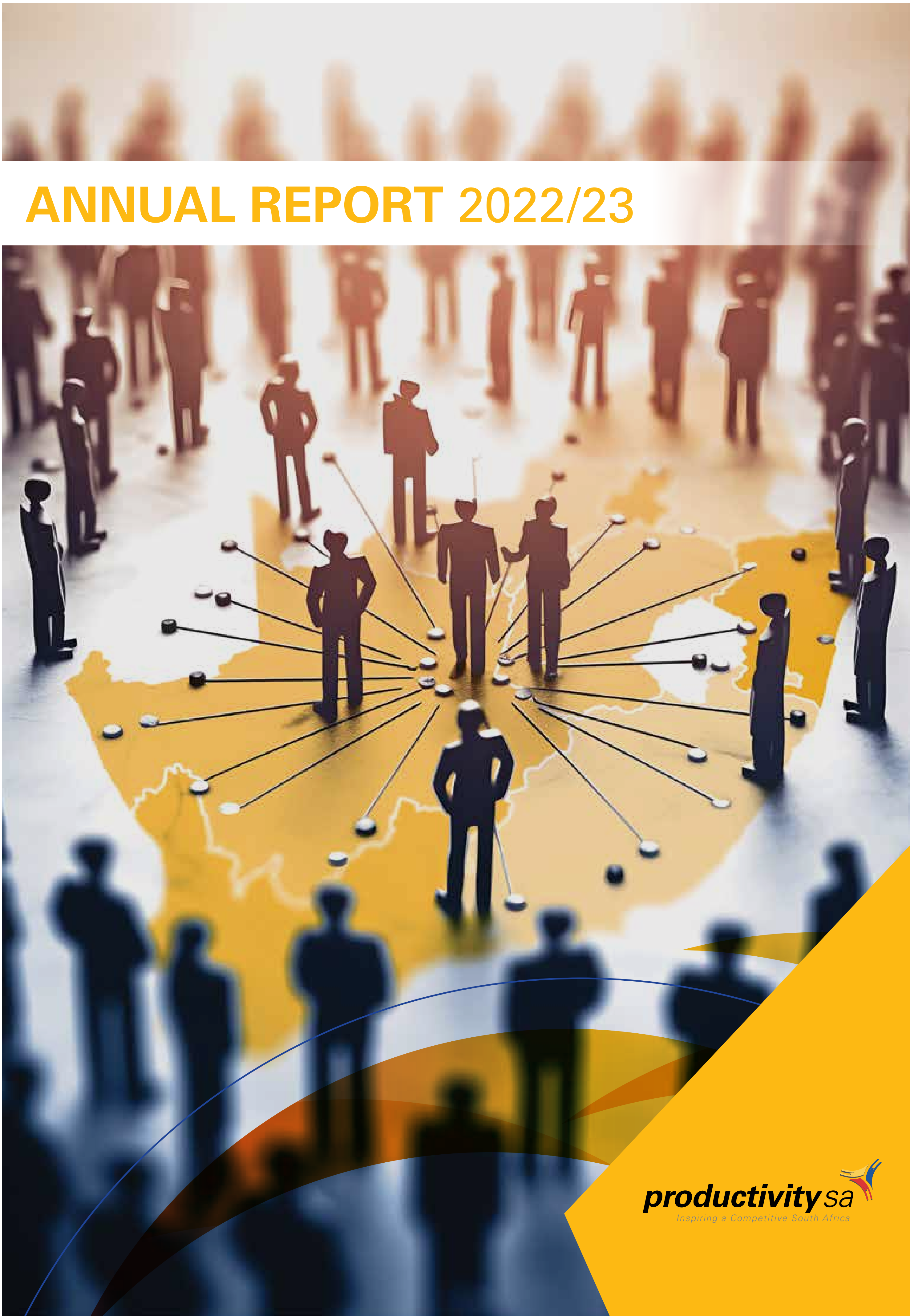
ANNUAL REPORT 2022/23



productivity sa

Inspiring a Competitive South Africa

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PART A

GENERAL INFORMATION

1. PUBLIC ENTITY’S GENERAL INFORMATION

REGISTERED NAME:	Productivity SA
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EXTERNAL AUDITOR:	Lunika Incorporated Chartered Accountants (SA)
BANK:	Nedbank
COMPANY/BOARD SECRETARY:	Barbara Timothy

2. LIST OF ABBREVIATIONS/ACRONYMS

5S	Sort, set in order, shine, standardise, and sustain
APP	Annual Performance Plan
BBBEE	Broad-based Black Economic Empowerment
BT&R	Business Turnaround and Recovery
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIS	Competitiveness Improvement Services
DEL	Department of Employment and Labour
DFA	Development Funding Agency
DFI	Development Funding Institution
DG	Director General
the dtic	Department of Trade, Industry and Competition
DTEA	Department of Economic Development, Tourism and Environmental Affairs
ERRP	Economic Reconstruction and Recovery Plan
FOW	Future of Work
GCI	Global Competitiveness Index
GDP	Gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
HR	Human Resources
HR&R	Human Resources and Remuneration
IMD	Institute for Management Development
KECP	KwaZulu-Natal Exporters Competitiveness Programme
KPI	Key Performance Indicator
KZN	KwaZulu-Natal
LAP	Labour Activation Programme
LEDET	Limpopo Economic Development, Environment and Tourism
LRA	Labour Relations Act
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NEF	National Empowerment Fund
OCEO	Office of the Chief Executive
OHS	Occupational Health and Safety
OTIF	On-time in-full
PAPA	Pan African Productivity Association
PCEL	Portfolio Committee of Employment and Labour
PES	Public Employment Service
PFMA	Public Finance Management Act
POS	Productivity Organisational Solutions
PSETA	Public Services Sector Education and Training Authority
RIS	Research, Innovation and Statistics
SABS	South African Bureau of Standards
SAP	Systems Applications and Products
SARS	South African Revenue Service
SCM	Supply Chain Management
SEDA	Small Enterprise Development Agency
SEZ	Special Economic Zone
SMMEs	Small Medium and Micro Enterprises
SOE	State-owned Enterprise
SOP	Standard Operating Procedure
TERS	Temporary Employer-Employee Relief Scheme
TIKZN	Trade & Investment KZN
UIA	Unemployment Insurance Act
UIAA	Unemployed Insurance Amendment Act
UIF	Unemployment Insurance Fund
WIP	Work in Progress
WPC	Workplace Challenge Programme

Professor Mthunzi Mdwaba
Chairman of the Board

3. FOREWORD BY THE CHAIRMAN

Productivity SA remains South Africa's critical labour market institution which addresses productivity holistically at three levels – macro (national), meso (sector), and micro (enterprise) to create an enabling environment for entrepreneurship and sustainable enterprises that create value. On behalf of the Board, it is my privilege to present the 2022/23 Annual Report. During this reporting period, which is the 4th towards the end of the Medium Term Strategic Framework (MTSF) 2019–2024 and the 6th Administration, we experienced a sense of urgency to improve productivity growth and accelerate the realisation of our mandate to promote employment creation and preservation, and outcomes articulated in the National Development Plan (NDP).

On behalf of my Board colleagues, I am exceedingly proud to announce that Productivity SA has once again been exemplary in leading from the front by proving that it is possible to deliver quality services while at the same time upholding good governance. We have once more achieved an unqualified audit outcome, which has been the case for over a decade. This confirms that the Board as an Accounting Authority has put in place efficient systems, and acts with fidelity, honesty, integrity and in the best interests of the public entity in managing its financial affairs.

Serving on the Board of Productivity SA as Chairman for 9 years now, I am proud to highlight our unwavering commitment to implement the Department of Employment and Labour's (DEL) mandate, which is to coordinate all government efforts to create jobs and reduce unemployment, and to change its approach from mere compliance enforcement to facilitating job creation. To this end, the Board has ensured that the entity's Strategic Plans and Annual Performance Plans are aligned to this mandate and strategic focus. In pursuit of the employment growth agenda, we have also aligned our Enterprise Development and Support Programme interventions to other government programmes, including the NDP and the Economic Reconstruction and Recovery Plan to create a positive impact on the long-term competitiveness and sustainable growth of our country. I believe that this collective effort by the Board and our team, stakeholders, and partners has contributed to the remarkable achievements. I extend my sincere gratitude to all involved.

The year under review has been anything but ordinary, with the country grappling to bolster its economic growth amidst the mounting energy and infrastructure challenges. Notably, the persisting issue of daily power cuts, extending up to 12 hours, has further compounded the economic struggles. It is reported that the impact of load shedding on the country's total economic activity in the production of goods and services could amount to R1.6 trillion this year, compared to last year's R1.23 trillion. The energy crisis is unavoidably negatively impacting the competitiveness and sustainability of small, medium, and micro enterprises (SMMEs), which are the productive drivers and engines of economic growth and social development. Added to these challenges, the unemployment rate remains at risk of reaching an alarming 40% mark. Inequality and exclusion are also high by world standards, and unless a huge and bold turnaround is made in the country's employment policies and implementation, we will have a worsening crisis that takes us over the cliff.

The sustained weakness in South Africa's competitiveness which has been confirmed by the Institute for Management Development Global Competitiveness ranking (at 61 out of 64 countries) signifies the inability of our country to facilitate an environment in which enterprises can generate sustainable value. The persistent slowdown in productivity growth also significantly impairs the productive capacities of both capital and workers. This, in turn, exerts a detrimental impact on economic recovery efforts and hampers the much-needed growth in employment opportunities.

As we face these formidable challenges, Productivity SA acknowledges the pressing need to take collective decisive action. We keep stretching ourselves, but there is only so much that we can do on our own, although political will continues to be the elephant in the room. Through our continued increased efforts to foster employment opportunities and enhance productivity across industries, we aim to contribute significantly to South Africa's economic recovery and social well-being. I must reiterate that this is far from enough, the country needs urgent disruptive and unorthodox ways of creating jobs to revolutionise job-rich economic growth.

I have mentioned it repeatedly that we cannot do what Einstein aptly referred to as, "Insanity is doing the same thing over and over (clearly failing), and expecting different results." Our country is bleeding so much that political rhetoric and the isolated creation of a few hundred jobs here and there will not take us out of our misery. What we need is the elimination of conscious and unconscious red tape, and replacing this with urgent leadership, innovation, creativity, boldness, decisiveness, and resoluteness that create thousands of jobs, quickly. We cannot postpone this anymore without falling off an economic cliff and having a revolution we cannot manage on our hands. The masses are restless, and rightfully so!

A critical area that warrants immediate attention is to create an enabling environment to improve the productivity of industrial SMMEs both informal and formal, particularly within the manufacturing sector. At present, the productivity of these enterprises remains alarmingly low, depriving them of their potential to serve as a driving force for economic growth. Numerous stakeholder engagements we have convened and hosted at the initiation of the Productivity SA stakeholders, namely labour, business and government, have reiterated this call, citing extreme urgency.

Our stakeholders see us as the glue that can bring together disparate, uncoordinated and somewhat bureaucratic efforts taking place nationally, and are insisting on our involvement. However, guided by our mandate, we also have resource limitations and can only work with those who see merit in working with us. While there is an increased number of partners and entities that are designed to contribute to job creation and economic enablement, it is not enough, and the pace is far from desirable.

Productivity SA targets SMMEs and cooperatives with our Enterprise Development and Support Programme interventions – emboldened by empirical evidence that they are the backbone and productive drivers of economic growth and development, and are important contributors of more than 70% to job creation. They are also more likely to hire from traditionally economically marginalised groups such as youths, women, older workers, and less-skilled workers with lower chances of finding employment.

Going forward, we will continue to spare no effort in creating an enabling environment conducive to entrepreneurship and sustainable enterprises. In so doing, we create and deliver value (generate wealth and profits for owners, contribute to GDP growth, preserve existing jobs and create productive employment and decent work, improve the incomes and well-being of workers, as well as contribute to social well-being). Productivity growth, which is a key factor for long-term competitiveness and sustainable growth, should form an integral component of South Africa's Enterprise Development and Support Ecosystem. As part of our interventions we always strive to create a platform for collaboration between government and social partners (business and labour), and including academia, which is central to giving effect to this National Programme of Action.

What gives us courage to take these bold and decisive steps is the fact that the DEL in May 2022 made a commitment to embark on a process to restructure and reconfigure the department to give effect to the employment mandate. The department will be structured into policymaking undertaken by head office and policy implementation by its schedule 3A Public Entities under the department's leadership. It has resolved to transfer some existing employment creation related functions, including the Labour Activation Programme, Temporary Employer/Employee Relief Schemes and turnaround strategies, to Productivity SA.

The Board has subsequently established a sub-committee to oversee this process, and there has been engagement and agreement with the Director General to transfer these functions as they do not require any policy and legislative amendment for implementation by the 1st of April 2024. While this is to be complimented, a year and a half later, we are still busy with processes. This is far from being productive and reflecting urgency. It has taken all of us four and a half years to develop processes of an action that was announced by the President in May 2019. Why is this? At what point do we act in accordance with the crisis we are having in the country? Where is the collective accountability? Whatever happened to the liberation revolutionary slogans of "Justice delayed is justice denied?", or does it apply to others, not to us?

It is evident that the transfer of employment-related functions (employment preservation and employment creation) with adequate resources (both human and financial) from the UIF and Public Employment Services Programme will enhance the capacity and level of strategic focus and specialisation for both the UIF and Productivity SA. This will also cement the standing of Productivity SA as an active labour market institution within the DEL family. In addition, having these programmes under one roof should reduce bureaucracy and thereby ensure quicker turnaround times for the beneficiaries.

Finally, this transfer will bring us closer to the goal of a single-source funding mechanism for Productivity SA, which will ensure that the expanded mandate is adequately resourced. We have consistently asked for this in the last five years and the time is now. Further to the above, the UIF will be freed to solely focus on alleviation of poverty through provision of short-term unemployment insurance to all workers who qualify for unemployment related benefits. This essentially strengthens the UIF as a key passive labour market policy instrument of the DEL, and the undivided attention to this purpose and role clarity should enhance its efficiency and effectiveness.

It is also axiomatic that the growth of the economy and the creation of thousands of jobs is helpful for the UIF's coffers given the excessive outlay of funds it has had, due to the unprecedented huge unemployment, exacerbated by the global financial crisis in 2008/09 and the Covid-19 global paralysis of 2020/21. The UIF's sustainability is now also hugely threatened unless we act urgently. Over and above our national call to promote a culture of productivity and accountability towards the realisation of the NDP goals, we continue serving as the Secretariat for the Pan African Productivity Association (PAPA), championing the productivity movement in the African continent and the aspirations of many other Africans towards the realisation of the Africa Agenda 2063.

The future also dictates that Productivity SA should be capacitated and resourced to implement the various projects that we are executing in collaboration with international partners, including the International Labour Organisation (ILO) and the Japan International Cooperation Agency (JICA) in conjunction with the African Union Development Agency/ New Partnership for Africa's Development.

We are proud to report that during the year under review, we, in collaboration with the ILO, led the implementation of the ILO Productivity Ecosystems for Decent Work in South Africa. This project came about following the adoption of the ILO Declaration on the Future of Work, at the centenary celebration of the ILO during the 2019 International Labour Conference. The ILO initiated this with the support of the Swiss State Secretariat for Economic Affairs and the Norwegian Agency for Development Cooperation. It is a global programme designed to address constraints to productivity growth and decent work, as well as help countries tackle the challenge of promoting productivity growth and decent work practices in an integrated and mutually reinforcing manner. The project is being piloted in three countries, namely Ghana, South Africa, and Vietnam.

We are proud to be one of the countries identified to pilot this project. It has been running from 2022 and is scheduled to have a 2025 finalisation date, with a budget of USD 16 million. Productivity SA chairs the Project Advisory Committee made up of representatives of government, organised labour, and organised business, which plays a pivotal role in ensuring that the project achieves its objectives. Added to this, the ILO is assisting Productivity SA to improve the quality of productivity statistics in South Africa and, as much as possible, disaggregate these by gender, sector (informal versus formal), business types (e.g. SMMEs), and by provinces to capture spatial differences.

We believe that it is possible to achieve all these priorities in the immediate future if government can commit to funding and resourcing Productivity SA as a Centre of Excellence. As previously recommended, one of the ways that this could be achieved is for the department to develop a single-source funding model to ensure that the mandate of Productivity SA is funded through section 12 of the Act.

We also have a few recommendations that can turn the tide and make us more productive, efficient and enhance the enablement required to grow jobs and our economy, by, among others:

- Having the government become a funder of first resort for enterprises (including funding by development finance institutions like the Industrial Development Corporation, the National Empowerment Fund etc.), and that it be mandatory for the funding to be linked to productivity outcomes.
- Having the government (SARS and UIF) consider temporary relaxation of the requirements that distressed companies should be in good standing with UIF and SARS. Allowing these companies to enter into agreements with SARS and the UIF that they will comply once fully operational and profitable, will remove the barriers to their entry into the programme, thereby assisting to preserve and create jobs. This would accelerate our interventions to support companies facing economic distress (most of which are SMMEs).

Further to the above, we recommend that Productivity SA should be the first port of call for reporting companies' intention to undergo restructuring which may result in retrenchments or job losses. This will require an amendment of Section 189 of the Labour Relations Act. Productivity SA has built a solid base of strategic partnerships over the years. We believe that in collaborating with them and government departments in the economic development cluster, we stand a good chance of delivering on the DEL employment mandate. The partnerships have yielded positive results and partnerships such as those with the provincial Departments of Economic Development and their agencies have advanced our mandate to support job creation and preservation.

The regional projects of note include partnerships with the Limpopo Economic Development, Environment and Tourism, the Limpopo Economic Development Agency, the Small Enterprise Development Agency, the Western Cape and the KwaZulu-Natal (KZN) Export Competitiveness Programme in partnership with KZN Department of Economic Development, Tourism and Environmental Affairs and Trade & Investment KZN. We have also demonstrated high levels of partnership retention and management.

Apart from collaborating with **the dtic** in implementing one of our flagship programmes, the Workplace Challenge (WPC) Programme, which is celebrating a 25th anniversary this year, Productivity SA is also collaborating with **the dtic** and JICA to implement the Quality and Productivity Improvement (QPI) Project, which will run from 2022 to 2025.

