductions from the Department of Employment and Labour.

31. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of three major functional areas: Productivity SA, Turnaround Solutions and Workplace Challenge. The segments were organised around the type of service delivered and the target market namely those entities in enterprise development stage, enterprises who are matured as well as enterprises facing economic distress. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Productivity South Africa was established in terms of the Employment Services Act and provides productivity related value-added information and statistics, best practices and systems; and promote a productivity culture and mindset across all segments (national, sector and enterprise) of society.

Turnaround Solutions provides turnaround solutions to companies facing economic distress and its funding comes from the Unemployment Insurance Fund.

The Workplace Challenge programme, funded by the dtic, focuses on intervention aimed at enhancing productivity and competitiveness of small, medium and micro enterprises (SMMEs) in the South African manufacturing sector.

31. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2020

	Productivity SA	TAS	WPC	Eliminations	Total
Revenue					
Revenue from non-exchange transactions	66 056 285	8 712	10 198 000	-	76 262 997
Revenue from exchange transactions	50 987 410	-	1 714 343	(41 998 032)	10 703 721
Interest received	1 246 581	-	157 900	-	1 404 481
Total segment revenue	**118 290 276**	**8 712**	**12 070 243**	**(41 998 032)**	**88 371 199**
Expenditure					
Employee related costs	54 661 013	-	7 823 524	-	62 484 537
Goods and services	28 021 042	36 382 881	2 619 618	(41 998 032)	25 025 509
Loss on sale of asset	25 459	-	-	-	25 459
Total segment expenditure	**82 707 514**	**36 382 881**	**10 443 142**	**(41 998 032)**	**87 535 505**
Total surplus for the year					**835 694**
Assets					
Segment assets	40 480 092	5 175	1 689 340	(15 096 840)	27 077 767
Total assets as per Statement of financial Position					**27 077 767**
Liabilities					
Segment liabilities	17 551 470	24 492 927	13 819 837	(15 096 840)	40 767 394
Accumulated (deficit)/surplus	22 928 622	(24 487 752)	(12 130 497)	-	(13 689 627)
Total segment liabilities	**40 480 092**	**5 175**	**1 689 340**	**(15 096 840)**	**27 077 767**
Total liabilities as per Statement of financial Position					**27 077 767**

31. Segment information (continued)

2019

	Productivity SA	TAS	WPC	Eliminations	Total
Revenue					
Revenue from non-exchange transactions	66 775 999	1 098 796	9 631 000	-	77 505 795
Revenue from exchange transactions	12 918 304	-	2 668 414	(5 585 263)	10 001 455
Interest received	392 441	-	82 911	-	475 352
Total segment revenue	**80 086 744**	**1 098 796**	**12 382 325**	**(5 585 263)**	**87 982 602**
Expenditure					
Employee related costs	55 267 931	-	9 327 283	-	64 595 214
Goods and services	24 088 485	1 098 796	3 551 546	(5 585 263)	23 153 564
Loss on disposal of assets	17 491	-	-	-	17 491
Total segment expenditure	**79 373 907**	**1 098 796**	**12 878 829**	**(5 585 263)**	**87 766 269**
Total surplus for the year					**216 333**
Assets					
Segment assets	48 304 060	36 379 786	1 197 534	(56 876 840)	29 004 540
Total assets as per Statement of financial Position					**29 004 540**
Liabilities					
Segment liabilities	60 958 201	24 493 370	14 955 130	(56 876 840)	43 529 861
Accumulated (deficit) / surplus	(12 654 141)	11 886 416	(13 757 596)	-	(14 525 321)
Total segment liabilities	**48 304 060**	**36 379 786**	**1 197 534**	**(56 876 840)**	**29 004 540**
Total liabilities as per Statement of Financial Position					**29 004 540**


NEC

PART F

CASE STUDIES

ANDERSON & KERR
ENGINEERING (PTY) LTD

Time Study Case Studies

Chapter 1

Name of Company: Anderson and Kerr Engineering
Programme implemented: Workplace Challenge Programme
Province: Gauteng
Implementer: Mueti Ntwanano

COMPANY BACKGROUND

Anderson and Kerr Engineering (Pty) Ltd was established in 1974 by Mr Anderson and Mr Kerr. Japie Coetzee joined the business in 1983 and acquired full control of the business in 1998.

It was during this time that the company undertook major upgrades and immense growth. Through Japie's leadership and experience, Anderson and Kerr made major strides in the design, manufacture and remanufacturing of hydraulic and pneumatic solutions. This resulted in the company being the supplier to Komatsu Mining in Germany and Komatsu Southern Africa, amongst others.

PRODUCTS AND SERVICES

Specialists in the design, manufacture and repair of hydraulic and pneumatic products

OWNERSHIP STRUCTURE

In the machining and the engineering services it was at this time that Anderson and Kerr designed manufactured cylinders as well as undertaking large-size machining work for blue chip companies such as ArcelorMittal, Highveld Steel, Columbus Stainless and Saldanha Steel, Hulamin, Frankwin Forge, FL Schidt, Hytec, Hydac, etc.