This project aims for nationwide dissemination of QPI (Kaizen) techniques for the industrial sector through the creation of a network, i.e. a National Quality Productivity Network of service providers and related organisations.

Productivity SA is also playing a leading role in the BRICS Employment Working Group (EWG), and is championing the drive for adoption of the BRICS-Wide Productivity Ecosystems for Decent Work. Key to the EWG is building sustainable enterprises, promoting labour rights, ensuring universal access to social protection, and closing the skills gap in the informal economy through innovation and enhanced productivity. We believe that our participation in this important programme will open opportunities for us to share best practice and lessons with national productivity organisations in the BRICS member countries.

We will also leverage BRICS' aims of prioritising and advocating for investments in skills development systems through the development of basic skills programmes that are foundational for other learning, decent work, and civic participation. BRICS will also work towards aligning training to labour market demand, and ensuring that programme design is sensitive to the needs and constraints of informal economy workers and enterprises, including by improving access to relevant and quality skills training for workers in the informal economy and those engaged in new forms of employment.

In conclusion, on behalf of Productivity SA and its Board, I would like to take this opportunity to thank:

- All those who continue to make efforts towards an enhanced involvement in the rebuilding of the South African economy;
- All our stakeholders who have been extremely diligent in engaging us and being supportive of our efforts;
- The DEL, under the leadership of the Director General, Mr Thobile Lamati, for its continued support;
- The Minister of Employment and Labour, Mr Thulas Nxesi, for his unyielding support in always delegating the Deputy Minister of Employment and Labour, Ms Boitumelo Moloi, to support us, and she continues to avail herself for Productivity SA events and Board engagements whenever required;
- The Portfolio Committee on Employment and Labour's support for Productivity SA in promoting a productive culture in the country;
- **The dtic** for its support in funding the WPC Programme and partnering in other initiatives;
- Our sister organisation, under the leadership of the Commissioner of the UIF, Mr Teboho Maruping, for its funding of the Business Turnaround and Recovery Programme, which is our largest programme; and
- All Productivity SA staff for their sterling work.

Finally, we implore all of you to become productivity and competitiveness ambassadors or champions – the more we grow our community, the more strides we make together. Let us take collective responsibility and effect change and much needed impact, one step at a time, one brick at a time, and one person at a time.

To keep track of Productivity SA activities and projects, I would like to invite you to follow us on the various social media platforms, particularly on Twitter and on LinkedIn. Our Twitter handle is @productivitysa. Let us also support PAPA, an African organisation that provides a forum for promoting and sharing ideas and experiences on strategies, techniques and practices for productivity enhancement, accelerated economic growth and social development in Africa. As I mentioned earlier, Productivity SA is the Secretariat of PAPA and PAPA's Twitter handle is @PanProductivity.

Let us build together!

Professor Mthunzi Mdwaba
Chairman of the Board
Productivity SA
28 July 2023

Mr Mothunye Mothiba
Chief Executive Officer

4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

The 2022/23 financial year was the fourth year in the MTSF 2019–2024 period, which required Productivity SA to scale up its Enterprise Development and Support Programme interventions. This period also called for consolidating our efforts as Productivity SA to redefine our strategic focus and lay the foundations for a National Productivity Centre of Excellence, with a world-class level of competency and leadership, exemplary performance, and best practices to contribute to the productivity and competitiveness of South Africa.

We remained true to the mantra 'Never let a good crisis go to waste' by acknowledging that Covid-19 compressed government budgets, reduced our capability to employ more people, and disrupted the entity's processes by developing capabilities to attain and sustain world-class performance and value creation. To this end, we have made enormous strides in leveraging technology and innovation to improve the quality and access to our services and adapting to the new normal.

Productivity SA's Annual Performance Plan results for the year under review stand at a formidable 90% achievement, which is a significant improvement from 75% in 2021/22 and 67% in 2020/21. Furthermore, we have made the development of staff a priority with two pursuing Doctoral degrees and five studying towards their Master's degrees with a focus on fostering innovation and thought leadership. We also focused on building strong strategic partnerships and alliances to collaborate on the delivery of our mandate, and this attests to our resilience and the transformative leaps we have taken.

Despite the financial challenges faced by Productivity SA, we have seen an improvement in our business development initiatives to generate additional revenue of over R2.4 million, employing 9 additional staff, contributing to the employment creation drive and at the same time enhancing our resources and capabilities. This is a monumental milestone that underscores our unwavering dedication and indomitable spirit.

As we present the 2022/23 Annual Report, at a personal level I have the opportunity to reflect on this chapter of my journey as the CEO of Productivity SA, which fills me with immense pride. As I pen this CEO's overview for the last time, I am reflecting on the countless shared endeavours, unwavering dedication, and remarkable growth that Productivity SA has achieved. It was Helen Keller who once said, "Alone we can do so little, together we can do so much." These words have resonated throughout my tenure, underscoring the incredible power of collaboration and unity.

However, while we celebrate these victories, our nation's high unemployment rate remains a challenge and South Africa's productivity growth and global competitiveness remain very low with the country rated 61 out of 64 countries in the World Competitiveness Yearbook (WCY).

The journey ahead is not only one of progress but of transformation, of turning challenges into pathways of success and ensuring that our turn into reality. As a schedule 3A Public Entity of the Department of Employment and Labour, our responsibility to foster employment growth and enhance productivity has been the driving force behind all endeavours.

During the period under review, the National Development Plan (NDP) remained our guiding light, fully understanding that we missed the targets we set ourselves as a country in 2012, particularly those that relate to creating 11 million jobs with 90% of the jobs set to be created by SMMEs.

We remain encouraged that in the remaining seven years of the implementation of the NDP, which is set to be concluded in 2030, a lot can still happen in our pursuit to address the triple challenges of poverty, unemployment and inequality. We know that SMMEs do more than create employment as they are also productive drivers and engines of economic growth and social development.

Our Enterprise Development and Support Programmes– especially the Workplace Challenge Programme (WPC) and the Business Turnaround and Recovery Programme (BT&R) stand as beacons of empowerment, designed to unlock our nation's untapped potential for long-term competitiveness and sustained growth.

Our dedicated commitment to the Economic Reconstruction and Recovery Plan (ERRP) manifests through our focused efforts in two pivotal priority areas that directly align with our mandate. The first of these priorities, Priority 2, Industrialisation through localisation, is executed through a multi-faceted approach which is to enhance the efficiencies of local producers (2.1), provide comprehensive support to local manufacturing and enterprises facing challenges (2.2), and bolster the resilience of SMMEs and Cooperatives, particularly in labour-intensive industries adversely impacted by local and global dynamics (2.3).

The Presidential Employment Stimulus directly links with our mandate as it focuses on Macro-Economic Interventions and Enablers for Economic Growth: (5.1) End wastage including enhanced productivity, and measurement and evaluation of productivity and overall competitiveness of the economy; (5.2) An Integrated Enterprise Development and Support Ecosystem (government-wide programme in collaboration and partnership with social partners) to create a coherent platform to enhance access and coordination of government support for formal and informal SMMEs, start-ups and cooperatives; and (5.3) Support measures, including schemes to transition enterprises and employees as well as the informal enterprises into the formal economy.

In the past three financial years, our Competitive Improvement Services Programme has assisted SMMEs, both formal and informal, achieving 100% of the programme's set targets. The Turnaround Strategies and Labour Activation Programmes as promulgated in Section 7 of the Employment Services Act and Section 5(d) of the Unemployment Insurance Amendment Act, respectively have begun to yield positive results.

All the commitments made over the past three years to support companies facing economic distress and preserve jobs (as per the Funding Agreement with the Unemployment Insurance Fund [UIF]) through the BT&R have been exceeded. Over 186 (107%) companies facing economic distress were supported against a target of 174 over the past three years. In the same vein, over 1 681 Future Forum members were trained, an achievement of 322% against the set target. Both these interventions resulted in over 15 710 jobs being preserved/retained, a 181% achievement. Through the programme, Productivity SA has exceeded expectations, supporting distressed companies, preserving jobs, and revitalising our commitment towards national prosperity.

Productivity SA's footprint reaches across all nine of the country's provinces and our interventions support distressed companies and preserve jobs countrywide. Productivity SA is structured into three regional offices with Midrand serving as the head office while also serving Gauteng, North West and Limpopo.

The Productivity SA Durban office serves KwaZulu-Natal, the Eastern Cape and Mpumalanga while the Cape Town office serves the Western Cape, Northern Cape and Free State.

Despite its wide reach, financial constraints remain a challenge for Productivity SA. The current funding of Productivity SA is R59 million, and it has an organisational structure with only 79 filled posts out of 107. Due to the funding gap and high number of vacancies, it is almost impossible to service the entire country adequately and equitably or to meet the increasing demands of our Enterprise Development and Support Programmes. What compounds this challenge is that the grants from the UIF and **the dtic** are not guaranteed. Taking the challenges into consideration, we are continuing engagements with our funders to ensure Productivity SA is well-resourced to fulfil its mandate.

I am also proud that this year marks the 25th anniversary of the Workplace Challenge Programme (WPC). With unwavering support from **the dtic**, the WPC stands as a beacon of Productivity SA's commitment to Enterprise Development, Business Transformation and Competitiveness Improvement.

The WPC is guided by the vision of enhancing enterprise productivity and competitiveness of enterprises through improved value chain efficiencies, implementation of clusters for industrial competitiveness, collaborative relations, continuous improvement and establishment of model companies to disseminate processes and lessons. Over the years, the WPC has become Productivity SA's flagship programme and has built the foundation for model companies to share best practices and lessons, thereby propelling businesses towards excellence. As we celebrate this milestone, the 25th anniversary of the WPC is testament to the enduring significance of this programme.

The year under review stands as a testament to our dedication, with the WPC extending its support to 101 enterprises. Among these endeavours, the WPC has significantly empowered black entrepreneurs, with 80% of the supported businesses being black-owned.

Furthering our commitment to diversity and inclusivity, 51% of these enterprises are owned by women, with an additional 25% being owned by youth. These statistics underscore our resolute mission to empower every level of our society.

The WPC also supported enterprises within the Special Economic Zone and Industrial Development Zone and through ongoing support for previous clients, maintained an exceptional performance record. The programme achieved 15 out of 15 business plan targets for the last quarter, showcasing an impressive score of 100%. This achievement speaks volumes about the dedication and collaborative spirit of the teams involved.

Our gratitude extends to **the dtic** for its enduring trust and steadfast support over the past 25 years. **The dtic** and WPC journey thus far is testament to the strength of collaboration (Joined-Up Government in Action). As we celebrate this milestone, we acknowledge the lessons learned, the challenges overcome, and the paths paved for the future.

As we celebrate the WPC's 25th anniversary, let us be reminded of the words of Mahatma Gandhi, "The best way to find yourself is to lose yourself in the service of others." Our journey is far from over, and the WPC's legacy will continue to echo in the transformative strides we take towards a globally competitive high-income economy.

SPENDING TRENDS

Over and above the key operating expenses essential to keep the company fully functional, the spending trends of Productivity SA are 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 the goals set out in the mandate.

CAPACITY CONSTRAINTS AND CHALLENGES

Productivity SA's current funding model does not allow adequate achievement of its national mandate to lead and inspire a competitive and productive South Africa. The entity is also under-resourced (both financial and human capacity), which hinders its ability to make a meaningful and desirable nationwide impact.

The delays in finalising the single-source funding model in line with Section 12 of the Employment Services Act is also exacerbating Productivity SA's funding challenges. We believe that finalisation of this by Productivity SA's line department and the Department of Employment and Labour (DEL) will enable the entity to upscale its Enterprise Development and Support Programmes to support more SMMEs with an impactful target of at least 10 000 SMMEs per annum.

The current economic climate that companies are facing (including having to scale down operations to stay afloat and in some instances having to shut down operations due to operational challenges) and imposing legislative and compliance obligations (including UIF and SARS) have created barriers for many companies to access the BT&R Programme services. The funding of the BT&R Programme remains a challenge as well.

DISCONTINUED ACTIVITIES/ACTIVITIES TO BE DISCONTINUED

No activities were discontinued.

REQUESTS TO ROLLOVER FUNDS

There were no requests to rollover funds.

SUPPLY CHAIN MANAGEMENT

Productivity SA follows the provisions of the Preferential Procurement Policy Framework Act 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; and
- SCM processes and systems were in place and continue to be improved.

The implementation of the SCM policy, the Bid and Evaluation Committee and the Adjudication Committee continue to ensure elimination of possible non-compliance instances.

AUDIT REPORT MATTERS IN THE PREVIOUS YEAR.

There were no audit findings.

PREDETERMINED OBJECTIVES

Productivity SA has established a Planning, Monitoring and Evaluation Committee and implemented a performance management tool to ensure that quarterly reporting is consistent and in line with approved predetermined objectives. The committee is involved with processes starting from the planning phase right up to conclusion.

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. Compliance with laws and regulations is currently managed by Executive Managers within Productivity SA in their areas of responsibility. The entity continues with compliance monitoring and reporting within the applicable legal framework.

OUTLOOK AND PLANS TO ADDRESS FINANCIAL CHALLENGES

The DEL has made a commitment to review the funding model of Productivity SA and ensures that the entity is funded in line with Section 12 of the Employment Services Act. During the year under review, the DEL presented a concept paper whereby the department declared its intention to ensure that the head office focuses on policy formulation and its schedule 3A public entities like Productivity SA focus on implementation of policy.

Added to this, the department committed to transfer employment creation related functions and responsibilities currently performed by the Public Employment Services Programme and the UIF to Productivity SA.

The decision for this approach is influenced by various factors including Productivity SA's ability to promote and address productivity holistically across all sectors and levels—national (macro), sector (meso), and enterprise (micro) to contribute towards South Africa's socio-economic development and competitiveness. The Productivity SA Board has established a sub-committee to oversee this project.

EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date.

ECONOMIC VIABILITY

The entity remains technically solvent in that total assets (R55.3 million) exceed total liabilities (R50.87 million). The accumulated surplus is at R4.43 million and is operating as a going concern. However, there are plans in place by the Chairman of the Board to ensure that the entity is fully funded.

APPRECIATION

As I bid farewell after almost a decade at the helm of Productivity SA, I extend my gratitude to the Minister of Employment and Labour, Mr Thulas W Nxesi; the Director General of Employment and Labour, Mr Thobile Lamati; and the leadership of **the dtic** and the UIF for their support and continued funding of Productivity SA. I thank the Board of Productivity SA without whose visionary leadership and consistent support I would not be able to steer the ship in the right direction. I further express a note of appreciation to my Executive Team and staff of Productivity SA for their dedication, hard work and unwavering support. Furthermore, I would like to thank the International Labour Organization (ILO) for ensuring that South Africa is one of the pilot countries for the ILO Productivity Ecosystems for Decent Work Project and entrusting Productivity SA with the leadership of the project. I would like to also relay unreserved gratitude to our valued stakeholders and strategic partners who have always stood by our side as we promoted the productivity movement in South Africa.

As I step aside, I have faith that all will continue to carve new paths and imprint your mark on the canvas of progress. I bid farewell, with the knowledge that the footprints we made together will forever guide us toward greater heights. May the spirit of progress continue to drive this entity forward, propelling it to even greater heights. Thank you all for being part of this extraordinary voyage.

Mr Mothunye Mothiba
Chief Executive Officer
28 July 2023

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

To the best of our 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 Lunika Incorporated Chartered Accountants (SA).
- 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 Reports issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the SA Standards of Generally Recognised Accounting Practice (GRAP).

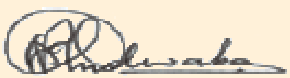
The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the 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 2023.

Mr Mothunye Mothiba
Chief Executive Officer
28 July 2023



Professor Mthunzi Mdwaba
Chairman of the Board
28 July 2023

6. STRATEGIC OVERVIEW

6.1 VISION

To lead and inspire a productive and competitive South Africa.

6.2 MISSION

To improve productivity by diagnosing, advising, implementing, monitoring and evaluating solutions aimed at improving South Africa's sustainable growth, development and employment through increased competitiveness.

6.3 VALUES

- Service excellence through the implementation of relevant solutions
- Market leadership through creative and innovative solutions
- Working together as a team to achieve common goals
- Partner with stakeholders pursuing solutions to South Africa's productivity challenge
- Honesty, integrity and professionalism are the cornerstone of all our relations.

7. LEGISLATIVE AND OTHER MANDATES

Productivity SA is administered under the following legislation:

THE EMPLOYMENT SERVICES ACT (NO. 4 OF 2014)

Productivity South Africa was 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.

THE PUBLIC FINANCE MANAGEMENT ACT (PFMA) (NO. 1 OF 1999, AS AMENDED)

The objective of this Act is to regulate financial management in the national government and provincial government spheres; to ensure that all revenue, expenditure, assets and liabilities of those entities are managed efficiently and effectively; and provide the responsibilities of persons entrusted with financial management in those entities and to provide for matters connected therewith.

The Board as an Accounting Authority must manage Productivity SA in accordance with Sections 49 to 62 of the PFMA.

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

The Act was promulgated to give effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution; and to provide for matters connected therewith. 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.

THE 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 (B-BBEE). It furthermore empowers the Minister of Finance 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. Productivity SA's Enterprise Support programmes are designed to promote a productivity and entrepreneurship culture and consciousness to promote decent work, which involves opportunities for work that are productive and deliver fair income. The Competitiveness Improvement Services (CIS) Programme supports South Africa's strategic objectives in scaling up efforts to promote long-term industrialisation and transformation of the economy, targeting enterprises of all sizes within the productive sectors of the economy.

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

The Unemployment Insurance Act (UIA) provides for financing of employment services (in terms of Section (12), 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.

Financing the Business Turnaround and Recovery (BT&R) Programme will ensure the provision of turnaround strategies and plans to restructure and improve the productivity and operational efficiency of companies facing economic distress, to save jobs or minimise the retrenchment of employees.

THE NATIONAL DEVELOPMENT PLAN, 2030: OUR FUTURE – MAKE IT WORK

The National Development Plan (NDP) provides a long-term vision 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, the Industrial Policy Action Plan and the National Infrastructure Plan.

Productivity SA's strategic and programme interventions focus on contributing to the NDP goals, specifically Chapter 3 – targeting programmes that contribute to sustainable development and economic growth; Chapter 9 – developing world-class centres and programmes in the national system of innovation; and Chapter 13 – implementing programmes that improve the efficiency and effectiveness of government.

UPDATES TO INSTITUTIONAL POLICIES AND STRATEGIES

With the change in the business environment of Productivity SA and its mandate expanded through the Employment Services Act of 2014 to include promoting employment growth and supporting initiatives aimed at preventing job losses, and additional responsibilities conferred to the entity as per the Presidential Jobs Summit Framework Agreement, 2018, the entity's business model and strategic direction had to be reviewed. This entailed adopting frameworks which improve economic performance, labour market efficiency and management practices to promote full and productive employment and decent work for all. Our enterprise development and support programmes should in future be underpinned by the provisions of Article 23 of the Universal Declaration of Human Rights, notably the right to work, to free choice of employment, to just and favourable conditions of work, and to protection against unemployment.

The business model is being implemented in a challenging environment where the world of work is undergoing transformative change driven by technological innovations, demographic shifts, environmental and climate change, and globalisation, as well as persistent inequalities. These factors have a profound impact on the nature and future of work (FoW), and on the place and dignity of people in it. Therefore, Productivity SA should be resourced and capable to be future-ready and remain relevant and sustainable. The entity should have the intellectual and technical capacity and access to relevant sources of knowledge to meet the changing nature and future of work.

8. ORGANISATIONAL STRUCTURE

BOARD

Chief Executive Officer
Mr Mothunye Mothiba

Chief Financial Officer
Mr Mxolisi Dludla (Acting)

Executive Manager: Turnaround and Recovery (BT&R)
Mr Justice Tshifularo

Executive Manager: Competitiveness Improvement Services (Acting)
Ms Amelia Naidoo (Acting)

Executive Manager: Research, Innovation and Statistics
Dr Leroi Raputsoane (Acting)

Executive Manager: Corporate Relations
Dr Nandi Dabula

Head: Human Resources Management
Ms Lindiwe Lewis

Executive Manger: Regional Operations (Region 1: GP, LIMP, NW)
Ms Lalane Janse Van Rensburg

Executive Manager: Regional Operations (Region 2: WC, NC, FS)
Mr Albert Brink

Executive Manager: Regional Operations (Region 3: KZN, EC, MPU)
Ms Amelia Naidoo

Figure 1: Organisational structure

BOARD MEMBERS

Prof. Mthunzi Mdwaba
Board Chairman

Mr Mothunye Mothiba
CEO and Executive Board Member

Ms Beverly Jack
Board Member

Mr Welile Nolingo
Board Member

Ms Shivani Singh
Board Member

Ms Marsha Bronkhorst
Board Member

Dr Anneline Chetty
Board Member

Mr Godfrey Selematsela
Board Member

EXECUTIVE MANAGEMENT

Mr Mothunye Mothiba
CEO

Mr Mxolisi Dludla
Acting Chief Financial Officer

Dr Nandi Dabula
Executive Manager:
Corporate Relations

Mr Albert Brink
Executive Manager:
Regional Operations
(Region 2: WC, NC, FS)

Ms Amelia Naidoo
Executive Manager:
Competitiveness Improvement Services (Acting) and Executive Manager: Regional Operations
(Region 3: KZN, EC, MPU)

Ms Lalane Janse Van Rensburg
Executive Manger:
Regional Operations
(Region 1: GP, LIMP, NW)

Mr Justice Tshifularo
Executive Manager: Business Turnaround and Recovery (BT&R)

Ms Lindiwe Lewis
Head: Human Resources Management

Dr Leroi Raputsoane
Executive Manager: Research, Innovation and Statistics (Acting)

PART B

PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

Lunika Incorporated Chartered Accountants (SA) 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 pages 65 to 68 of the Report of the Auditors Report, published as Part F: Financial Information.

2. OVERVIEW OF PERFORMANCE

2.1 OVERVIEW OF PRODUCTIVITY SA PERFORMANCE

2.1.1 SERVICE DELIVERY ENVIRONMENT

Productivity SA is established in terms of Section 31 of the Employment Services Act, No. 4 of 2014, as a schedule 3A Public Entity of the Department of Employment and Labour (DEL) with the responsibility to fulfil an economic or social **mandate** of government, which is *to promote employment growth and productivity thereby contributing to South Africa's socio-economic development and competitiveness*.

Productivity SA enterprise development and support programmes, namely the BT&R and the CIS Programmes, are designed to enable the entity to meet its commitments and plans to unlock South Africa's productivity and potential for long-term competitiveness and sustained inclusive growth. The strategies and programme interventions are focused on government's Medium-Term Strategic Framework priority 1: A Capable, Ethical and Developmental State; and priority 2: Economic Transformation and Job Creation. The interventions are built on the foundations of the Economic Reconstruction and Recovery Plan (ERRP), which remains South Africa's common programme to build the economy and achieve long-term competitiveness and sustained inclusive growth.

Our contribution to the ERRP is focused on two priority areas linked to our mandate, which include: **Priority 2 – Industrialisation and Growing the productive economy:** (2.1) Improve efficiencies of local producers; (2.2) Support local manufacturing as well as firms and households in distress; and (2.3) Strengthen Small micro and medium enterprises (SMMEs) and Cooperatives on the back of localisation and support for badly affected labour-intensive industries; and **Priority 5 – Macro-Economic Interventions and Enablers for Economic Growth:** (5.1) End wastage including enhanced productivity, and measurement and evaluation of productivity and overall competitiveness of the economy; (5.2) An Integrated Enterprise Development and Support Ecosystem (government-wide programme in collaboration and partnership with social partners) to create a coherent platform to enhance access and coordination of government support for formal and informal SMMEs, start-ups and cooperatives; and (5.3) Support measures, including Schemes/TERS to transition enterprises and employees as well as the informal enterprises into the formal economy.

During the 2022/23 financial year, **4 364** SMMEs, entrepreneurs, workers and managers as well as productivity champions were capacitated on productivity tools and trained on competitiveness improvement initiatives. The Workplace Challenge (WPC) Programme supported **100** of the enterprises. The WPC is funded by **the dtic**. Of the WPC businesses supported, **64%** are Black-owned businesses; **65%** of the businesses have part or full women ownership, and **27%** of the businesses have part or full youth ownerships. Over **3 241** jobs were preserved through these interventions.

We are also beginning to see the positive results of the Turnaround Strategies and Labour Activation Programmes as promulgated in Section 7 of the Employment Services Act, No. 4 of 2014, and Section 5 (d) of the Unemployed Insurance Amendment Act (UIAA), No.10 of 2016, respectively. All the commitments made over the past three years to support companies facing economic distress and preserve jobs

We are proud to report that over the past three financial years, the CIS Programme continued providing support to SMMEs in both the formal and informal economy, and consistently achieved **100% performance** on its planned targets.

(as per the Funding Agreement with the UIF) through the BT&R Programme have been exceeded. Over **294** companies facing economic distress were supported against a target of **174** over the past three years. In addition, over **1 665** achievement on the target to train and capacitate Future Forum members, and both these interventions resulted in over **15 563** (181%) achievement on the target for jobs preservation/retention.

The BT&R Programme's annual performance for the 2022/23 financial year showed further successes in that the achievement for the number of companies supported totalled **78** against a target of **67**, while over **792** Future Forum members were trained – exceeding the target of 201 by more than 360% and saving **4 983** jobs in the process. One of the key pillars underpinning this outstanding achievement was the resolution to make it mandatory for every business that received assistance for the Temporary Employer/Employee Relief Scheme (TERS) to implement the BT&R Programme. In this way, we have created synergy between our financial and non-financial instruments aimed at jobs preservation.

It is worth noting that not only did the BT&R assist in the preservation of jobs within the distressed businesses, but also its turnaround strategies led to the creation of **1 147** jobs over the past three years. This achievement provides us with solid evidence that the BT&R Programme is an effective employment and labour market instrument with a proven track record to alleviate the plight of workers facing the threat of retrenchments.

The BT&R Programme is playing a significant role in ensuring that no one is left behind. To this end, **9** of the businesses supported are owned by people living with disabilities. Furthermore, **576** (3,7%) of the jobs preserved were for people living with disability. We expect that this trend will continue throughout 2023/24 because of an agreement reached for the programme to support 13 Supported Employment Enterprise factories.

One disturbing challenge facing South Africa that should be addressed in collaboration with other government departments in the economic cluster, concerns the vast number of SMMEs requiring assistance. More than 2,3 million SMMEs (1.6 million thereof being informal SMMEs) operate in South Africa. Productivity SA can only service a fraction (about 3 000 per annum) of the total number due to insufficient funding. The CIS programme relies on regional and national partners to achieve the Annual Performance Plan's (APP's) targets with the use of additional funding. Investment into technology would further assist the CIS unit to improve its access to clients and service offerings to support the SMMEs in both the informal and formal economy to become sustainable entities that create decent work.

It will be remiss not to indicate the challenges lying ahead for the BT&R Programme as we enter the 2023/24 financial year. Chief among these is the qualifying criterion that requires the distressed companies to be in good standing in so far as respective tax is concerned. The unintended consequence of this criterion is that a number of companies going through economic distress, as envisaged in the Employment Services Act, end up not qualifying for this scheme. The Productivity SA team is working on this matter to strike a balance in restricting this entry barrier while ensuring that compliance is not compromised.

The recommendation of single-source funding will go a long way in assisting us to deliver on our mandate and expand the reach and accessibility of our programmes equitably and country wide. Further to this, we recommended that the DEL should champion the policy position that, to effectively support SMMEs, government should be a funder of first resort, including towards schemes and programme interventions in terms of Section 5(d) of the UIAA by the UIF (collective funding by development funding agencies and institutions (DFAs/DFIs) for SMMEs, and that the funding should be linked to productivity outcomes. The DFAs/DFIs should make funds available for funding enterprise development and support programmes for capacitation of the SMMEs funded. The SMMEs should be supported to be competitive and sustainable through a comprehensive suite of support programmes. Productivity SA should be enabled to access the loan book of the DFAs/DFIs to assist the funded SMMEs that face economic distress (with the potential to retrench workers) and are unable to service their debt (with the potential to default on payments and be liquidated) with business turnaround and recovery strategies.

2.1.2 ORGANISATIONAL ENVIRONMENT

As a national public entity, Productivity SA services the entire country. However, its footprint is limited to three provinces which are reorganised into regional offices (Midrand, which is the head office, and also servicing Gauteng, North West and Limpopo; Durban, servicing KwaZulu-Natal, the Eastern Cape and Mpumalanga; and Cape Town, servicing the Western Cape, Northern Cape and Free State).

The current funding of R59 million and an organisational structure with a high vacancy rate (96 filled posts out of 107 – 11 vacant posts valued at about R10.9 million), particularly in the strategic business units, as well as operations organised into three regional offices, make it impossible to service the entire country adequately and equitably. As a result of operational instability caused by inadequate funding, the entity has lost a number of skilled employees. During 2022/23, the entity operated at 90% capacity. While this has presented cost savings in terms of employees' costs, it has, unfortunately, come at a great expense to the struggling beneficiaries, i.e. companies in distress and facing retrenchments that could not be assisted to potentially save jobs.

The funding challenges faced by Productivity SA are structural in nature and the funds appropriated by Parliament through the budget vote of the DEL barely cover the operational costs. What compounds this challenge is that the grants from the UIF and **the dtic** are not guaranteed. Apart from compromising delivery on our mandate, the limited financial resources and infrastructure make it impossible to meet the large demand for our enterprise support programmes and the increasing demand for our Enterprise Competitiveness and Sustainability, and Job Preservation services.

We further lack the resources and capability to provide productivity and competitiveness-related value-added information and statistics, best practices and systems through research activities and databases. Therefore, there is urgency for increased capacity and footprint to adequately respond to the growing demand for our services and to equitably service the entire country. Ideally, Productivity SA should be funded through a single-source funding model in line with Section 12 of the Employment Services Act.

2.1.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There has not been any key policy developments and legislative changes during the reporting period.

2.2 PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACT AND OUTCOMES

In the medium term, Productivity SA will contribute mainly to the **Medium-Term Strategic Framework's Priority 2: Economic Transformation and Job Creation** through its enterprise development and support programmes, i.e. CIS and BT&R. These two programmes are designed to enhance the capabilities of SMMEs and Cooperatives to adopt world-class productivity enhancement best practices, to preserve existing jobs and create productive and decent employment.

The performance and achievements, in particular relating to the enterprise development and support programmes (despite the challenges outlined), underscore our commitment to leading a productivity-driven agenda holistically across sectors and all levels (macro, sector/industry and micro). This commitment will be reinforced with the conviction that productivity is a crucial determinant and driver of long-term competitiveness and economic growth, and a vehicle towards prosperity and higher standards of living. Our resolve to promote a culture of productivity and accountability thereof remains, and we call upon the Minister and the DEL to champion and be with us on this journey. With this collaboration, we can collectively address the productivity and capability gaps of SMMEs, which is more critical than ever before for our underperforming economy.

To this end, we are committed to working with the department to develop a comprehensive policy mix, strategies and programme interventions to contribute to the competitiveness and sustainability of the SMMEs, particularly those operating in the informal economy, in line with ILO Recommendation 204.

Productivity SA will continue to actively participate in the TERS task team of the Presidential Jobs Summit as well as in the TERS single adjudication committee with the Commission for Conciliation, Mediation and Arbitration (CCMA), **the dtic** and the UIF to ensure that distressed companies are not only receiving wage subsidies but benefit from the development and implementation of turnaround strategies to enhance their long-term sustainability.

Productivity SA engages in a variety of strategic partnerships and alliances with a wide range of institutions, including national and global strategic business partners that share a common SMME focus and the notion that small- and medium-size enterprises create jobs and power economies. These partnerships create a much stronger voice for SMMEs in South Africa and offer fertile soil in which seeds of productivity can bloom.

2.3 INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

2.3.1 PROGRAMME 1: ADMINISTRATION

Purpose of the programme

The programme aims to strengthen the institutional capacity of Productivity SA to deliver on its mandate and be financially sustainable.

Sub-programmes

- **Office of the CEO** provides strategic leadership to ensure that the mandate is achieved.
- **Corporate Services** renders effective and efficient financial management, IT and facilities administrative support.
- **Human Resource Management** renders effective and efficient human resources management-related services.
- **Corporate Relations** drives the productivity movement by promoting a culture of productivity in the workplace and in society in general.

Strategic Objectives

The programme contributes to the following strategic objectives towards achieving the APP:

- **Strategic objective 1** – Strengthen the institutional capacity of Productivity SA to deliver on its mandate and be financially sustainable.
- **Strategic objective 5** – Productivity Culture and Accountability: To promote a culture of productivity and competitiveness in the workplace and community life.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

The Administration Programme, which hosts the support sub-programmes achieved 100% on all four its Key Performance Indicators (KPIs).

- Corporate Services paid all SMMEs within 30 days of receipt of statement throughout the financial year. No fruitless and wasteful expenditure was incurred.
- Human Resource Management commenced with all planned training interventions to capacitate the workforce.
- Corporate Relations hosted the 10 planned productivity awards and regional milestones which recognises enterprises for significant progress in improving productivity in their respective environments.

Sub-programme: Corporate Services

Table 1: Corporate Services performance against APP targets

SUB-PROGRAMME: CORPORATE SERVICES – OFFICE OF THE CFO								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Planned Annual Target 2022/23**	**Actual Achievement 2022/23**	**Deviation from planned target to Actual Achievement 2022/23**	**Reasons for deviations**
Functional, Efficient and Integrated Government	Monitoring report with corrective measures where applicable	30-day payment report with corrective measures implemented where applicable	100%	100%	100%	100%	0	n/a
	Percentage elimination of fruitless and wasteful expenditure per annum	100% elimination of wasteful and fruitless expenditure incrementally from baseline of R518 000	New indicator	100%	100%	100%	0	n/a

Linking performance with budgets

Table 2: Corporate Services performance in terms of budget

PROGRAMME	2022/23 Budget R'000	2022/23 Actual expenditure R'000	2022/23 (Over)/under expenditure R'000	2021/22 Budget R'000	2021/22 Actual expenditure R'000	2021/22 (Over)/under expenditure R'000
Finance, IT and Facilities	11 696	21 046	(9 350)	25 199	25 028	171
OCEO	4 823	5 695	(872)	4 679	4 796	(117)
Total	**16 519**	**26 741**	**(10 222)**	**29 878**	**29 824**	**54**

Strategy to overcome areas of under performance

N/a

Sub-programme: Human Resource Management

Table 3: Human Resource Management performance against APP targets

SUB-PROGRAMME: HUMAN RESOURCE MANAGEMENT								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Planned Annual Target 2022/23**	**Actual Achievement 2022/23**	**Deviation from planned target to Actual Achievement 2022/23**	**Reasons for deviations**
Functional, Efficient and Integrated Government	Percentage of planned training interventions commenced per annum	100%	100%	100%	100%	100%	0	n/a

Linking performance with budgets

Table 4: Human Resource Management performance in terms of budget

PROGRAMME	2022/23 Budget R'000	2022/23 Actual expenditure R'000	2022/23 (Over)/under expenditure R'000	2021/22 Budget R'000	2021/22 Actual expenditure R'000	2021/22 (Over)/under expenditure R'000
Training and Development	950	862	88	606	613	(7)
Total	**950**	**862**	**88**	**606**	**613**	**(7)**

Strategy to overcome areas of under performance

N/a

Sub-programme: Corporate Relations

Table 5: Corporate Relations performance against APP

SUB-PROGRAMME: CORPORATE RELATIONS								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Planned Annual Target 2022/23**	**Actual Achievement 2022/23**	**Deviation from planned target to Actual Achievement 2022/23**	**Reasons for deviations**
Enterprise Competitiveness and Sustainability: To improve productivity for sustained inclusive economic growth and competitiveness. Promote full and productive employment and decent work	Promote the productivity and competitiveness mind-set and culture in the workplace	Number of productivity awards and regional milestone workshops hosted by 31 March each year	10	10	10	10	0	n/a

Linking performance with budgets

Table 6: Corporate Relations performance in terms of budget

	2022/23			2021/22		
	Budget	**Actual expenditure**	**(Over)/under expenditure**	**Budget**	**Actual expenditure**	**(Over)/under expenditure**
PROGRAMME	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Corporate Relations	6 687	9 059	(2 372)	6 487	6 141	346
Total	**6 687**	**9 059**	**(2 372)**	**6 487**	**6 141**	**346**

Strategy to overcome areas of under performance

N/a

2.3.2 PROGRAMME 2: COMPETITIVENESS IMPROVEMENT SERVICES

Purpose of the programme

The programme provides support to SMMEs in both the formal and informal economy by focusing on productivity and operational efficiency enhancement interventions, promoting a productivity culture and mind-set, as well as driving accountability for productivity performance across sectors (national, sector and enterprise level) and segments of society. Furthermore, the programme prioritises the participation of historically disadvantaged people and regions in the economy and thereby support meaningful BBBEE using instruments such as Special Economic Zones, Industrial Parks and Black Industrialists interventions.