In June 2016 Isipho Capital Holdings (Pty) Ltd acquired 90% equity, a deal facilitated by the IDC, which not only empowers the business but has in its structure the empowerment of staff. The new investors bring as part of the mandate operational and strategic involvement in the business. Given this transformation, Anderson and Kerr is now a proudly level 4 BBBEE company. This new position allows the business to retain and extend current customers whilst also pursuing and attracting new customers, particularly in state-owned enterprise (SOEs), mining, Africa, etc. Isipho Capital Holdings brings with it Smith Capital Equipment (Pty) Ltd, which is now a proud customer to Anderson and Kerr for the design, manufacture and reconditioning of hydraulic cylinders.

In our endeavour to entrench our position as a world-class organisation we have enrolled the services of Productivity SA on a three-year term to implement best practices in lean manufacturing. Coupled with this project, we are continuously harnessing the capabilities, experience and knowledge of the total workforce and improving safety and environmental issues.

OBJECTIVES

- To find out how long the machines run.
- To find out how much value add is directly proportioned to the process and how much time is wasted.

METHODOLOGY USED

- The first-time study was done on the 33 machines, based on direct observation.
- Observation was done after every 15 minutes.
- 0 – Represents machine working (value added)
- 1 – Represents machine not working but operator is there (non-value but necessary)
- 2 – Machine not working, and operator is not there (waste)

The above breakdown was used to determine the process flow study on activity-based delivery of work on a day-to-day basis.

MACHINE STATISTICAL ANALYSIS – FIRST STUDY

Below is the machine analysis based on productivity output as per month performance output.

Statistical Analysis			
Machines	Productive Statistics	Machines	Productive Statistics
ANK	0,00%	Friedrich sch	32,81%
CNC 10	26,56%	Guruptze	65,63%
CNC1	50,00%	H1	43,75%
CNC3	18,75%	H2	34,38%
CNC4	34,38%	H3	40,63%
CNC5	31,25%	HH1	34,38%
CNC6	28,13%	HH2	18,75%
CNC7	46,88%	Radial drilling D2	14,06%
CNC8	51,56%	Schiess	35,94%
CNC9	31,25%	Sn50C	32,81%
Convectional L11	45,31%	Tos Hostiver	54,69%
Convectional L14	39,06%	VI	17,19%
Convectional L16	53,13%	Welding 1	31,25%
Convectional L17	45,31%	Welding 2	70,21%
Convectional L19	50,00%		
Convectional l20	32,81%	AVERAGE(MEAN)	36,17%
Convectional L3	46,88%	N=	33
Convectional L8	31,25%	SUM=1193,68%	1193,68%
Derith	4,69%	AV=	36,17%

Figure 1

The above table showcases the study conducted across the production activities, where observations were done on operational machines. The observations were done only when the machines were on and creating value on the product. The table shows the productive statistics of 33 machines across the production floor, yielding at 1193.68% value added on the product produced, at an overall production average of 36.17% value-added and 63.29% non-value added but necessary (NVABN) – as follows:

- Transportation.
- Waiting on communication.
- Incorrect drawings.
- Lack of planning, etc. (this is to mention a few amongst many factors).

VALIDATION SECOND STUDY-MACHINE DATA OBSERVATIONS

Date	Observation	Waste- 2	NVABN-1	Value-0
8/02/2018	14	0	0	14
9/02/2018	8	0	2	6
12/02/2018	14	10	3	1
13/02/2018	14	10	1	3
14/02/2018	14	0	0	14
	64	20	6	38
		31,25%	9,38%	59,38%
	Productive	31,25%		
	NON- productive	**68,75%**		

The above table from the study conducted was done through value stream mapping with the support of time studies, which reveals that the value added is 31.25% of operation and non-value added is 68.75%.The non-value added of 68.75% reflects the waste in the production process, of waiting on transport, incorrect drawings, poor planning, lack of communication, poor reporting structure, etc.

SOME IMPROVEMENTS

ORDER BOOK TRACKER

Below is the order book, showing schedule orders vs. late orders. Before this update they were not tracked as per the production capacity, but we are now at a stage where we need to measure the daily production throughput.

Job names	Late jobs	May schedule	Improvement	Total jobs
A	16	26	39%	42
B	8	7	-14%	15
C	0	1	100%	1
D	14	16	13%	30
E	2	0	0%	2
Average improvement			28%	

PRODUCTION DRAWING AVAILABILITY

PULL SYSTEM INTRODUCTION

A pull system was designed, which includes:

- Stripping cylinder list.
- Quote list.
- Order received list.
- Inspection list.

Several templates were introduced, including those illustrated below:

Stripping List						
Date in:	A/N:	Job #	Stripper	Start date/Time	Date comp	Date Move to Inspec

W/UP to Quote List							
Job #	Date Received From Insp	W/UP Created Date	Responsible Engineer	Drawing Received by Resp. Eng. Date	W/UP Check Date	Quote Ready Date	Quote Sent Date

OUTCOME OF THE STUDY

Both studies indicate the outcome of the assessment done on the production process. This study gave the project a baseline indication of how much value is added and how much waste is forfeited by the production on a day to day basis.

The outcome resulted in the following interventions:

- Process streamline for stores has been updated and clearly defined (raw material purchases and tools) (March 2019).
- Update of TRACK system to integrate stores and procurement (February 2019). This system will assist the Production Department to track real-time data that may be used by Stores Department for determining the availability of tools and raw materials. On the other hand, the Procurement Department will work hand-in-hand with Sales to deliver the correct information on the client's order.
- Update of Drawings department and Integrated production plan. This has made it easier, with a 90% improvement captured for the availability of drawings to Production.
- Implementation of a new organogram (February 2019).