Sub-programmes

Workplace Challenge Programme

Strategic Objectives

The programme contributes to the following strategic objectives towards achieving the APP:

- **Strategic objective 2** – Enterprise Competitiveness and Sustainability: To improve productivity for sustained inclusive economic growth and competitiveness.
- **Strategic objective 5** – Productivity Culture and Accountability: To promote a culture of productivity and competitiveness in the workplace and community life.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

The programme focuses on creating an enabling environment conducive to entrepreneurship and sustainable enterprises that can create productive employment and decent work. Furthermore, CIS supports South Africa's strategic objectives in scaling up efforts to promote long-term industrialisation and transformation of the economy and to achieve a productive high-income economy which is globally competitive. CIS interventions include capacity building of entrepreneurs and enterprises in both the formal and informal economy, and interventions through the WPC Programme funded by **the dtic** or other enterprise support interventions.

During this financial year, Productivity SA has managed to support 1 522 SMMEs through training and competitiveness improvement initiatives. A hundred of the enterprises were supported through the WPC programme, funded by **the dtic** to the value of R10 558 000.

A total of **2 314** entrepreneurs, workers and managers have been capacitated (formal and informal sector Productivity Champions capacitated on productivity tools during the reporting period amount to **528**. There are two national special projects managed by Productivity SA: the Workplace Challenge Programme, and the Itukise Project, both funded by **the dtic**.

Demographics - Entrepreneurs, Workers and Managers trained

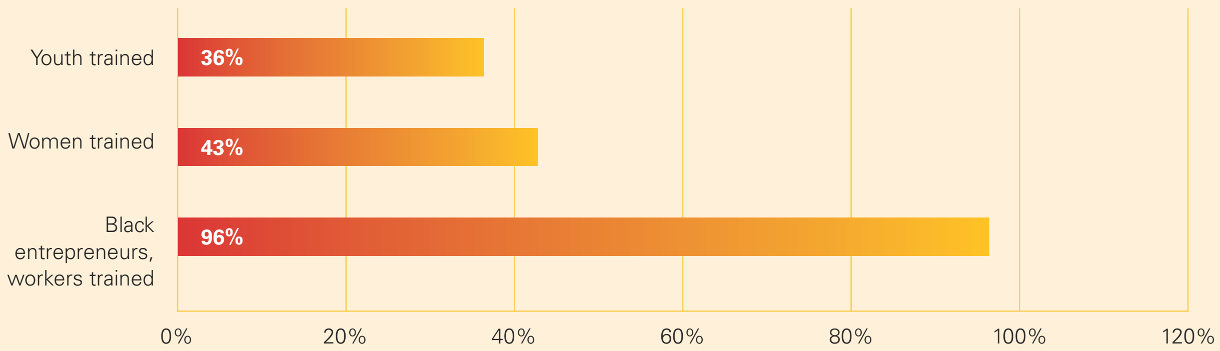


Figure 2: Demographics

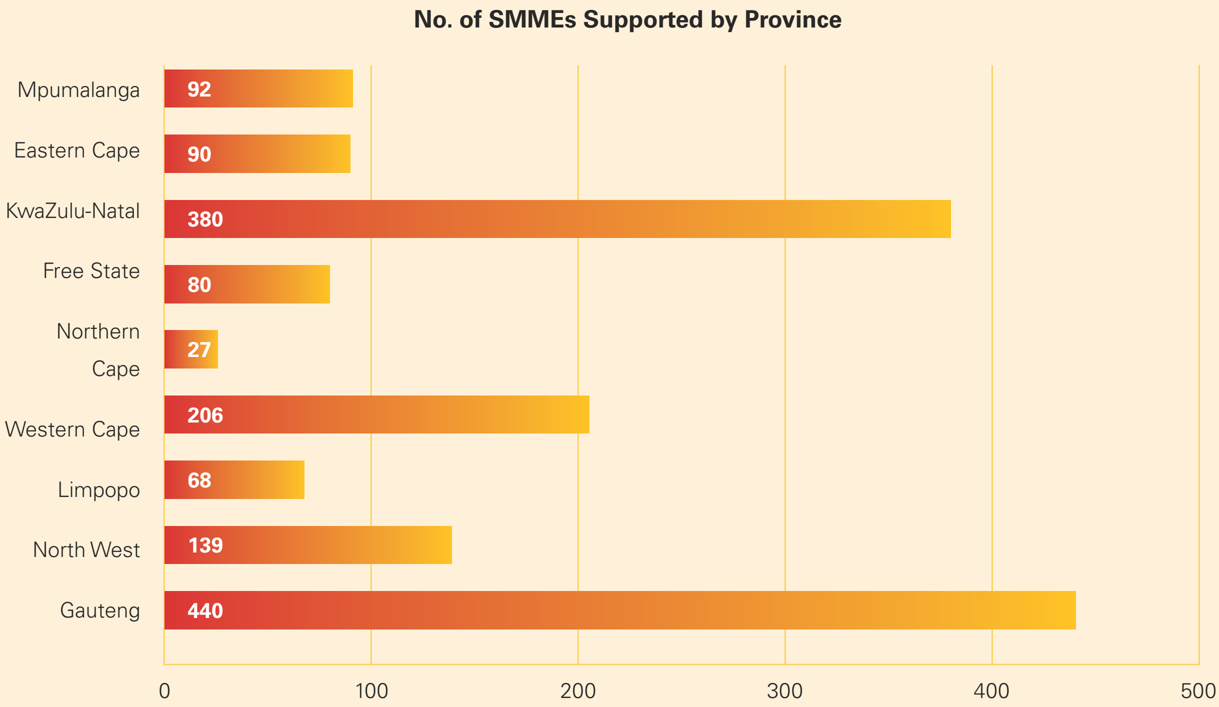


Figure 3: SMMEs supported per province

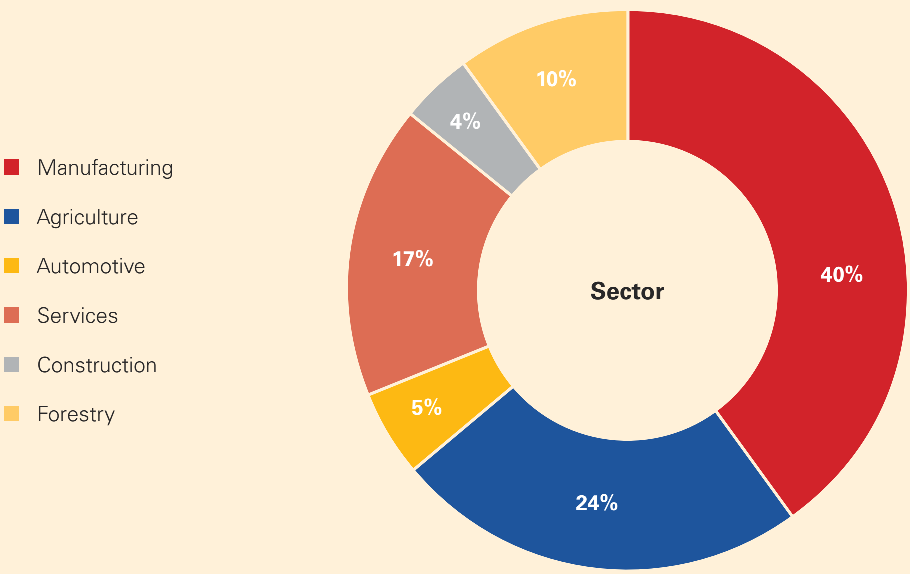


Figure 4: 2022/23 Percentage of Projects per sector

Table 7: Competitiveness Improvement Services performance against the APP

PROGRAMME: COMPETITIVENESS IMPROVEMENT SERVICES								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Planned Annual Target 2022/23**	**Actual Achievement 2022/23**	**Deviation from planned target to Actual Achievement 2022/23**	**Reasons for deviations**
Enterprise Competitiveness and Sustainability: To improve productivity for sustained inclusive economic growth and competitiveness. Promote full and productive employment and decent work	SMME and other enterprises supported through productivity interventions to improve their competitiveness and sustainability	Number of SMMEs and other enterprises supported through productivity interventions to improve their competitiveness and sustainability	3 686	1 546	1 252	1 522	+270	Regional strategic relationships continued to contribute towards the overall target achieved.
		Number of entrepreneurs capacitated to promote the culture of productivity and entrepreneurship	927	2 849	2 200	2 314	+114	Continued to leverage shared platforms with strategic partners.
	Promote the productivity and competitiveness mind-set and culture in the workplace	Number of Productivity Champions capacitated to build awareness and promote a stronger culture of productivity in South Africa	429	621	323	528	+205	WPC special project contributed to 70% of the actual target achieved.

Linking performance with budgets

Table 8: Competitiveness Improvement Services performance in terms of budget

	2022/23			2021/22		
	Budget	**Actual expenditure**	**(Over)/under expenditure**	**Budget**	**Actual expenditure**	**(Over)/under expenditure**
PROGRAMME	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
CIS	18 722	16 452	2 270	8 151	8 372	(221)
WPC	10 558	11 080	(522)	10 491	10 169	322
Total	**29 280**	**27 532**	**1 748**	**18 642**	**18 541**	**101**

Strategy to overcome areas of under performance

N/a

2.3.3 PROGRAMME 3: BUSINESS TURNAROUND AND RECOVERY

Purpose of the programme

The programme focuses on supporting initiatives aimed at preventing job losses as well as providing for turn-around strategies to companies facing economic distress (financial or operational difficulties) which may result in an employer contemplating the dismissal of employees based on its operational requirements. The outcome of these interventions is to lessen the social and economic impact on individuals, companies, regions and the national economy.

Sub-programmes

N/a

Strategic Objectives

The programme contributes to the following strategic objectives towards achieving the APP:

- **Strategic objective 3** – Jobs preservation: To support enterprises facing economic distress and initiatives aimed at preventing job losses.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

The number of companies supported totalled **78** against a target of **67**, while more than **724** Future Forum members were trained, against a target of **201**. These efforts saved **4 983** jobs in the process. This outstanding achievement was possible because of the resolution to make it mandatory for every business that received assistance for the TERS to implement the BT&R programme. In this way, we have created synergy between our financial and non-financial instruments aimed at jobs preservation.

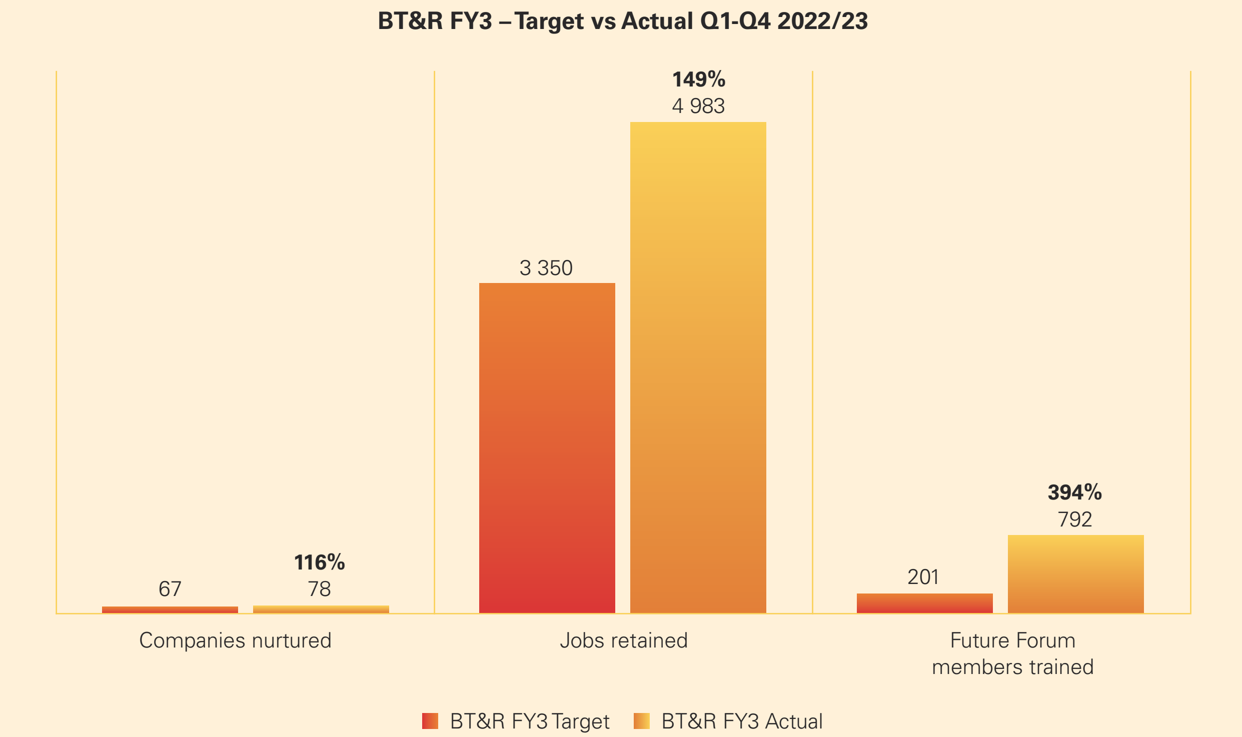


Figure 5: BT&R FY3 – Target vs Actual Q1-Q4 2022/23

BT&R Jobs Retained by Gender 2022/23

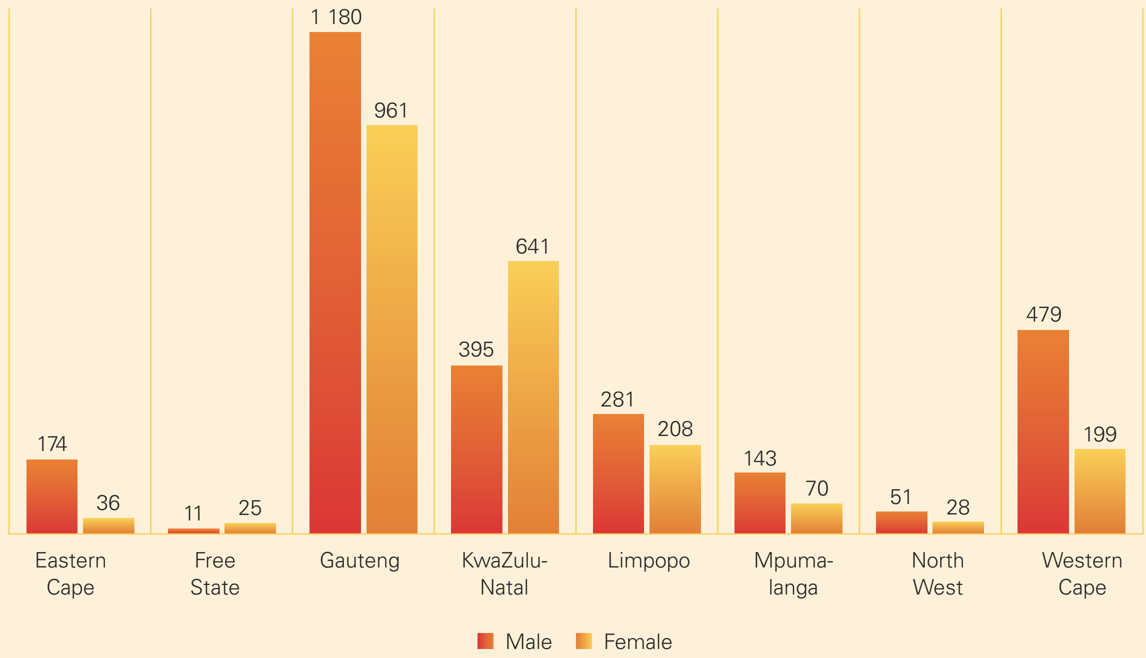


Figure 6: BT&R Jobs Retained by Gender 2022/23

BT&R Jobs Retained by Race 2022/23

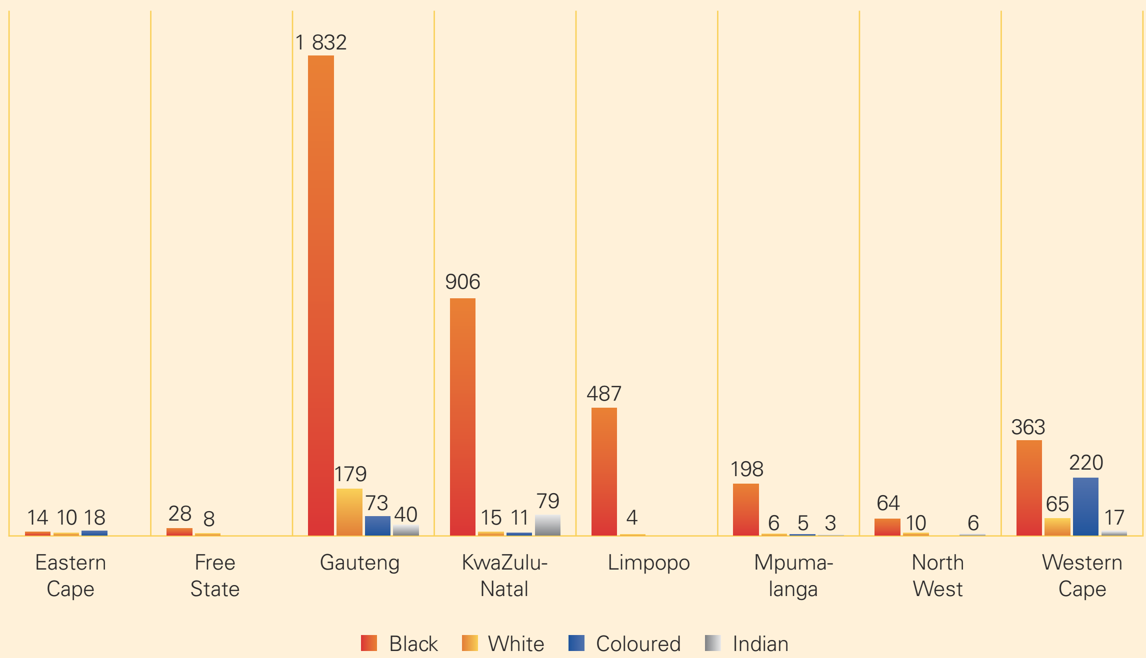


Figure 7: BT&R Jobs Retained by Race 2022/23

BT&R Total Jobs Retained vs Jobs Retained for People Living with Disabilities 2022/23

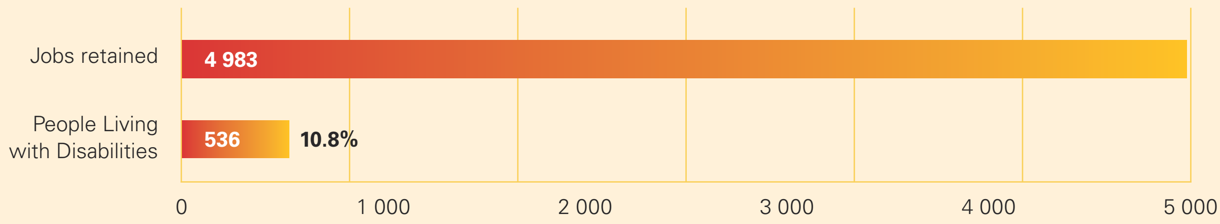


Figure 8: BT&R Total Jobs Retained vs Jobs Retained for People Living with Disabilities 2022/23

BT&R Jobs Retained for Youths 2022/23

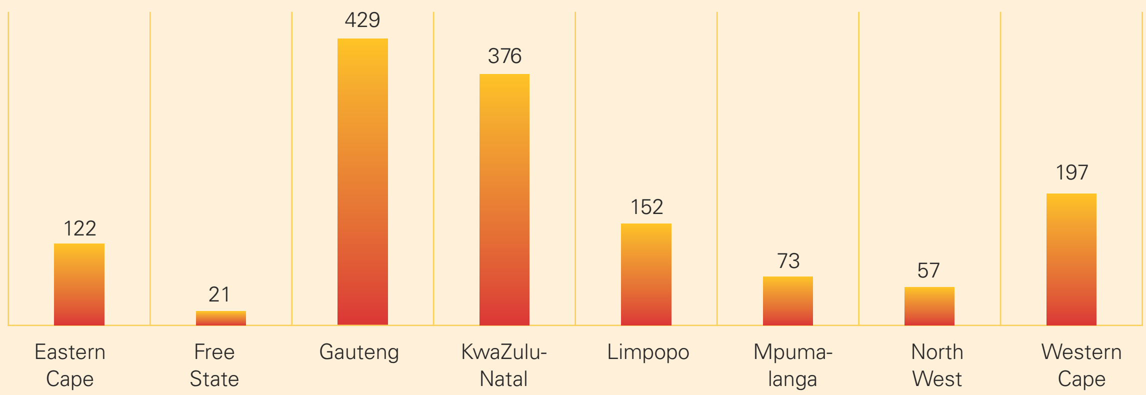


Figure 9: BT&R Jobs Retained for Youths 2022/23

BT&R Project Operational Sectors 2022/23

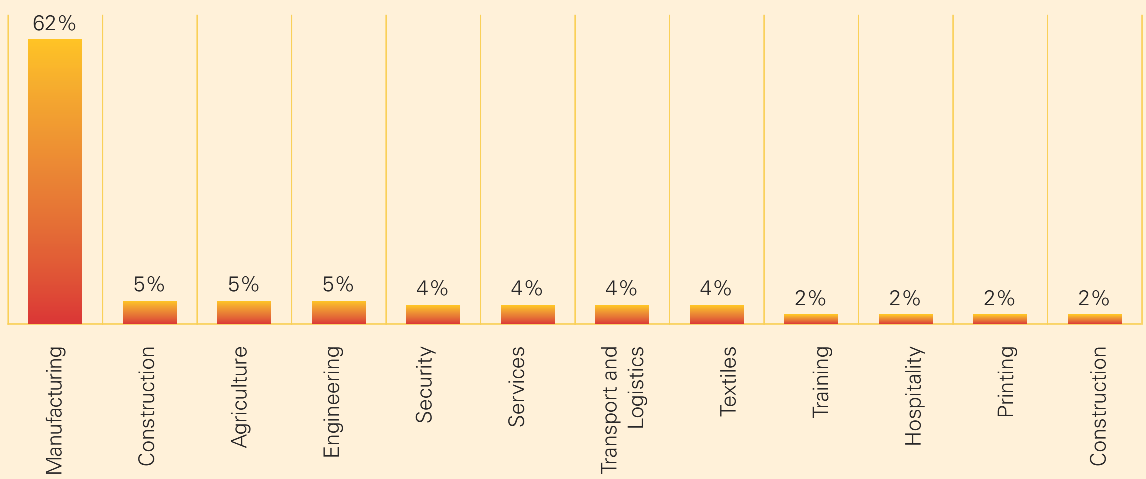


Figure 10: BT&R Project Operational Sectors 2022/23

Table 9: Business Turnaround and Recovery performance against the APP

PROGRAMME: BUSINESS TURNAROUND AND RECOVERY								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Planned Annual Target 2022/23**	**Actual Achievement 2022/23**	**Deviation from planned target to Actual Achievement 2022/23**	**Reasons for deviations**
Business Turnaround and Recovery processes	Support enterprises facing economic distress and initiatives aimed at preventing job losses	Number of jobs saved in companies facing economic distress	3 030	9 550	3 350	4 983	+1 633	This is indicative of increased demand as well as efficiency and effectiveness of the BT&R Programme. Furthermore, the average number of employees per company was more than the 50 employees per company projected. The average was 64 employees per company.
		Number of companies facing economic distress supported through turn-around strategies to retain jobs (nurturing)	25	191	67	78	+11	
		Number of workplace /Future Forum members trained and capacitated on productivity improvement solutions	96	777	201	792	+591	Exceeded this target as signed entities opted to send more employees for training.

Linking performance with budgets

Table 10: Business Turnaround and Recovery performance in terms of budget

	2022/23			2021/22		
	Budget	**Actual expenditure**	**(Over)/under expenditure**	**Budget**	**Actual expenditure**	**(Over)/under expenditure**
PROGRAMME	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Business Turnaround and Recovery	83 369	31 892	51 477	111 306	24 708	86 598
Total	**83 369**	**31 892**	**51 477**	**111 306**	**24 708**	**86 598**

Strategy to overcome areas of under performance

N/a

2.3.4 PROGRAMME 4: RESEARCH, INNOVATION AND STATISTICS

Purpose of the programme

The programme aims to measure and evaluate productivity in the workplace and overall competitiveness of the economy. It develops and maintains databases and best practice in the productivity and competitiveness system, and business model innovation including products and services innovation to improve quality and access to services. It undertakes and publicises productivity-related research and statistics.

Sub-programmes

N/a

Strategic Objectives

The programme contributes to the following strategic objectives towards achieving the APP:

- **Strategic objective 4** – Evidence-based planning, monitoring and evaluation: Generation and dissemination of productivity-related research and statistics.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

The Research, Innovation and Statistics Programme supports the mandate of the entity through the provision of productivity- and competitiveness-related value-added information and statistics, best practices and systems through research and innovative activities and databases. During the reporting period, the programme achieved 50% of its KPIs.

The Institute of Management Development's (IMD) 2022 World Competitiveness Yearbook ranked South Africa 60 out of 63 countries. What is of particular concern is that this ranking was lower than that of Botswana, a new entrant with a much lower economic activity compared to ours. Botswana was ranked 58th and is the second African country to join the IMD. A country's low competitiveness (according to the IMD definition of competitiveness) reflects a country incapable of managing the totality of its resources and competencies to increase the prosperity of the population.

The 2022 Productivity Statistics Report shows a recovery efficiency as well as a rebound in economic growth post the onset of the Covid-19 pandemic. The Productivity Statistics Report is an Annual Report by Productivity SA which measures the levels of productivity, or efficiency with which production inputs are used to produce goods and services, in the economy at sector as well as industry level.

Table 11: Research, Innovation and Statistics performance against the APP

PROGRAMME: RESEARCH, INNOVATION AND STATISTICS								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Planned Annual Target 2022/23**	**Actual Achievement 2022/23**	**Deviation from planned target to Actual Achievement 2022/23**	**Reasons for deviations**
Provision of productivity- and competitiveness-related value-added information	Undertake productivity-related research on priority sectors	Number of research reports and publications on priority sectors published and disseminated	2	1	4	2	(2)	Capacity constraints of the research unit.
	Collate productivity-related statistics	Number of statistical reports on productivity and competitiveness published	2	2	2	2	0	n/a

Linking performance with budgets

Table 12: Research, Innovation and Statistics performance in terms of budget

PROGRAMME	2022/23 Budget R'000	2022/23 Actual expenditure R'000	2022/23 (Over)/under expenditure R'000	2021/22 Budget R'000	2021/22 Actual expenditure R'000	2021/22 (Over)/under expenditure R'000
Research development	11 198	8 388	2 810	8 943	7 414	1 529
Total	**11 198**	**8 388**	**2 810**	**8 943**	**7 414**	**1 529**

Strategy to overcome areas of under performance

Evoked Human Resource (HR) performance management process and action to be taken to empower and capacitate the research unit to deliver quality research reports on time.

3. REVENUE COLLECTION

Sources of revenue	2022/23 Estimate R'000	2022/23 Actual Amount Collected R'000	2022/23 Over/(Under) Collection R'000	2021/22 Estimate R'000	2021/22 Actual Amount Collected R'000	2021/22 Over/(Under) Collection R'000
Transfers and subsidies						
DEL	61 698	61 698	-	59 853	60 669	816
UIF	83 369	31 892	(51 477)	111 306	24 708	(86 598)
the dtic	10 558	10 558	-	10 389	10 389	-
Donations	517	2 070	1 553	1 550	249	(1 301)
Total Transfers and subsidies	**156 142**	**106 218**	**(49 924)**	**183 098**	**96 015**	**(87 083)**
Rendering of services	16 512	2 421	(14 091)	9 574	4 534	(5 040)
Other income	-	224	224	-	3 507	3 507
Interest received	714	648	(66)	681	453	(228)
Total	**173 368**	**109 511**	**(63 857)**	**193 353**	**104 509**	**(88 844)**

4. CAPITAL INVESTMENT

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.

Furthermore, a physical asset count is performed annually. 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 of: Buildings, Computer Equipment, Equipment, Furniture & Fixtures and Motor vehicle. All assets 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 Public Finance Management Act (PFMA) and runs in tandem with the principles contained in 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 DEL is part of the Portfolio Committee of Employment and Labour (PCEL).

Productivity SA attended meetings with the PCEL on the following dates:

- Quarter 1 performance report: 25 May 2022;
- Quarter 2 performance report: 7 September 2022;
- Quarter 4 brief on the implications and impact of the State of the Nation Address: 10 March 2023;
- Quarter 4 brief by the DEL reflecting on operations: 10 March 2023; and
- Quarter 4 brief on the APP: 22 March 2023.

The PCEL did not identify any risk areas but acknowledged that Productivity SA operates with very limited funding, and this hampers Productivity SA 's ability to assist more companies. The low funding that Productivity SA receives, also limits the entity 's efforts to implement its business turnaround programmes and fortify its footprint countrywide.

3. EXECUTIVE AUTHORITY

Productivity SA's planning and strategic submissions to DEL included the APP 2022/23 and the Strategic Business Plan 2022/23.

The first draft of the APP 2022/23 and Strategic Business Plan 2022/23 were submitted on 8 December 2022 and the final draft on 8 March 2023.

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 PFMA.

The Board is responsible and accountable for the public entity's performance and strategic direction.

The Board as the Accounting Authority of Productivity SA meets at least four 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:

- Determines the strategic direction of Productivity SA and oversee the performance of the entity in executing its mandate.
- Formulates the general policy.
- Appoints the CEO on terms stipulated in the Constitution and subject to the Labour Relations Act and other relevant legislation.
- Determines the remuneration terms and conditions of the employment of the CEO and other employees.
- Approves annual budgets, business plans and financial strategy of Productivity SA.
- Appoints committees and sub-committees as it may deem necessary for performing its duties.

Constitution

The Board adheres to the rules and procedures outlined in the Constitution of the Board of Productivity SA by which the functions of the Board and those of its sub-committees are determined.

Table 13: Composition of the Board

BOARD FOR THE PERIOD: 1 DECEMBER 2019–31 NOVEMBER 2024								
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 Board and sub-committee meetings attended**
Mthunzi Mdwaba	Non-Executive Chairman	1 Dec 2019	Current	Bachelor of Arts and Bachelor of Laws	Business	Productivity SA	Board	7
Shivani Singh	Non-Executive	1 Dec 2019	Current	Master of Commerce (Economics)	Business	Productivity SA	Board/Audit and Risk Committee	9
Beverly Jack	Non-Executive	19 May 2022	Current	Certificate of Education, University of Zimbabwe	Business	Productivity SA	Board/ HR and R Committee	8
Marsha Bronkhorst	Non-Executive	1 Dec 2019	Current	Master of Arts	Government	Productivity SA	Board/ HR and R Committee	11
Anneline Chetty	Non-Executive	1 Dec 2019	Current	PhD in Geography and Environmental Science	Government	Productivity SA	Board/Audit and Risk Committee	9
Welile Nolingo	Non-Executive	1 Dec 2019	Current	Diploma in Management (Labour Relations)	Labour	Productivity SA	Board/Audit and Risk Committee	12
Godfrey Selematsela	Non-Executive	23 Sept 2020	Current	Diploma in General Nursing Science and Advanced certificate in labour law	Labour	Productivity SA	Board/ HR and R Committee	10

Table 14: Board committees

COMMITTEES FOR THE PERIOD: 1 DECEMBER 2019–31 NOVEMBER 2024			
Committee	**No. of meetings held**	**No. of members**	**Name of members**
Audit and Risk Committee	5	4	• Paul Slack • Shivani Singh • Welile Nolingo • Anneline Chetty
Human Resource and Remuneration Committee	4	3	• Marsha Bronkhorst • Beverly Jack (Appointed 19 May 2022) • Godfrey Selematsela

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 are payable should a Board member not attend a scheduled meeting or if a completed document and signed claim form have not been received.
- These fees 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 who are not remunerated include:

- Government representatives are not entitled to any fees or refunds for travel and accommodation costs.

The rates are reviewed annually as guided by the National Treasury.

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

- Travel and accommodation to the functions or meeting on behalf of Productivity SA is incurred by Productivity SA.
- The remuneration rates for the Board of Productivity SA during the reporting year were:
  Non-Executive Chairman of the Board: R4 317 per meeting
  Independent Chairperson of the Audit and Risk Committee: R4 317 per meeting
  Non-Executive Board/Alternate/Co-opted members: R2 619 per meeting

Table 15: Board remuneration

BOARD REMUNERATION FOR THE PERIOD: 1 APRIL 2022 DECEMBER 2019–31 MARCH 2023		
Name	**Remuneration for Attendance**	**Total**
Mthunzi Mdwaba	R4 317	R302 190
Beverly Jack (Appointed 19 May 2022)	R2 619	R39 285
Welile Nolingo	R2 619	R41 904
Shivani Singh	R2 619	R28 809
Godfrey Selematsela	R2 619	R39 285
Paul Slack	R4 317	R86 340

5. RISK MANAGEMENT

Due to its size and its quest for value and independence, Productivity SA outsources the risk management to internal auditors, Audit and Risk Management Solutions (ARMS).

Senior management, with the assistance of the outsourced internal audit function, is committed to assessing, on an ongoing 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 ARMS where senior management revisited the risks facing Productivity SA.

The Audit and Risk Committee evaluates reports prepared by ARMS to identify areas where further management 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 these 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; and
- Supply Chain Management Review.

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

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's policies and procedures as well as legislation.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

Rakoma 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 on accounting policies, practices and disclosure; and
- Safeguarding the Directors' liability by informing the Board of Directors about issues that impact on the business and the status of financial reporting.

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

Table 16: Audit and Risk Committee

AUDIT AND RISK 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**
Paul Slack	BComm (Hons) (Financial Management; CA(SA); CD(SA)	External	N/A	1 Aug 2021	Current	5
Shivani Singh	Master of Commerce (Economics)	External	N/A	1 Dec 2019	Current	3
Welile Nolingo	Diploma in Management (Labour Relations)	External	N/A	1 Dec 2019	Current	5
Anneline Chetty	PhD in Geography and Environmental Science	External	N/A	1 Dec 2019	Current	3

8. COMPLIANCE WITH LAWS AND REGULATIONS

Productivity SA regularly evaluates its compliance with all relevant legislation by which it must abide.

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. From this exercise a fraud and risk checklist was 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 of fraud and corruption. 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 are reported on a quarterly basis at the Audit and Risk Committee and monthly at the Executive Committee meeting. The combination of management efforts, internal audit as well as external audit 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.

Management continuously investigates allegations of fraud and corruption including, where warranted, through forensic investigations.

10. MINIMISING CONFLICT OF INTEREST

Productivity SA views conflict of interest within supply chain management seriously. To prevent conflict of interest, Productivity SA signs a standard contract with service providers containing a clause on conflict of interest which stipulates liable prosecution if an employee or a service provider violates provisions of the clause. Furthermore, Productivity SA strives to comply with the PFMA on the sourcing of goods and services which prescribes three levels of procurement, of submission of three quotations as per the regulatory framework, a signed contract and going for an open tender as stipulated in regulatory framework for amounts higher than the set limit.