PRODUCTIVITY SA IN PARTNERSHIP WITH ETHEKWINI MUNICIPALITY ON WOMEN EMPOWERMENT

Name of Project: eThekwini woman empowerment programme
Programme implemented: Productivity Organisational Solutions
Province: KwaZulu-Natal
Implementer: Mathews

Productivity SA facilitated an eThekwini municipality woman empowerment programme. The programme main aims to raise the profile of women in business whilst continuously striving to address business need, which includes training and mentorship.

EThekwini municipality is ametropolitan municipality located in KwaZulu-Natal with its premises located in Durban.

Business Support Tourism and Markets Unit is one of the pillars of this municipality. It provides support to existing and aspiring entrepreneurs. The SMME Women Empowerment programme is one of the initiatives that the Business Support Unit has, which aims to support the growth and improve the performance and competiveness of the SMMEs in the eThekwini Municipality.

The purpose of the programme is to create opportunities for discussions to take place around various opportunities and challenges that women in business face on a daily basis. The programme has grown into an annual event where attendees showcase their work and get exposure to the real business world. Productivity SA offered the following programmes to these SMMEs:

- Business Start-up Workshop (BSUW).
- Business Performance Improvement Workshop (BPIW).
- Productivity Capacity Building Programme (PCBP).
- Productivity Management Programme (PMP).

BUSINESS START-UP WORKSHOP (BSUW)

The aim was to ensure that delegates were able generate an understanding of how to draft a business plan and to be able to identify and interpret key points on a business plan.
An emphasis was on the following:

CASH-FLOW PROJECTION/FORECAST

The cash-flow forecast was demonstrated as an important pillar for drafting a business plan. It is where most brainstorming exercises happen, and where most components of the business planning process were discussed. The aim of introducing cash-flow forecasting was not to teach delegates accounting but to use it as a baseline for the whole business-planning exercise. Therefore, to simplify this process an Excel spreadsheet was developed for delegates so that they could focus on line items rather than spending time on calculations that are mostly automated nowadays.

FEASIBILITY STUDY AS AN ACTION PLAN

Attendees were assigned to do a feasibility study with clear guidelines and a workbook covering all aspects of a business plan. Attendees were afforded an opportunity to present their feasibility study and demonstrate their understanding of a cash-flow projection and the underlying assumptions that inform their estimates.

Attendees that expended more effort on the feasibility study assignment were able to get a clear understanding of business plan preparation.

21 business representatives attended. Attendees were happy about the training, with a satisfaction rate of 98% according to the evaluation conducted.

BUSINESS PERFORMANCE IMPROVEMENT WORKSHOP (BPIW)

- A business improvement workshop is a practical implementation workshop. It requires delegates who are already in business in order for them to be able to implement it in their businesses after being capacitated.
- A workshop runs for a duration of 3 days in class, once a week, to allow attendees to practically implement what they have learnt. A programme therefore took a duration of three weeks to complete.
- The outcome of this workshop was to capacitate attendees to be able to develop and use an early-warning system as a tool to monitor business performance, covering the following:

WASTE

An action plan was given to delegates to assist them in managing waste in their daily operations and to come up with an action plan to reduce or eliminate waste. Tools highlighted as most effective in waste elimination, 5S and 7 Wastes, were introduced.

SALES

As a background exercise, a business start-up workshop would assist in generating understanding of sales projection. However, this was not a prerequisite as attendees were business owners or involved in a business operation and therefore could practically relate to the subject.

Thus on this module delegates were capacitated to record actual sales and practically relate these sales to their recorded projections. The aim of this exercise was to assist delegates in collecting data that will be useful in analysing the performance of the business over time in relation to expectations recorded as projections.

Attendees were capacitated about the importance of understanding the relationship between projections and actuals, reviewing business projections if the gap between actual and budgeted sales becomes wider, and understanding sales projections as a contributor to the business plan and as part of the business strategy.

REDUCING OPERATIONAL COST

An understanding was formed among participants that all costs of the business should contribute towards the activity of generating more revenue. Attendees were further equipped to measure the efficiency of their operations. Particularly, more attention was given to measuring quality, efficiency of machines, labour and material. An action plan was given to measure efficiency on a daily, weekly and monthly basis.

PROFIT MAXIMISATION

A discussion was held on what profit is and how to measure it. This is because most businesses confused cash in the bank with profit. Sometimes businesses don't factor in all costs involved in a business operation such as the owner's salary and depreciation, and therefore profit is not correctly calculated.

An action plan was given to participants that will assist in generating an understanding of how to measure profit.

- Overall 31 business representatives in total attended.
- Attendees were happy about the training, with the satisfaction rate of 96% according to evaluation conducted.

PRODUCTIVE CAPACITY-BUILDING WORKSHOP (PCBP)

- The productive capacity-building workshops' learning objectives were to ensure that SMMEs generate understanding on how to create a productive environment in their businesses.
- As a starting point, delegates were capacitated on how to form a committee that ensures workplace collaboration. A committee should involve both management and labour. This is done to create an informal platform of engagement where the aim is to build each other up and encourage a culture of workforce collaboration and good behaviour such as joint problem-solving, creative suggestions, punctuality, innovation, improved morale and open communication.
- Various topics were discussed, such as utilisation and efficiency, absenteeism, project management, change management, quality and customer satisfaction, as well as profitability and sustainability, to ensure delegates are able to transfer skills and tools gained in the previous workshops to the entire workforce in their businesses. It was emphasised that workers are the ones that are involved in the daily operations of the business, and therefore are best placed to take their businesses to a higher level if they have the right skills.
- Overall 19 businesses attended the workshop.
- Attendees were happy about the workshop, at a satisfaction rate of 94% according to the evaluation conducted. Attendees stated that they will need assistance on implementation in their businesses.

CHALLENGES

- Sporadic attendance became a challenge, as participants needed to be updated on previous modules for them to understand what was going on in the workshops.
- Organising workshops and adhering to an agreed-upon project plan became a challenge.
- The level of understanding of some delegates required special attention and a special methodology that was not catered for because of time constraints.
- The progress of attendees in their business journey became a challenge as some were more matured others.

RECOMMENDATIONS

- More individual mentorship and technical support will be needed on the practical implementation of the business concepts and tools introduced.
- A framework that encourages a culture of growth and development of individuals with clear consequences for non-conformance with specific measurable outcomes needs to be created.
- It was further observed that some participants need further assistance with understanding governance, operational functions/ management structures, and clearly defined roles and responsibilities in their businesses.
- It would have been more fruitful to have fewer class days, introduce fewer lessons and have more practical implementation days on the topics leant.

MINNIES FOOD ENTERPRISE CASE STUDY

Name of Company: Minnies Food Enterprises
Programme implemented: Transnet Enterprise and Supplier Development programme
Province: KwaZulu-Natal
Implementer: Mninawa Zwakala

INTRODUCTION

Company Background

Minnies was established in 1993 and manufactures 50 bespoke sauces, condiments and marinades & bastings. In the initial years Minnies focused on only 7 catering products, with a staff compliment of 10. 10 years ago, the company decided to embark on a drive to create brand awareness through multi-nationals. Our retail products are listed nationally in South Africa with some of the largest supermarket chains (Shoprite Checkers nationally, SPAR, DC KZN, and Boxer nationally) and with many independent outlets. The HORECA (food service) industry is listed with almost every wholesaler in KZN.

The market that is currently serviced is extremely diverse, such as vendors on street corners, butchers, fast food outlets, independent supermarkets, supermarket chains, cash & carrys, wholesalers, ship chandlers, food services (HORECA), schools, canteens, military quarters, prisons, restaurants, restaurant chains, hotels, casinos, home industries and private labels.

The company currently exports to over 26 countries servicing the retail, HORECA, restaurant chains and private label segments of the market. Minnies has worked on many different projects with customers in South Africa and abroad. In doing so Minnies has gained a lot of experience, and ultimately we became experts in our products and offerings. Some of our key areas of expertise include research and development, food preparation, assistance with new menus, cost-saving exercises, product flavour enhancements and private branding.

Owing to all the above, we are growing at a phenomenal rate. Our growth from 2017 to 2018 was 60% and currently we are averaging 30% growth over and above that. We currently employ 62 staff and are constantly upgrading our equipment to keep up with the demands and trends of the market.

We also offer one of the highest Food Safety Certifications in the world and are FDA approved to allow us to cope with the demands of the export market.

Vision

To become the first private business to take the company to cooperate level and to be present everywhere.

Mission

To build brand awareness so that Minnies becomes the world's biggest brand.

PROJECT BACKGROUND

As part of Transnet's Enterprise and Supplier Development (ESD) programme, Transnet has partnered with Productivity SA to support enterprises with business development and services. The overall objective of the operational support initiative is to establish systems and procedures to address challenges affecting the operational performance of suppliers that may be affecting product/service delivery to Transnet and contribute to economic growth and job creation.

The objective of the project aimed at a 5% reduction of waste, a 10% improvement in utilization of resources, a 10% improvement in efficiency, a 5% improvement in the quality and number of jobs preserved and created, a 3% annual increase in turnover/sales and a 3% annual increase in gross and net profits.

REASON FOR JOINING THE PROGRAMME

- To improve the company's efficiency.
- To get a pair of "fresh" eyes to investigate the business in a critical, non-biased manner devoid of any emotions and in-breeding of ideas.
- To improve the understanding and awareness of being more effective and efficient in every operation that the organisation engages in.
- To empower the staff on lean and productivity concepts.
- To ultimately make the company more profitable and competitive in South Africa and the global village.
- To create sustainability and continued growth, thereby contributing to the country's growth and increased employment.
- To learn how to run improvement projects that will reduce operational costs.
- To continually educate ourselves and our employees.

CHALLENGES EXPERIENCED BEFORE THE PROJECT

- Quality Management: Operations within Minnies are highly automated, where most of the human intervention is solely for monitoring and rectifying quality issues. A lot of quality issues are identified at the bottling station, which requires reworking or products being sold for reduced prices as defects. There is, however, no proper recording and analysis of the defects to try and reduce the effects to operational costs.
- Performance Measurements: Effective performance measures for both production and quality are not defined, from strategic level down to operational levels. This results in poor production management as the standards for production output and quality are not tracked effectively.
- Visual Management: There is no proper visual management in the organisation, where information with regards to company goals, performance, standards, etc. is shared with the entire staff to ensure a clear and holistic understanding of the organisation's focus areas.
- Housekeeping: Due the confined space within the plant, housekeeping has been a serious issue as pallets of products that are WIP or finished goods are placed anywhere where there is available space, without any markings or labelling. The clutter causes items and products to be misplaced and possibly damaged before delivery.
- Standard Operating Procedures: There is no standardised and documented method for how activities should be conducted within operations, which results in duties being executed with different time and quality standards.