All Productivity SA employees are required to sign a declaration form of interest when they join the entity. It is also a standard item on the agenda of all committee meetings that members declare any potential conflicts of interest.

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

Productivity SA's Occupational Health and Safety (OHS) process entails the following:

a) Inspections by means of audits for any physical hazards, hygiene stress factors, environmental concerns and general liability risk issues.

b) Informing all staff of their rights and responsibilities in terms of the OHS and Compensation for Occupational Injuries and Diseases Acts.

c) Establishing an OHS Committee.

d) Appointing and coaching health and safety representatives.

e) Establishing an effective evacuation instruction.

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

During the reporting period, 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.

13. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2023.

13.1 AUDIT AND RISK COMMITTEE MEMBERS AND MEMBERS' ATTENDANCE

The Audit and Risk Committee consists of the members listed below and the committee should meet at least four times per annum, as per approved Terms of Reference/Charter. During the current year, five meetings were scheduled and held.

The committee confirms that it has discharged its responsibility in terms of Productivity SA's Audit and Risk Committee Charter.

Table 17: Audit and Risk Committee for 1 December 2019–31 November 2024

AUDIT AND RISK COMMITTEE					
Name	**28/4/2022**	**26/5/2022**	**28/7/2022**	**27/10/2022**	**15/2/2023**
Paul Slack	√	√	√	√	√
Shivani Singh	A	√	√	A	√
Welile Nolingo	√	√	√	√	√
Anneline Chetty	√	√	A	√	A

√= Present A = Apology S = Sabbatical leave

13.2 AUDIT COMMITTEE RESPONSIBILITY

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51(1)(a)(ii) of the PFMA of 1999 and Treasury Regulations 27.1.

The committee also reports that it has adopted appropriate formal Terms of Reference as its Audit and Risk Committee Charter; it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

13.3 THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit and Risk Committee reviewed the findings by the Internal Auditors based on the risk assessment conducted, the findings revealed certain weaknesses, which were raised with management. The committee is satisfied with the additional controls that management have implemented in addressing these internal audit findings.

13.4 INTERNAL AUDITORS

The Internal Auditors: Audit and Risk Management Solutions (ARMS) were appointed on 24 February 2022 for a period of three (3) years subject to annual performance review. The appointment was effective from 1 April 2022 covering the financial year ending 31 March 2023 to 31 March 2025.

The following reviews were conducted:

- Performance Information Review
- Annual Financial Statements review
- Follow-up Audits
- Supply Chain Management review
- Revenue Management.

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

13.5 EXTERNAL AUDITORS

The External Auditors: Lunika Incorporated were appointed on 21 November 2022 for a period of five (5) years for the 2022/23–2026/27 financial years subject to annual performance review by the Auditor-General South Africa (AGSA) for concurrence. The AGSA had also approved Lunika Incorporated appointment in terms of Section 25(4) of the Public Audit Act, Act No.25 of 2004. The appointment was effective from 1 March 2023 to commence with auditing the 2022/23 financial year.

13.6 IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

Productivity SA has submitted monthly and quarterly reports to the Accounting Authority/Board.

The Audit and Risk Committee has recommended the audited Annual Financial Statements to the Board for approval and adoption.

13.7 EVALUATION OF FINANCIAL STATEMENTS

The Audit and Risk Committee have reviewed the audited Annual Financial Statements and the committee is satisfied that it conforms 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, and
- reviewed the independence and objectivity of the External Auditors.

13.8 AUDITOR'S REPORT

The Audit and Risk Committee have reviewed Productivity SA's implementation plan for audit issues raised in the prior year and the committee is satisfied that the matters have been adequately resolved.

The 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.

Mr Paul Slack
Chairperson of the Audit and Risk Committee
Productivity SA
28 July 2023

PART D

HUMAN RESOURCE MANAGEMENT

1. OVERVIEW OF HUMAN RESOURCE MATTERS

The investment in human capital and the workforce plan has seen an upward growth in the number of employees as compared to earlier financial years. The financial year 2022/23 started with 97 employees and when the financial year ended, there were a total of 103 employees including seven interns.

Compared to last year, Productivity SA has achieved a 10% head-count growth.

The retention strategy gave 15 fixed-term employees, whose contracts were coming to an end, the opportunity to gain additional experience and knowledge by being part of the Productivity SA team for another 24 months. These contract extensions also ensured that the entity fulfil its mandate of preventing job losses.

The talent management strategy has improved business competitiveness by appointing nine new employees from external during this period, consisting of one permanent appointment and eight fixed-term contract appointments. There were also five internal fixed-term contract appointments during this period.

Productivity SA has permanent and fixed-term employees. The turnover has not been substantial as the nature of fixed-term contract employment necessitates employees to continuously seek employment elsewhere. Hence the attrition rate of seven resignations; one retirement and two contract expirations were standard.

The Human Resources Department achieved its 2022/23 APP target of planned training interventions. The Workplace Skills Plan for 2022/23 included short courses, financial aid (bursaries) for tertiary qualifications, as well as capacitation of service delivery employees. Training and development strategy targets were met with learning and growth of 98 employees. Our mentoring and coaching programme has seen appointment of seven interns for the Public Service SETA (PSETA)-funded Internship Programme.

The Board approved the implementation of annual salary increases for eligible employees during August 2022, backdated to 1 April 2022. This consisted of gap closure, salary increases of 4.9% (cost to company) and the payment of ex-gratia bonuses. An additional 2% salary increase was deferred and payable pending the improved financial position of the company. However, the 2% was found to be unaffordable and this increase was not effected.

Productivity SA is currently challenging a High Court ruling that Productivity SA must continue paying 100% of the medical aid costs of its former employees on pension. In order to comply with the court order, medical aid membership payments amounting to approximately R3,094 million have been processed for 2022/23. The entity appointed a legal representative and sought advice from Senior Counsel to lodge a counterclaim. The legal matter is still in progress.

2. HUMAN RESOURCES PRIORITIES

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

- Supporting and ensuring workers' wellbeing;
- Attracting and retaining top talent through succession planning;
- Review all policies and procedures;
- Digitise and automate HR processes;
- Organisational review and design;
- Improving employee relations;
- Enabling effective flexible and remote working arrangements;
- Performance management; and
- Learning and growth.

Productivity SA is continuously monitoring and evaluating the implementation of the Employment Equity Plan.

3. BRINGING NEW TALENT IN KEY POSITIONS

During 2022/23, the Human Resources Department focused on the capacitation of the BT&R and CIS Programmes. The Executive Committee resolved to extend the duration of the fixed-term contracts of employees within the BT&R Programme to retain staff.

The recruitment process was concluded for certain key positions, which included the Head: Human Resources Management (placed in November 2022), and the recruitment process for the CFO position was completed by the end of March 2023.

Due to the moratorium, certain unfunded vacancies have been placed on hold. Employees are acting and seconded in certain key positions to enable the relevant programmes/departments to continue implementing their deliverables.

4. PERFORMANCE MANAGEMENT FRAMEWORK

The phases of the performance management framework cover a set of performance goals, monitor performance, evaluate performance, develop individual development plans and skills, and provide recognition to high-performance employees which help to build motivation and improve business productivity.

The performance contracting for 2022/23 had to be finalised by 31 May 2022. Employees who submitted performance contracts totalled 99%.

Performance Review 1 for the period April to September 2022 had to be finalised by 31 October 2022. Employees who submitted Performance Review 1 totalled 95%.

Performance Review 2 for the period October 2022 to March 2023 had to be finalised by 30 April 2023. Employees who submitted Performance Review 2 totalled 91%.

5. HEALTH AND WELLNESS PROMOTION PROGRAMMES

The Human Resources Department arranged an event on 1 December 2022 to commemorate 16 Days of Activism for No Violence against Women and Children (25 November to 10 December), World Aids Day (1 December) and the International Day of Persons with Disability (3 December). Health and wellness screening was also offered to employees, including blood pressure screening, glucose levels, female reproductive health screening, etc.

During March 2023, an awareness session took place to commemorate Human Rights Day which also involved a guest speaker. Both events were well received by staff.

The entity offers wellness services to employees through Company Wellness Solutions. Employees have access to confidential services including mental health counselling, legal counselling, fitness trends, nutrition, and financial counselling.

6. HUMAN RESOURCES POLICY DEVELOPMENT

The following policy was revised and approved by the Board during the reporting period:

- Disciplinary Policy and Code.

The Human Resources Department also revised the following policies, and these are currently going through the internal approval process:

- Remuneration and Benefits Policy (including Recognition Scheme); and
- Recruitment and Selection Policy.

7. LEGAL MATTERS

There are two legal disputes in progress, as follows:

- Labour Court Review: The entity filed a Labour Court Review Application on 6 April 2022 relating to the arbitration award by the CCMA.
- High Court Pensioners Medical Aid Matter: The High Court ruled in favour of the pensioners during July 2021 and Productivity SA was ordered to pay their medical costs from August 2021 to date. The entity filed a counter-application to overturn the court decision.

Legal costs amounting to R1,270 million were incurred during this period.

8. OUTSOURCED SERVICES

The Human Resources Department has utilised the following service providers during this period:

Table 18: Service providers utilised

Service provider	Activity	Amount spent
Mondtes	SAGE 300 People Payroll System support services.	R39 888
Careers24	Online recruitment portal whereby vacancies are advertised, and applications received.	R70 610
Company Wellness Solutions	Employee wellness services including counselling.	R52 050
Total		**R162 548**

9. HUMAN RESOURCES HIGHLIGHTS AND CHALLENGES

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

Table 19: Human Resources Department's highlights

Highlights	Details
Achievement of 2022/23 APP target	The APP target was fully achieved (commencement of 100% of Workplace Skills Plan for 2022/23).
Regulatory reports submitted timeously	The Human Resources Department has timeously submitted the relevant regulatory reports during this period.
Internship Programme	PSETA approved Productivity SA's application to host interns for a duration of 24 months. The intern stipends will be paid by PSETA for the full duration of the Internship Programme.

Table 20: Human Resources Department's challenges

Challenges	Details
Lack of funding for approved positions	The Board approved the revised organisational structure during February 2018, which consisted of a phased-in approach. Due to financial constraints, 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. The vacancy rate of all funded and unfunded positions stands at 10% which is remarkably high compared to the standard norm in the market.
Post-retirement	The financial burden of 100% medical funding carries a third of the cost driver on expenditure.

10. FUTURE HUMAN RESOURCES PLANS AND GOALS

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

- Workforce plan;
- Digitise and automate processes;
- Finalise Remuneration and Benefits Policy;
- Develop Talent and Succession Planning Policy;
- Conduct Organisational Climate Survey;
- Conduct skills audit; and
- Finalise the Resource and Capability Framework.

11. HUMAN RESOURCES OVERSIGHT STATISTICS

HUMAN RESOURCES COST

Table 21: Human Resources Cost by Programme

Programme	Total Expenditure for the Entity R'000	Personnel Expenditure R'000	Personnel Expenditure as a % of Total Expenditure R'000	Number of Employees	Average Personnel Cost per Employee R'000
Productivity SA	77 142	68 550	89%	85	806
Business Turnaround & Recovery	31 892	9 463	30%	9	1 051
Workplace Challenge Programme	11 082	1 648	15%	2	824
Total	**120 116**	**79 661**	**66%**	**96**	**830**

Note: The above includes permanent and fixed-term contract employees as of 31March 2023. The amount reflected in the table excludes pensioners' medical aid contributions of R3,094 million.

ADDITIONAL: PSETA-FUNDED INTERNSHIP

Table 22: Additional: PSETA-Funded Internship

Programme	Total Expenditure for the Entity R'000	Personnel Expenditure R'000	Personnel Expenditure as a % of Total Expenditure R'000	Number of Employees	Average Personnel Cost per Employee R'000
Productivity SA	77 142	37	0.05%	5	7
Business Turnaround & Recovery	31 892	0	0%	0	0
Workplace Challenge Programme	11 082	25	0.2%	2	13
Total	**120 116**	**62**	**0.05%**	**7**	**9**

HUMAN RESOURCES COST

Table 23: Human Resources Cost by Salary Band

Level	Personnel Expenditure R'000	% of Personnel Expenditure to Total Personnel Cost R'000	Number of Employees	Average Personnel Cost per Employee R'000
Top management	10 956	14%	6	1 826
Senior management	21 092	26%	18	1 172
Professionally qualified	36 830	46%	48	767
Skilled	9 966	13%	21	475
Semi-skilled	817	1%	3	272
Unskilled	-	0%	-	-
Total	**79 661**	**100%**	**96**	**830**

Note: The above includes permanent and fixed-term contract employees as of 31 March 2023. The amount reflected in the table excludes pensioners' medical aid contributions of R3,094 million.

PERFORMANCE REWARDS

Table 24: Performance Rewards

Level	Performance Rewards R'000	Personnel Expenditure R'000	% of Performance Rewards to Total Personnel Cost R'000
Top management	80	10 956	0.7%
Senior management	180	21 092	0,9%
Professionally qualified	480	36 830	1.3%
Skilled	200	9 966	2%
Semi-skilled	30	817	4%
Unskilled	0	0	0
Total	**970**	**79 661**	**1.2%**

TRAINING AND DEVELOPMENT

The purpose of the Training and Development Plan is to have competent and skilled employees who will support and implement the organisational strategy, as per 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 entity regarding skills development and uplifting employees through the entity's financial assistance and training programmes.

TRAINING INITIATIVES

The training expenditure for 2022/23 was R0,862 million against the budget of R0,950 million.

The following table shows the number of employees who attended training interventions:

Table 25: Number of employees who attended training interventions

Level	African		Coloured		Indian		White		Total Males	Total Females	Grand Total
	M	F	M	F	M	F	M	F			
Top management	7	2	0	0	0	4	2	3	9	9	18
Senior management	6	3	0	0	0	1	0	0	6	4	10
Professionally qualified	18	18	2	2	3	1	3	4	26	25	51
Skilled	2	4	0	0	0	1	0	0	2	5	7
Semi-skilled	6	2	0	1	0	2	0	1	6	6	12
Unskilled	0	0	0	0	0	0	0	0	0	0	0
Grand Total	**39**	**29**	**2**	**3**	**3**	**9**	**5**	**8**	**49**	**49**	**98**

Table 26: Training Costs

Programme	Personnel Expenditure R'000	Training Expenditure R'000	Training Expenditure as a % of Personnel Cost R'000	Number of Employees Trained	Average Training Cost per Employee R'000
Productivity SA	68 550	482	0.7%	79	6
Business Turnaround & Recovery	9 463	191	2.0%	12	16
Workplace Challenge Programme	1 648	189	11.5%	7	27
Total	**79 661**	**862**	**1.1%**	**98**	**8.8**

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 ensures 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 entity.

Financial assistance was given to 16 employees towards costs for the following academic qualifications:

- Bachelor of Commerce in Industrial and Organisational Psychology (2 employees)
- PhD in Economics (1 employee)
- Masters in Accounting (1 employee)
- Master of Business Administration (3 employees)
- PhD in Management Science in Organisational Leadership (1 employee)
- Bachelor of Business Administration in Marketing (1 employee)
- Postgraduate Diploma in Business Management (1 employee)
- Masters of Engineering Specialising in Quality (1 employee)
- Bachelor of Commence (Honours) in Industrial and Organisational Psychology (1 employee)
- Postgraduate in Human Resources Management (1 employee)
- Honours of Commerce in Human Resource Management Non-Degree Purpose (1 employee)
- Bachelor of Arts (Honours) in Integrated Organisational Communication (1 employee)
- Certificate in Business Rescue Analyst Programme (1 employee).

12. RECRUITMENT AND SELECTION

EMPLOYMENT AND VACANCIES

Table 26: Permanent and Fixed-Term Contract Employees by Programme

Programme	Number of Employees April 2022	2022/23 Approved Posts	Number of Employees March 2023	2022/23 Vacancies	% of Vacancies
Productivity SA	85	92	83	9	10%
Business Turnaround & Recovery	9	10	9	1	10%
Competitiveness Improvement Services	3	5	4	1	20%
Total	**97**	**107**	**96**	**11**	**10%**

Table 27: Permanent and Fixed-Term Contract Employees by Salary Band

Level	Number of Employees April 2022	2022/23 Approved Posts	Number of Employees March 2023	2022/23 Vacancies	% of Vacancies
Top management	8	9	6	3	3%
Senior management	18	21	18	3	14%
Professionally qualified	48	53	48	5	9%
Skilled	20	21	21	0	0%
Semi-skilled	3	3	3	0	0%
Unskilled	0	0	0	0	0%
Total	**97**	**107**	**96**	**11**	**10%**

13. EMPLOYMENT CHANGES

Table 28: Permanent and Fixed-Term Contract Employees by Salary Band

Level	Employment at Beginning of Period April 2022	Appointments	Terminations	Employment at End of the Period March 2023
Top management	8	0	2	6
Senior management	18	3	3	18
Professionally qualified	48	5	5	48
Skilled	20	1	0	21
Semi-skilled	3	0	0	3
Unskilled	0	0	0	0
Total	**97**	**9**	**10**	**96**

Note: In addition to the above, seven interns were appointed for the PSETA Internship Programme.

REASONS FOR STAFF LEAVING

The labour turnover (permanent and fixed-term contract) is 9.3% of the overall workforce against a target of 5%.

The following table reflects both permanent and temporary service terminations:

Table 29: Permanent and temporary service terminations

Reason	Number	% of Total Number of Staff Leaving
Death	0	0%
Resignation	7	6.5%
Dismissal	0	0%
Retirement	1	1%
Ill health	0	0%
Expiry of contract	2	1.9%
Mutual termination agreement	0	0%
Total	**10**	**9.3%**

Note: In addition to the above service terminations, one intern resigned during this period.

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Table 30: Permanent and temporary service terminations

Nature of Disciplinary Action	Number
Verbal warning	0
Written warning	0
Final written warning	1
Dismissal	0
Total	**1**

14. WORKFORCE PROFILE

The following table shows Productivity SA's workforce profile.