IMPLEMENTATION PROCESSES

The Transnet ESD operation support initiative was focussed (primarily) on business-development interventions relating to improving the competitiveness of the enterprise through implementation of the following interventions:

- Financial analysis (2 days).
- Detailed analysis of sales in order to identify "cost of sales" (2 days).
- Analysis and formalisation of core business processes (5 days).
- Establishing a visual performance-monitoring (early warning) system (2 days).

The following interventions were further customised to direct effort to the critical areas needing attention:

Intervention	Outcome
Financial analysis – Assess company financials	Assess company financials, Overview of operations
Capacity-building training	Value vs. waste, Kaizen tools, Identify constrains within value chain
5S Audit	Understanding the current 5S state of organisation
5S and 7 Wastes training	5S and 7 Wastes knowledge
Defects reduction in bottling station	Reduction of identified waste, improvement of productivity-defined performance metrics
Visual Management Project	Clearly display organisation's operational objectives, Develop key focus areas for improvement, Create efficient reporting plan

5S Implementation

5S: Before and after pictures

BEFORE

AFTER

Though there are racks available for storing, there are no designated areas for each product or product group to be stored in

- Pallets were found to be lying on the floor on walkways, obstructing movement between the racks.
- Pallets are placed directly on top of other packed products, resulting in squashing of the boxes of the products below.
- The labels on the pallets are not clearly visible, which makes it difficult the to identify which product is on that pallet.
- The storage areas are clean, though the floors are not swept often.

5S: Future plans and initiatives

To ensure that the 5S methodology and concepts have been entrenched and continue to be used, the following actions and initiatives will be implemented:

- Monthly red-tagging exercises.
- Including the 5S concept into our integrated management system, which is audited internally every month and audited annually by external auditors.
- Training of food handlers in each department on the 5S principle.
- Carrying out 5S internal audits quarterly to verify implementation.

DEFECT-REDUCTION PROJECT

Objectives

- To reduce the number of defects experienced during the bottling of the 250ml products, from a defect rate of 15% per month to 2% per month over the next 6 months.
- To reduce operational costs associated with the defects causing rework at the bottling station.
- To improve production efficiencies.

Scope: The area and the products that the project/ initiative will cover will be

- The Quality Check point at the bottling station.
- The products covered will be all 250ml sauces bottled.

The key deliverables for this project are

- Understanding the most apparent defects experienced at the bottling station.
- Analysing the causes of the major type of defect identified.
- Developing solutions to reduce and ultimately eliminate the identified defect.
- Creating an efficient and effective performance measurement plan to track all defects.

Measurements/baseline

The performance measurement that will be used to track the success of the project will be the percentage defect rate recorded at the Quality Check point of the bottling station.

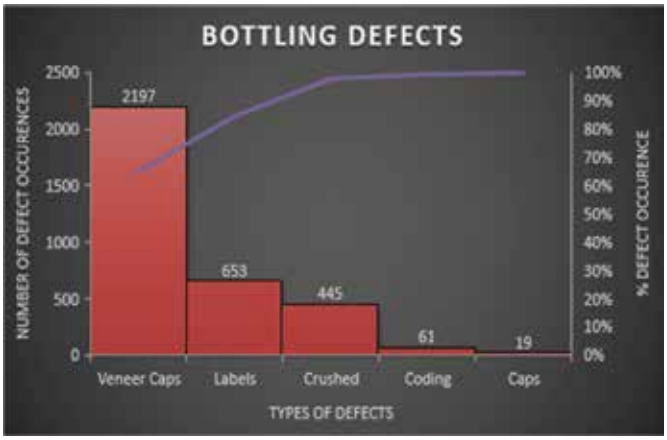
Measure	Indicator (examples)	Current/ Baseline	Goal
Quality	Rework of defects at bottling station	15%	Decrease defects to 2%

BOTTLING DEFECTS

The study was done over a period of one month. Observations were made during the packaging process and data was collected from the packaging QC process. The defects that are being experienced on the bottling line of the 250ml and 500ml sauce-ranges area: tamper-evident sleeves, labels, crushed, coding and caps.

PARETO ANALYSIS

The defects that are being experienced on the bottling line of the 250ml and 500ml sauce ranges area:



Types of defects	Occurrences	% occurrences
Tamper-evident sleeves	2197	65%
Labels	653	19%
Crushed	445	13%
Coding	61	2%
Caps	19	1%
Total	3375	100%

SUMMARY OF IMPACT/OUTCOMES ACHIEVED FOR OVERALL PROJECT

- Sales turnover, year on year, has shown a growth of 24,2%.
- Continuous improvement initiatives have shown a 66,67% increase in production output.
- Minnies Food has seen a 723% improvement in profit gains, comparing 2017/2018 financial gains (R738 934) with 2018/2019 financial gains (R6 083 828).
- The organisation has improved the number of permanent employees from 58 people to 67 people, which translates into 15% improvement overall.
- Production throughput in the sauce-cooling tunnels has improved for two of the high-runner products: Prego Sauce – 42,8% improvement; and Tomato sauce – 40% improvement.
- Quality defects from the bottling station improved by 6% from 14% to 8% as a result of: bearings changed on the tamper-sleeve applicator; defect data collected, and analysis done; and improved communication and sourcing the right material.
- Production output has improved by 114%, from production line producing 7 000 bottles an hour to 15 000 bottles an hour as a result of: purchase of a new sleeve applicator and training of operators on machine setting.

RECOMMENDATION

To sustain the gains that the implementation of the project will yield, Minnies will sustain this system as follows

- Integrate these principles into our FSSC 22 000 Certified Food Safety Management System (FSSC 22000 is a Global Food Safety Initiative (GFSI) benchmarked food safety system).
- Internal audits will be conducted to ensure that sustainability is maintained.
- Training of all staff members on new processes and equipment management.
- Effective communication with interested parties.
- Reporting of non-compliance, carrying out root-causes analyses and implementing corrective measures.

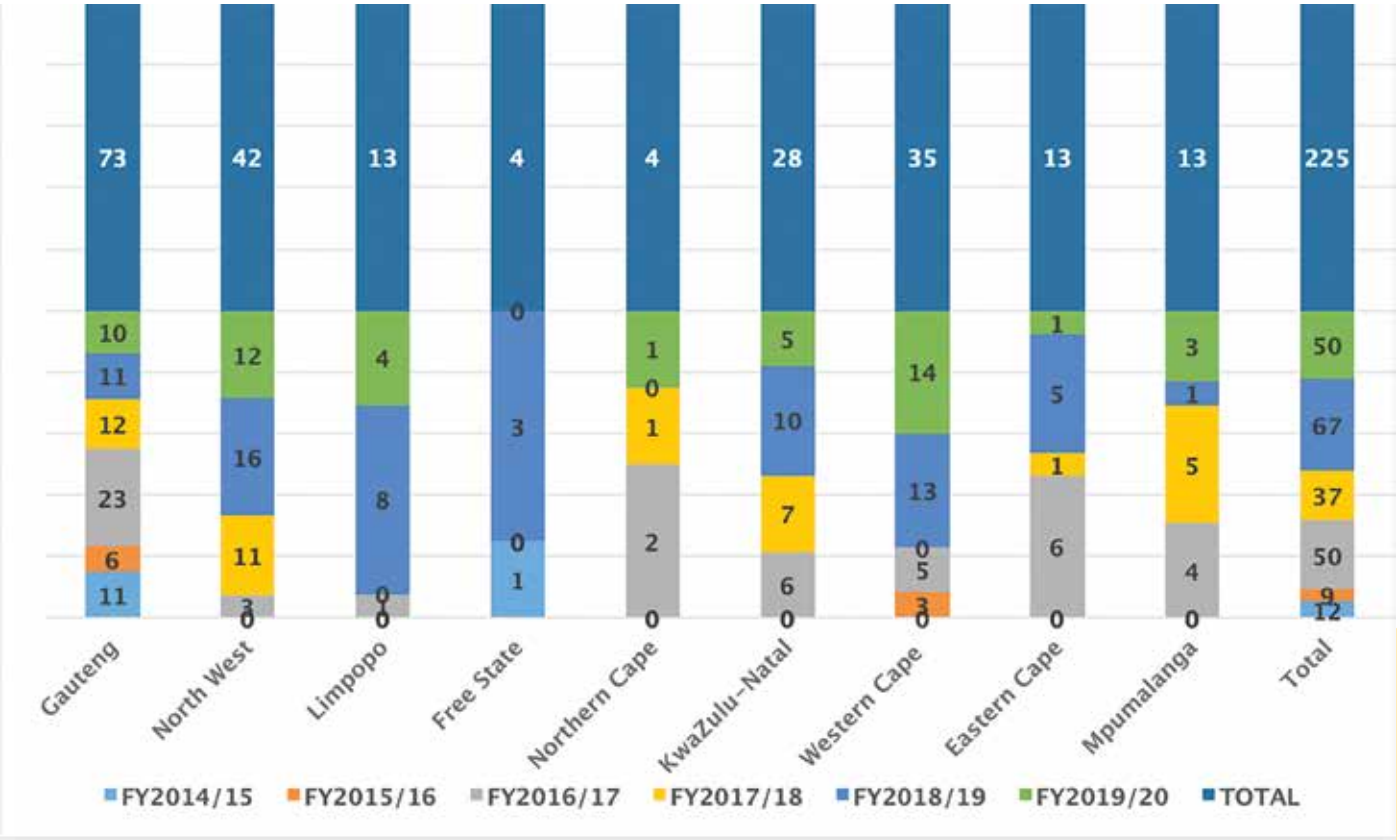
TRANSNET-SPONSORED ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD) SUPPORT PROGRAMME AND CASE STUDIES

The project is initiated by the Transnet Enterprise Development Department as part of their strategic plan to facilitate the development of small/medium businesses by creating a range of developmental products and services for small, medium and micro enterprises (SMMEs), which are targeting specific sectors within the Transnet supply chain. Productivity SA as a fund manager has supported 225 black-owned manufacturing and related support service businesses since the programme's inception in 2014 to 2019.