Table 31: Productivity SA's workforce profile

Level	African		Coloured		Indian		White		Total Males	Total Females	Grand Total
	M	F	M	F	M	F	M	F			
Top management	3	1	0	0	0	1	0	1	3	3	6
Senior management	7	8	0	0	0	1	1	1	8	10	18
Professionally qualified	17	19	3	1	1	2	2	3	23	25	48
Skilled	4	11	1	1	0	3	0	1	5	16	21
Semi-skilled	1	1	0	1	0	0	0	0	1	2	3
Unskilled	0	0	0	0	0	0	0	0	0	0	0
Grand Total	**32**	**40**	**4**	**3**	**1**	**7**	**3**	**6**	**40**	**56**	**96**

The table is broken down as follows:

Permanent employees:	69
Fixed-Term employees:	27
Total:	**96**

In addition to the above, there were 7 Interns employed in terms of the P-SETA funded Internship Programme

15. EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

The following reflects the current workforce profile including permanent and fixed-term contract employees appointed to staff establishment vacancies as at 31 March 2023. The equity targets are for the period ending 31 January 2024.

Table 32: Male workforce profile

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	3	0	1	0	1	0	1
Senior management	7	10	0	1	0	1	1	1
Professionally qualified	17	18	3	2	1	1	2	3
Skilled	4	8	1	1	0	1	0	1
Semi-skilled	1	1	0	1	0	1	0	1
Unskilled	0	0	0	0	0	0	0	0
Grand Total	**32**	**40**	**4**	**6**	**1**	**5**	**3**	**7**

Table 33: Female workforce profile

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	1	1	1	1	1
Senior management	8	7	0	1	1	1	1	1
Professionally qualified	19	16	1	1	2	1	3	3
Skilled	11	8	1	1	3	2	1	1
Semi-skilled	1	2	1	1	0	0	0	1
Unskilled	0	0	0	0	0	0	0	0
Grand Total	**40**	**34**	**3**	**5**	**7**	**5**	**6**	**7**

Note: Interns do not form part of the Employment Equity Plan.

Table 34: Disabled Staff workforce profile

Level	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professionally qualified	0	0	0	1
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Grand Total	**0**	**0**	**0**	**1**

PART E
PFMA COMPLIANCE REPORT

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1. IRREGULAR EXPENDITURE

a) Reconciliation of irregular expenditure

Description	2022/23	2021/22
Opening balance	1 894 374	-
Add: Irregular expenditure confirmed	16 346	1 894 374
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	**1 910 720**	**1 894 374**

Prior year irregular expenditure to the amount of R1 894 374 has been investigated, condonation has been submitted to National Treasury.

Current year irregular expenditure to the amount of R16 346 has been investigated, condonation application to National Treasury in process.

Reconciling notes

Description	2022/23	2021/22
Irregular expenditure that was under assessment	-	-
Irregular expenditure that relates to 2020/21 and identified in 2021/22	-	1 674 808
Irregular expenditure for the current year	16 346	219 566
Total	**16 346**	**1 894 374**

1.2. FRUITLESS AND WASTEFUL EXPENDITURE

a) Reconciliation of fruitless and wasteful expenditure

Description	2022/23	2021/22
Opening balance	47 760	-
Add: Fruitless and wasteful expenditure confirmed	-	47 760
Less: Fruitless and wasteful expenditure written off	(47 760)	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	**-**	**47 760**

Fruitless and wasteful expenditure confirmed has been approved by the Board and written off in accordance with the debt write off policy of the entity.

Reconciling notes

Description	2022/23	2021/22
Fruitless and wasteful expenditure that was under assessment	-	-
Fruitless and wasteful expenditure that relates to 2020/21 and identified in 2021/22	-	-
Fruitless and wasteful expenditure for the current year	-	47 760
Total	**-**	**47 760**

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

There we no late and or non payment of suppliers.

3. SUPPLY CHAIN MANAGEMENT

3.1. PROCUREMENT BY OTHER MEANS

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Productivity SA implemented a SAGE HR upgrade and training was required for the HR personnel.	Sage (PTY) LTD	In line with the 2022/23 training plan HR requires training on the new upgrade SAGE software. Three quotations could not be obtained as SAGE was the only company to provide training on its system/software. A sole proprietor letter has been obtained.		18
A deviation was prepared to seek approval from the Bid Specification Committee to deviate from the procurement process and utilize Adapt IT to facilitate training for CaseWare for Ms Lerato Sekgopi (Accountant).	Adapt IT	To be able to prepare Annual Financial Statement for Productivity SA, Workplace Challenge and Business Turnaround Solutions programme, Ms Sekgopi requires the CaseWare training to gain knowledge and experience. Three quotations could not be obtained as Adapt IT was the only company to provide training on its system/ software. A sole proprietor letter has been obtained.		15
Total				**33**

3.2. CONTRACT VARIATIONS AND EXPANSIONS

Project description	Name of supplier	Contract modification type	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s R'000	Value of current contract expansion/s or variation/s R'000
A memorandum was prepared to provide an explanation for the difference in the quotation amount and final invoice in respect of the writing, proofreading and editing, layout and editing of WPC Newsletter.	Yes Direct (Pty)Ltd	Quotation (#26012022) amounting to R94 070.00 from Yes Direct (Pty)Ltd was approved and appointed by the Bid Specification Committee as the service provider to write, design, layout, and digitally publish four newsletter editions of the WPC.		94	100	6
A memorandum was prepared to provide an explanation for the difference in the quotation amount and final invoice in respect of the venue, Protea Hotel for the Stakeholder Engagement Event held in March 2023.	Protea Hotel	Protea Hotel was approved and appointed by the Bid Evaluation Committee as the service provider to host the Stakeholder Engagement event in 2023 for R26 820.00.		27	34	7
A memorandum was prepared to provide an explanation for the difference in the quotation amount and final invoice in respect of the design and printing of BT&R 2021/22 Annual Report.	Creatiff Corporate	Creatiff Corporate was approved and appointed by the Bid Specification Committee as the service provider to design and print the 2021/22 BT&R Annual Report for the quotation of R66 453.90. The maximum page numbers estimated by Corporate Relations has proven not to be sufficient for the content BT&R wanted to publish in the Annual Report. Consequently, the final Annual Report number of pages exceeded this estimation, which resulted in an increase in the final cost of the Annual Report to R77 666.40.		66	77	11

Project description	Name of supplier	Contract modification type	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s R'000	Value of current contract expansion/s or variation/s R'000
A memorandum was prepared to provide an explanation for the difference in the quotation amount and final invoice in respect of the venue, Gallagher Convention Centre for the Annual National Productivity Awards 2022.	Gallagher Convention Centre	Gallagher Convention Centre was approved and appointed by the Bid Specification Committee as the service provider to host the 2022 Annual National Productivity Awards 2022 ceremony for 500 people, at a cost R519 61256. Due to the high interest in the event by various stakeholders and the increased number of new strategic partners Productivity SA has acquired over the past 18 months, the interest in attending the Annual National Productivity Awards has been more than expected. This has necessitated that the original number of 500 guests for the Annual National Productivity Awards ceremony be increased by 250 to 750. The cost of the additional 250 tables was R167 544.46.		520	687	168
A memorandum was prepared to request the approval of the Bid Specification Committee to approve additional payment for the costs incurred during the Limpopo Milestone Workshop in Thohoyando.	Khoroni Hotel Casino Convention Resort	The event was booked and paid for 80 people to attend in person and the option of virtual attendance through virtual platforms. On the day of the event there was an addition 30 in person delegates, representing different stakeholders, who attended via invitations from LEDA and LEDET.		39	52	13

Project description	Name of supplier	Contract modification type	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s R'000	Value of current contract expansion/s or variation/s R'000
A memorandum was prepared to request the approval of the Bid Specification Committee to approve additional payment for Western Cape milestone events.	Turners Conference	The event was booked and paid for 50 people to attend in person. On the day of the event there was an additional 70 delegates representing different stakeholders.		29	38	9
Total				**775**	**988**	**214**

PART F

FINANCIAL INFORMATION

1. INDEX

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

2. INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. We have audited the financial statements of the Productivity SA set out on pages 72 to 101, which comprise the Statement of Financial Position as at 31 March 2023, Statement of Financial Performance, statement of changes in net assets and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as 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 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Standards (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 the *Code of professional conduct for auditors* of the Independent Regulatory Board for Auditors (IRBA) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards).*

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

EMPHASIS OF MATTER

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

Restatement of corresponding figures

7. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of an error in the financial statements of the public entity at, and for the year ended 31 March 2023.

OTHER MATTER

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

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

9. Removal of some disclosures of irregular and fruitless and wasteful expenditure from the financial statements to the Annual Report in line with the National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of Section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure (UIFW expenditure). Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in either the Annual Report or the disclosure notes of the Annual Financial Statements.

10. Furthermore, the movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the Annual Financial Statements. We do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the Annual Report.

RESPONSIBILITIES OF ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

11. The Accounting Authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Standards (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (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.

12. 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.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

13. 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.

14. 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

15. In accordance with the Public Audit Act No. 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the Annual Performance Report. The Accounting Authority is responsible for the preparation of the Annual Performance Report.

16. We selected the following programmes presented in the Annual Performance Report for the year ended 31 March 2023 for auditing. We selected programmes that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme 2: Competitiveness Improvement Services	27 – 29	The programme provides support to SMME's in both the formal and informal economy by focusing on productivity and operational efficiency enhancement interventions, promoting a productivity culture and mind-set, as well as driving accountability for productivity performance across sectors (national, sector and enterprise level) and segments of society.
Programme 3: Business Turnaround and Recovery	30 – 33	The programme focusses on supporting initiatives aimed at preventing job losses as well as providing for turn-around strategies to companies facing economic distress (financial or operational difficulties) which may result in an employer contemplating the dismissal of employees based on its operational requirements.

17. We evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an Annual Performance Report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

18. We performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated

- the indicators and targets reported on in the Annual Performance Report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the Annual Performance Report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

19. We performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

20. We did not identify any material findings on the reported performance information of Competitiveness Improvement Services and Business Turnaround and Recovery of selected subject matters.

OTHER MATTER

21. We draw attention to the matters below.

Achievement of planned targets

22. The Annual Performance Report includes information on reported achievements against planned targets and provides explanations for over- and underachievements.

REPORT ON COMPLIANCE WITH LEGISLATION

23. In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Authority is responsible for the entity's compliance with legislation. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

24. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

ANNUAL FINANCIAL STATEMENTS

25. 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. Material misstatements on prior period error note and cashflow statement identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit.

EXPENDITURE MANAGEMENT

26. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R16 346 as disclosed in note 28 to the Annual Financial Statements, as required by Section 51(1)(b)(ii) of the PFMA.

OTHER INFORMATION IN THE ANNUAL REPORT

27. The Accounting Authority is responsible for the other information. The other information comprises the information included in the Annual Report, the other information does not include the financial statements, the auditor's report and those selected presented in the Annual Performance Report that have been specifically reported in this auditor's report.

28. Our opinion on the financial statements and our findings on the reported performance information and the report on compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.

29. 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 programmes presented in the Annual Performance Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

INTERNAL CONTROL DEFICIENCIES

31. We considered internal control relevant to our audit of the financial statements, Annual Performance Report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.

32. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.

33. Management did not implement effective controls to ensure accurate financial reporting which resulted in material adjustments made to the financial statements.

34. Management did not monitor compliance with applicable legislation adequately resulting in the lack of adequate procurement and contract management processes.

AUDITOR TENURE

35. In terms of the IRBA rule published in Government Gazette No. 39475 dated 4 December 2015, we report that Lunika Inc. has been the auditor of Productivity SA for 1 year.

Lunika Inc.

Lunika Chartered Accountants and Auditors Incorporated
Samkelo Mxunyelwa CA(SA)
Director
Registered Auditor

31 July 2023
Lonehill Office Park
Sandton
Johannesburg

ANNEXURE - AUDITOR'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

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 selected requirements in key legislation.

FINANCIAL STATEMENTS

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.
- conclude on the appropriateness of the 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 the entity 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 our 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

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.

We also provide the Accounting Authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them 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.

3. STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

Figures in Rand	Note(s)	2023	2022 Restated*
ASSETS			
Current Assets			
Inventories	3	211 825	205 324
Receivables from exchange transactions	4	1 067 902	2 080 776
Receivables from non-exchange transactions	12	41 308 040	-
Prepayments	5	473 794	136 670
Cash and cash equivalents	6	5 461 308	44 827 105
		48 522 869	**47 249 875**
Non-current Assets			
Property, plant and equipment	7	5 754 551	6 613 664
Intangible assets	8	135 129	389 169
Deposits held	9	894 987	894 987
		6 784 667	7 897 820
Total Assets		**55 307 536**	**55 147 695**
LIABILITIES			
Current Liabilities			
Finance lease obligation	10	208 360	-
Operating lease liability	29	1 024 676	515 198
Payables from exchange transactions	11	4 800 597	4 531 294
Unspent conditional grants and receipts	12	43 597 260	34 300 982
Provisions	13	513 129	765 628
		50 144 022	**40 113 102**
Non-current Liabilities			
Finance lease obligation	10	730 971	-
Total Liabilities		**50 874 993**	**40 113 102**
Net Assets		**4 432 543**	**15 034 593**
Accumulated surplus		**4 432 543**	**15 034 593**

4. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand	Note(s)	2023	2022 Restated*
REVENUE			
Revenue from exchange transactions			
Rendering of services		2 421 061	4 534 177
Other income	15	223 707	3 507 494
Interest received		647 971	452 749
Inventories gained		2 827	-
Total revenue from exchange transactions		**3 295 566**	**8 494 420**
Revenue from non-exchange transactions			
Transfer revenue			
Transfers received	16	104 147 963	95 766 034
Donor funding	17	2 070 000	248 667
Total revenue from non-exchange transactions		**106 217 963**	**96 014 701**
Total revenue		**109 513 529**	**104 509 121**
EXPENDITURE			
Employee related costs	18	(82 754 798)	(74 911 087)
Auditor's remuneration	19	(1 040 184)	(1 252 129)
Depreciation and amortisation	7&8	(2 684 062)	(1 113 653)
Finance costs	20	(80 990)	(1 682)
Lease rentals on operating lease	29	(5 907 299)	(5 868 049)
Debt impairment		-	(27 203)
Bad debts	4	(199 617)	(84 046)
Project implementation costs		(8 048 146)	(5 301 721)
Legal fees		(1 270 252)	(68 904)
Loss on disposal of assets	7	(335 191)	(77 465)
Operating expenses	21	(17 795 166)	(12 152 993)
Total expenditure		**(120 115 705)**	**(100 858 932)**
(Deficit)/surplus for the year		**(10 602 176)**	**3 650 189**

5. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand	Accumulated surplus
Balance at 01 April 2021	**11 384 530**
Surplus for the year	3 650 189
Restated* Balance at 01 April 2022	**15 034 719**
Deficit for the year	(10 602 176)
Balance at 31 March 2023	**4 432 543**

6. CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand	Note(s)	2023	2022 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rendering of services		3 320 518	7 653 550
Transfers received		72 256 000	95 766 034
Interest received		647 971	452 749
Donations		2 070 000	248 667
	17	78 294 489	104 121 000
Payments			
Employee related costs	18	(82 754 798)	(74 911 087)
Suppliers of goods and services		(33 762 643)	(17 288 031)
Finance costs	20	(80 990)	(1 682)
		(116 598 431)	(92 200 800)
Net cash flows from operating activities	22	**(38 303 942)**	**11 920 200**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(886 983)	(1 970 220)
Proceeds from sale of property, plant and equipment		17 999	5 370
Net cash flows from investing activities		**(868 984)**	**(1 964 850)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(192 871)	-
Net increase/(decrease) in cash and cash equivalents		**(39 365 797)**	**9 955 350**
Cash and cash equivalents at the beginning of the year		44 827 105	34 871 755
Cash and cash equivalents at the end of the year	6	**5 461 308**	**44 827 105**

7. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2023

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	8 655 000	7 857 000	**16 512 000**	2 421 061	**(14 090 939)**	26.1
Other income	-	-	**-**	223 707	**223 707**	26.2
Interest received	714 000	-	**714 000**	647 971	**(66 029)**	
Total revenue from exchange transactions	9 369 000	7 857 000	**17 226 000**	3 292 739	**(13 933 261)**	
Revenue from non-exchange transactions						
Transfer revenue						
Transfers received	190 564 000	(34 939 000)	**155 625 000**	104 147 963	**(51 477 037)**	26.3
Donor funding	1 550 000	(1 033 000)	**517 000**	2 070 000	**1 553 000**	26.4
Total revenue from non-exchange transactions	**192 114 000**	**(35 972 000)**	**156 142 000**	**106 217 963**	**(49 924 037)**	
Total revenue	**201 483 000**	**(28 115 000)**	**173 368 000**	**109 510 702**	**(63 857 298)**	
Expenditure						
Employee related costs	(95 084 000)	(5 091 000)	**(100 175 000)**	(82 754 798)	**17 420 202**	26.5
Auditor's remuneration	(1 168 000)	-	**(1 168 000)**	(1 040 184)	**127 816**	26.6
Depreciation and amortisation	(1 241 000)	-	**(1 241 000)**	(2 684 062)	**(1 443 062)**	26.7
Finance costs	(80 000)	80 000	**-**	(80 990)	**(80 990)**	
Lease rentals on operating lease	(7 518 000)	1 200 000	**(6 318 000)**	(5 907 299)	**410 701**	26.8
Bad debts	-	-	**-**	(199 617)	**(199 617)**	26.9
Project implementation costs	(67 270 000)	21 457 000	**(45 813 000)**	(8 048 146)	**37 764 854**	26.10
Legal fees	(347 000)	-	**(347 000)**	(1 270 252)	**(923 252)**	26.11
Operating expenses	(28 775 000)	10 469 000	**(18 306 000)**	(17 795 166)	**510 834**	26.12
Total expenditure	**(201 483 000)**	**28 115 000**	**(173 368 000)**	**(119 780 514)**	**53 587 486**	
Operating deficit	-	-	**-**	(10 269 812)	**(10 269 812)**	
Loss on disposal of assets	-	-	**-**	(335 191)	**(335 191)**	
Inventories gains	-	-	**-**	2 827	**2 827**	
	-	**-**	**-**	**(332 364)**	**(332 364)**	
Deficit for the year	**-**	**-**	**-**	**(10 602 176)**	**(10 602 176)**	
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(10 602 176)**	**(10 602 176)**	

8. ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNT POLICIES

The principal accounting policies applied in the preparation of these Annual Financial Statements are set out below.