The Transnet ESD project aims to assist black-owned enterprises to establish systems and procedures to address challenges affecting operational performance of suppliers that may be affecting product/service delivery to Transnet and contribute to economic growth and job creation. The programme supported approved enterprises on the programme to: reduce waste (5% reduction of waste), improve utilisation of resources (10% Improvement in utilization), improve efficiency (10% Improvement in and efficiency), and improve quality (5% improvement in quality).

Since the start of the programme in 2014, a total of 225 enterprises qualified to participate in the programme. The current 2019/2020 financial year has since achieved 100% (50/50) approved participants in the programme.

Transnet ESD support programme national footprint



The 2019/2020 financial year achievements: Gauteng (73), North West (42), Limpopo (13), Free State (4), Northern Cape (4), KwaZulu-Natal (28), Western Cape (35), Eastern Cape (13), and Mpumalanga (13).

TEMPORARY EMPLOYER/EMPLOYEE RELIEF SCHEME (TERS)

TERS as managed by the CCMA has approved five of the Transnet ESD support programme participants, creating employee compensation relief over six to twelve months, also taking into consideration the impact of the COVID-19 pandemic and assisting the enterprise to train its employees in critical skills to further sustain the business. The enterprises are as follows:

Business	Province	Year in Transnet ESD	Fund allocated	Year approved	Period	Employees
1. Mabe-Tinyi Business Enterprise	Limpopo	2019	R1 527 190,51	2019	6 months	23
2. Curve Auto Glass	North West		R596 096,00		12 months	15
3. WP Timbers	Eastern Cape	2018	R4 248 329,38		12 months	111
4. Big Sky Trading 333 (Pty) Ltd t/a Excellence Motor Trimmers	North West		R1 022 082,30		6 months	30
5. Intertoll Afrika (Pty) Ltd	Gauteng	2019	R 30 469 175,09	2020	12 months	550
TOTAL			R37 862 873,28		48 months	729

2019 NATIONAL PRODUCTIVITY AWARDS – ENTERPRISE PARTICIPATION

The Transnet ESD support programme approved participants that also participated in the National Productivity Awards. They are as follows, per category:

Productivity Awards category	Level	Transnet Enterprise Development participant	Province
Emerging sector	Regional and National	1. Auto Curve (2018 participant)	North West
		2. Vortex Design Solutions (2018 participant)	Western Cape
	Regional only	3. Mthombowolwazi General Services (Pty) Ltd (2019 participant)	Gauteng
		4. Brimis Engineering (2019 participant)	Mpumalanga
		5. KKKM interior Solution (Pty) Ltd (2018 participant)	Limpopo

TRANSNET ENTERPRISE AND SUPPLIER DEVELOPMENT CASE STUDY

Name of Company: Vortex Design Solution
Programme implemented: Transnet Enterprise and Supplier Development programme
Province: Western Cape
Implementer: Charlene Steyn

1. INTRODUCTION

Vortex Design Solutions is the brainchild of Raghmah Solomon and was founded in October 2015. Raghmah Solomon describes herself as "a born entrepreneur with a dash of businesswoman held together with the heart of a protector". Vortex Design Solutions specialises in construction and commercial interior design and the company places empowerment at the forefront of their business strategies.

Vortex Design Solutions has worked hard at establishing the brand in the industry and has been able to grow its customer base, culminating in Vortex Design Solutions acquiring a second design company in 2018. The company has a current staff complement of eight full-time employees and in addition employs interns and freelance designers on a contract basis.

The company's mission statement: "By using professional and experienced designers, Vortex Design Solutions will strive to understand clients' design needs and in meeting these needs, provide value-add to them".

Vortex Design Solutions' clients include VISA, Showmax, Denker Capital, Capfin, and Webber Wentzel.

2. EXECUTIVE SUMMARY

The Transnet Enterprise and Supplier Development Project implementation at Vortex Design Solutions included:

- Financial analysis: To determine, via basic ratio analysis, the financial soundness of the business.
- Analysis of cost drivers.
- Analysis of core business processes.
- Establish a visual performance monitoring system.

The business areas requiring the most improvement were management systems and controls. Recommendations for improvement were suggested and the implementation of systems to improve business performance was facilitated.

Following the acquisition of another design company, it was agreed that post-implementation mentoring was critical to ensure that operations improvements made during the implementation of the Transnet Enterprise and Supplier Development interventions be transferred into the new organisation.

3. PROJECT INFORMATION

Project purpose

The project was initiated in response to an application from Vortex Design Solutions to improve the company's productivity. An initial exploratory discussion with the owner indicated that, although the management team was technically competent, management systems and controls were lacking.

Project approach
The CEO was the primary person with whom systems were debated and designed and it was then her responsibility to share the proposed systems with her team and to incorporate their inputs into the system. This allowed for a participative approach to systems implementation.

Solutions Implemented
Vortex Design Solutions recognised that, in order to improve productivity and ultimately business performance, they would require the services of specialists, including business coaches and mentors. Amongst other interventions, Vortex Design Solutions also participated in the Transnet Enterprise and Supplier Development programme. VORTEX DESIGN SOLUTIONS adopted a holistic approach to productivity improvement, with the main emphasis being on facilitating the process from pre-order to payment by the client specifically addressing the systems associated with:

- Human Resources – organisation design, clarification of roles and responsibilities, documentation of policies and procedures.
- Financial – review costing model to ensure proper recovery of labour costs.
- Customers – improved customer communication via the introduction of a 3-day policy for contacting customers.
- Processes – implementation of structured project management processes and protocols.
- Growth – acquisition of another company, additional revenue stream.

4. HIGHLIGHTS

The commitment to implement the recommendations for improvement that were highlighted during the implementation of the Transnet Enterprise and Supplier Development intervention and subsequent post-implementation mentoring culminated in Vortex Design Solutions being Western Cape Regional Productivity Awards winners in the emerging category. The Transnet Enterprise and Supplier Development intervention almost certainly contributed to the business growth experienced by the company.
Under the leadership of Raghmah Solomon, Vortex Design Solutions is on a path to learn about best practice and to implement the same. This is already paying dividends in as far as the organisation now has documented operating systems supported by policies and procedures. Employees are held accountable for adherence to these systems – generally, creative employees resent the disciplines of adhering to systems but because these systems were designed in a participative manner, there is a high level of adherence.

Post-implementation mentoring and coaching continued to support the implemented interventions and facilitated the transition after the acquisition of a second company.

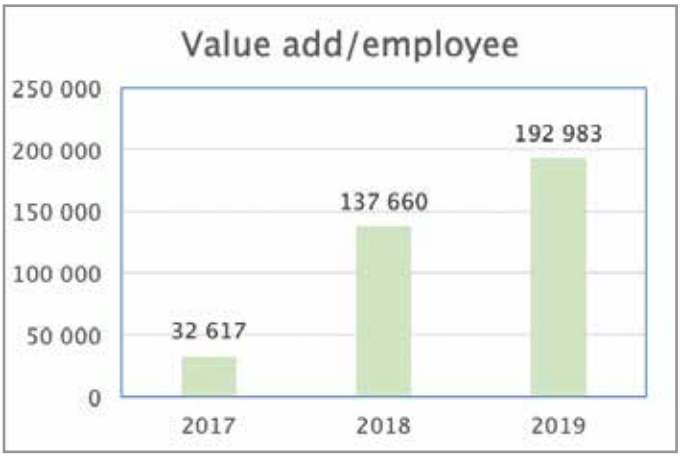
5. CHALLENGES

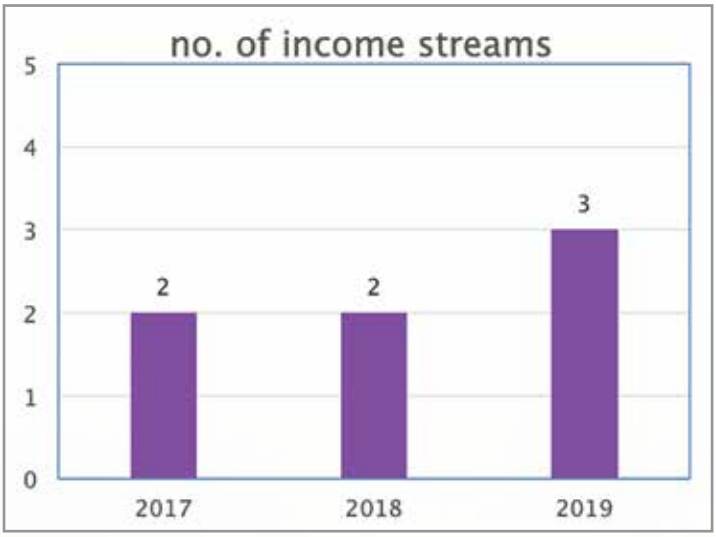
Vortex Design Solutions operates in a creative space with employees who do not necessarily enjoy working with structure and systems. It is going to be a continual challenge to ensure that employees understand the value of adhering to systems.
Another challenge is the resistance of both management and employees to most graphic and tabular key performance indicators. A board displaying projects and achievements of project milestones is the only visual performance measure currently being displayed but this appears to be adequate to identify when action is needed to keep projects on track.

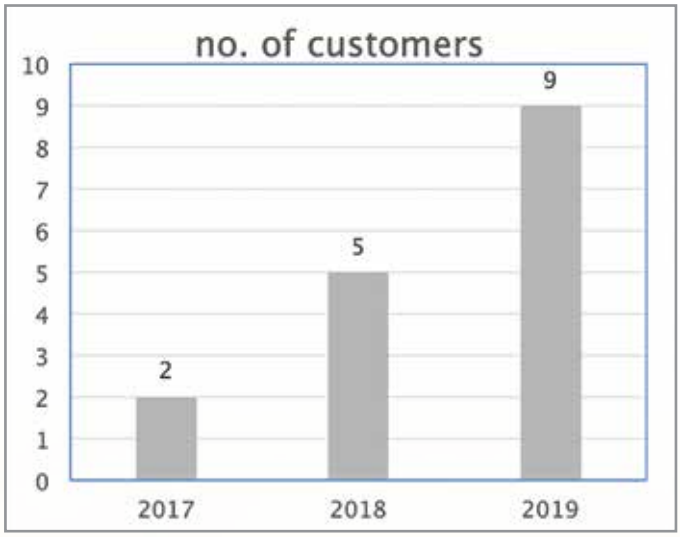
6. RECOMMENDATION

It is recommended that Productivity SA continues to maintain a mentoring role to the management team of Vortex Design Solutions, albeit only by checking in periodically via email, to ensure that the improvements that have been implemented are sustained and that further improvement is encouraged.

7. PERFORMANCE – KEY PERFORMANCE INDICATORS







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