1.1 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.

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

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

These accounting policies are consistent with the previous period.

1.2 PRESENTATION CURRENCY

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

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 for at least the next 12 months.

1.4 MATERIALITY

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.5 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 and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

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.

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 the economic climate 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.

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.

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are 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	Useful life
Library	Straight-line	3-5 years
Furniture and fixtures	Straight-line	6-10 years
Motor vehicles	Straight-line	5-8 years
Computer equip-ment	Straight-line	3-5 years
Equipment	Straight-line	3-5 years
Finance lease assets	Straight-line	3-5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. 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 entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The 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	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.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the 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 a financial asset or a financial liability in its Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

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 fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

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

If an entity determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the receivable in a group of receivables with similar credit risk characteristics and collectively assesses them for impairment.

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.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the entity:

- derecognises the asset; and
- recognises separately any rights and obligations created or retained in the transfer.

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 an 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 an 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 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.

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.

Any contingent rents are expensed in the period in which they are incurred.

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.

1.10 INVENTORIES

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 only of consumables.

1.11 PREPAYMENTS

Prepayments are payments made in advance for products and services that have not been delivered for which Productivity SA expects the delivery in the next financial period. Prepayments are recognised as assets and are not discounted.

1.12 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

The entity provides post-retirement healthcare benefits upon retirement to some retirees.

1.13 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.

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

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 30.

1.14 COMMITMENTS

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

Disclosures are required in respect of unrecognised contractual commitments as well as future commitments relating to operating leases. Commitments are disclosed in note 29.

1.15 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.

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 is recognised when:

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

Interest is recognised using the effective interest rate method.

1.16 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions takes the form of grants from the UIF and **the dtic**.

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.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.17 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 Financial Statements 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.

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.

Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables or written off.

1.18 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:

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

Irregular expenditure that was incurred and identified during the current reporting period 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 required with the exception of updating the note to the Annual Financial Statements.

Irregular expenditure that was incurred and identified during the current reporting period 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 period and is only condoned in the following reporting period, 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 period and which was not condoned by 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.

1.19 SEGMENT INFORMATION

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.20 BUDGET INFORMATION

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.21 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

Close members of the family of a person are 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.

1.22 EVENTS AFTER REPORTING DATE

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

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

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

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

9. NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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 2023 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 25 (as revised): Employee Benefits	01 April 2023	Impact is currently being assessed
Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet determined	Unlikely there will be a material impact
GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Impact is currently being assessed

3. INVENTORIES

Figures in Rand	2023	2022
Inventories	211 825	205 324
Inventories recognised as an expense (included in stationery and printing expenses) during the year	45 022	24 813

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Accrued income	44 187	130 600
Other receivables	283 038	171 147
Trade receivables	740 677	1 779 029
	1 067 902	**2 080 776**
Receivables aging is as follows:		
0-30 days	891 615	1 892 821
31-60 days	119 000	166 235
61-90 days	196 000	-
Over 90 days	144 950	105 766
Less allowance for impairment	(283 663)	(84 046)
	1 067 902	**2 080 776**
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	84 046	-
Provision for impairment	199 617	84 046
	283 663	84 046

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. PREPAYMENTS

Prepayments consists of maintenance and support on computer software's and subscription payments.

Figures in Rand	2023	2022
	473 794	136 670

6. CASH AND CASH EQUIVALENTS

	2023	2022
Cash and cash equivalents consist of:		
Bank balances	517 942	563 110
Short-term deposits	4 943 366	44 263 995
	5 461 308	**44 827 105**

7. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	178 088	(133 478)	44 610	178 088	(88 863)	89 225
Furniture and fixtures	1 420 070	(832 312)	587 758	1 895 357	(1 051 851)	843 506
Motor vehicles	157 601	(124 067)	33 534	157 601	(112 894)	44 707
Computer equipment	7 979 927	(3 829 813)	4 150 114	9 234 885	(3 628 845)	5 606 040
Equipment	86 240	(72 337)	13 903	115 627	(85 441)	30 186
Finance lease assets	1 132 202	(207 570)	924 632	-	-	-
Total	**10 954 128**	**(5 199 577)**	**5 754 551**	**11 581 558**	**(4 967 894)**	**6 613 664**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2023

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	89 225	-	-	(44 615)	44 610
Computer equipment	5 606 040	831 923	(299 769)	(1 988 080)	4 150 114
Finance lease assets	-	1 132 202	-	(207 570)	924 632
Furniture and fixtures	843 506	55 060	(144 599)	(166 209)	587 758
Motor vehicles	44 707	-	-	(11 173)	33 534
Equipment	30 186	-	(3 908)	(12 375)	13 903
	6 613 664	**2 019 185**	**(448 276)**	**(2 430 022)**	**5 754 551**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2022

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	1	-	-	89 224	89 225
Computer equipment	5 321 270	1 968 042	(29 309)	(1 653 963)	5 606 040
Finance lease assets	53 463	-	(53 463)	-	-
Furniture and fixtures	89 400	2 178	(63)	751 991	843 506
Motor vehicles	1	-	-	44 706	44 707
Equipment	2 374	-	-	27 812	30 186
	5 466 509	**1 970 220**	**(82 835)**	**(740 230)**	**6 613 664**

8. INTANGIBLE ASSETS

Figures in Rand	2023			2022		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	**1 524 724**	**(1 389 595)**	**135 129**	**1 524 724**	**(1 135 555)**	**389 169**

RECONCILIATION OF INTANGIBLE ASSETS – 2023

Figures in Rand	Opening balance	Amortisation	Total
Computer software	389 169	(254 040)	135 129

RECONCILIATION OF INTANGIBLE ASSETS – 2022

Figures in Rand	Opening balance	Amortisation	Total
Computer software	762 592	(373 423)	389 169

9. DEPOSITS HELD

Figures in Rand	2023	2022
Rental office deposits		
Head office	727 000	727 000
KZN regional office	46 000	46 000
WC regional office	109 000	109 000
PE satellite office	12 987	12 987
	894 987	**894 987**

10. FINANCE LEASE OBLIGATION

Figures in Rand	2023	2022
Minimum lease payments due		
- within one year	273 861	-
- in second to fifth year inclusive	821 583	-
	1 095 444	-
Less: future finance charges	(156 113)	-
Present value of minimum lease payments	**939 331**	**-**
Present value of minimum lease payments due		
- within one year	208 360	-
- in second to fifth year inclusive	730 971	-
	939 331	**-**
Non-current liabilities	730 971	-
Current liabilities	208 360	-
	939 331	**-**

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Accrued bonus	307 129	291 475
Accrued expenses	895 511	983 104
Accrued leave pay	3 337 746	2 865 703
Other payables	260 211	391 012
	4 800 597	**4 531 294**

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

These are government grants received that will be recognised in future accounting periods. This conditional revenue will be recognised in a future period upon completion of the IT refresh, Itukise and Business Turnaround and Recovery projects in the 2023/24 financial year.

Figures in Rand		Business Turnaround and Recovery	Productivity SA	Workplace Challenge	Transnet	Total
2023						
Opening balance		31 453 652	1 580 265	672 785	594 280	34 300 982
Amount received		-	61 698 000	10 558 000	-	72 256 000
Amount invoiced		41 308 040	-	-	-	41 308 040
Amounts received (other)		-	435 908	814 445	-	1 250 353
Interest capitalised		834 283	-	14 830	17 537	866 650
Government grant recognised	16	(31 891 963)	(61 698 000)	(10 558 000)	-	(104 147 963)
Other income recognised		-	(195 447)	(1 440 197)	(601 158)	(2 236 802)
		41 704 012	**1 820 726**	**61 863**	**10 659**	**43 597 260**

Figures in Rand		Business Turnaround and Recovery	Productivity SA	Workplace Challenge	Transnet	Total
2022						
Opening balance		16 078 420	2 494 068	2 357 675	581 119	21 511 282
Amount received		39 832 980	59 853 000	27 842 129	-	127 528 109
Interest capitalised		249 983	-	38 603	13 986	302 572
Government grant recognised	16	(24 707 731)	(60 669 303)	(10 389 000)	-	(95 766 034)
Other income recognised*		-	(97 500)	(19 176 622)	(825)	(19 274 947)
		31 453 652	**1 580 265**	**672 785**	**594 280**	**34 300 982**

*Other income recognised represents income earned from LEDET, PSETA and Itukise.

13. PROVISIONS

RECONCILIATION OF PROVISIONS – 2023

Figures in Rand	Opening balance	Additions	Utilised during the year	Total
Audit fees	765 628	513 129	(765 628)	513 129

RECONCILIATION OF PROVISIONS – 2022

Figures in Rand	Opening balance	Additions	Utilised during the year	Total
Audit fees	727 548	765 628	(727 548)	765 628

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

14. ACCUMULATED SURPLUS

No surpluses have been surrendered to National Treasury given that the entity is insufficiently funded.

15. OTHER INCOME

Figures in Rand	2023	2022
Management fee – Itukise	-	3 238 500
Transnet income	-	825
Staff development	223 707	76 484
Sundry income	-	191 685
	223 707	**3 507 494**

16. TRANSFERS RECEIVED

Figures in Rand	2023	2022
Operating grants		
DEL	61 698 000	60 669 303
Capital grants		
the dtic	10 558 000	10 389 000
UIF	31 891 963	24 707 731
	42 449 963	**35 096 731**
	104 147 963	**95 766 034**

17. DONOR FUNDING

R1 600 000 of the donor funding was used to pay for annual awards fees. Refer to note 21.

LEDET	470 000	248 667
Sasol	1 000 000	-
Transnet	600 000	-
	2 070 000	**248 667**

18. EMPLOYEE RELATED COSTS

Basic	77 487 634	71 396 227
Leave pay provision charge	1 037 514	841 733
Pensioners' medical aid – company contributions	3 093 548	1 619 605
SDL	721 743	662 681
UIF	414 359	390 841
	82 754 798	**74 911 087**

19. AUDITOR'S REMUNERATION

Audit fees – External	513 129	765 628
Audit fees – Internal	527 055	486 501
	1 040 184	**1 252 129**

20. FINANCE COSTS

Finance leases	80 990	-
Interest on late payments	-	1 682
	80 990	**1 682**

Total interest incurred is calculated using the effective interest rate of 7.75% on finance leases.

21. OPERATING EXPENSES

Figures in Rand	2023	2022
Annual award expenses	2 341 212	-
Bank charges	41 276	51 261
Board fees	547 164	391 785
Communications	2 129 012	1 788 040
Computer expenses	2 095 684	1 216 109
Consumables	76 713	60 858
Insurance	621 692	498 177
Motor vehicle expenses	59 860	6 066
Office maintenance	116 030	129 660
Other expenses	116 546	48 104
Placement fees	1 390	11 701
Printing and stationery	315 428	810 325
Promotions	475 504	700 881
Staff welfare	261 810	534 556
Subscriptions and membership fees	156 098	492 605
Support/consulting services	2 942 208	2 475 644
Training	861 898	613 085
Travel – local	3 383 407	1 429 522
Utilities	1 252 234	894 614
	17 795 166	**12 152 993**

22. CASH (USED IN)/GENERATED FROM OPERATIONS

(Deficit)/surplus	(10 602 176)	3 650 189
Adjustments for:		
Depreciation and amortisation	2 684 061	1 113 653
Loss on sale of assets	335 191	77 465
Debt impairment	-	27 203
Bad debts	199 617	84 046
Movements in operating lease assets and accruals	509 478	227 798
Movements in provisions	(252 499)	38 080
Inventory losses or write downs	2 827	-
Debt impairment	-	(27 203)
Bad debts	(199 617)	(84 046)
Changes in working capital:		
Inventories	(6 501)	5 714
Receivables from exchange transactions	1 012 874	(621 324)
Other receivables from non-exchange transactions	(41 308 040)	-
Prepayments	(337 124)	199 741
Payables from exchange transactions	269 303	(5 560 816)
Unspent conditional grants and receipts	9 388 664	12 789 700
	(38 303 942)	**11 920 200**

23. 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 the 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.

24. RELATED PARTIES

Relationships	
Board members	Refer to director's, note 25
Controlling entity	DEL
Controlled entities	Business Turnaround and Recovery and Workplace Challenge programmes
Entities with common control	UIF, Compensation fund and CCMA
Other government departments	**the dtic**
Local departments	LEDET, Western Cape Government, DEDAT and NWDED
Other	Transnet, The Presidency and PSETA

Figures in Rand	2023	2022
RELATED PARTY BALANCES		
Amounts included in trade receivables		
the dtic	18 127	-
ECDC	150 000	-
Gauteng Growth Development Agency	119 000	-
Johannesburg Water (SOC) LTD	196 000	-
The Presidency	200 000	-
UIF	41 308 040	-
Amounts included in trade payables		
DEL	1 579 765	1 579 765
the dtic	-	672 785
LEDET	79 999	-
PSETA	240 462	-
Transnet	10 659	594 280
UIF	41 704 012	31 453 652
Western Cape Government: Vuselela Project Fund	500	500

Figures in Rand	2023	2022
RELATED PARTY TRANSACTIONS		
Revenue		
DEDAT	211 983	-
DEL	61 698 000	60 669 303
the dtic	10 558 000	10 389 000
ECDC	150 000	-
Gauteng Growth Development Agency	119 000	-
Johannesburg Water (SOC) LTD	196 000	-
LEDET	470 000	550 000
NWDED	217 500	-
PSETA	223 707	76 484
SEDA	-	522 333
The Presidency	200 000	-
Transnet	600 000	-
UIF	31 891 963	24 707 731
Western Cape Government: Vuselela Project Fund	-	97 500
Expenditure		
Compensation Commissioner	72 193	107 223
SABC	715	530
SAPO	-	65
SARS	20 035 924	18 612 091
Telkom	6 369	25 171

25. EMOLUMENTS

EXECUTIVE MANAGEMENT

Figures in Rand	Designation	Emoluments	Other benefits*	Total
2023				
Mothiba M	Chief Executive Officer	1 611 982	69 546	1 681 528
Sabela S	Chief Financial Officer	106 475	124 609	231 084
Dludla M	Acting Chief Financial Officer	878 699	113 308	992 007
Brink A	Executive Manager: Regional Operations (Region 2)	942 962	376 274	1 319 236
Dabula N	Executive Manager: Corporate Relations	1 239 760	54 091	1 293 851
Janse van Rensburg L	Executive Manager: Regional Operations (Region 1)	1 364 900	135 541	1 500 441
Naidoo A	Executive Manager: Regional Operations (Region 3)	1 227 305	124 308	1 351 613
Tshifularo J	Executive Manager: BT&R	1 230 965	82 260	1 313 225
Raputsoane L	Acting Executive Manager: RIS	1 211 076	50 722	1 261 798
		9 814 124	**1 130 659**	**10 944 783**

Figures in Rand	Designation	Emoluments	Other benefits*	Total
2022				
Mothiba M	Chief Executive Officer	1 587 864	185 906	1 773 770
Sabela S	Chief Financial Officer	1 432 277	119 360	1 551 637
Tshifularo J	Executive Manager: BT&R	1 237 894	102 981	1 340 875
Dabula N	Executive Manager: Corporate Relations	1 230 875	134 037	1 364 912
Janse van Rensburg	Executive Manager: Regional Operations (Region 1)	1 433 082	119 441	1 552 523
Brink A	Executive Manager: Regional Operations (Region 2)	1 301 534	186 675	1 488 209
Naidoo A	Executive Manager: Regional Operations (Region 3)	1 279 539	163 031	1 442 570
Raputsoane L	Acting Executive Manager: RIS	987 144	73 766	1 060 910
		10 490 209	**1 085 197**	**11 575 406**

* Other benefits comprise travel and cellphone allowances.

NON-EXECUTIVE MANAGEMENT

Figures in Rand	Designation	Members' fees	Other benefits**	Total
2023				
Mdwaba M	Chairman – Board	302 190	184	302 374
Jack B	Member	39 285	595	39 880
Nolingo WC	Member	41 904	1 603	43 507
Singh S	Member	28 809	336	29 145
Selematsela M	Member	39 285	6 271	45 556
Slack P	Chairperson – Audit and Risk Committee	86 340	362	86 702
		537 813	**9 351**	**547 164**
2022				
Mdwaba M	Chairman – Board	212 269	2 123	214 392
Khan F	Member	21 729	217	21 946
Nolingo WC	Member	28 809	288	29 097
Singh S	Member	44 523	445	44 968
Selematsela M	Member	44 523	445	44 968
Slack P	Chairperson – Audit and Risk Committee	39 932	399	40 331
		391 785	**3 917**	**395 702**

**Other benefits comprise travel allowance.

26. BUDGET DIFFERENCES

MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

Material differences between budget and actual amounts budget narrations are included for variations above R100 000.

26.1 RENDERING OF SERVICES

Income generation expectations on some of the consulting projects could not be met as the implementation was delayed by partners due to internal reasons and also due to the budget overspend on the Itukise project.

26.2 OTHER INCOME

Other income was above budget mainly because of funds received from PSETA for the recovery of staff development costs incurred.

26.3 TRANSFERS RECEIVED

The grant for the BT&R Programme was budgeted as if the full amount would be received and we only received a portion of the budgeted amount during the financial year. The rest of the grant will be received once the second tranche is exhausted resulting in our grants received being below budget.

26.4 DONOR FUNDING

More funds have been received from sponsors for the awards held in October 2022 however sponsorship funds received were slightly less than the expenditure incurred on the awards.

26.5 EMPLOYEE RELATED COSTS

Vacant positions have only been filled on revenue-genating projects available.

26.6 AUDITOR'S REMUNERATION

Newly appointed auditors – Lunika charged lower fees than anticipated.

26.7 DEPRECIATION AND AMORTISATION

The entity took a decision to replace various IT-related equipment, including laptops, to ensure that it was ready and able to provide services in the new working norm. The majority of employees had to be capacitated with computer equipment to ensure that they were able to continue working remotely.

26.8 LEASE RENTALS

The entity took a decision to significantly reduce the office space given that most employees were working remotely. A new rental agreement was entered into which significantly reduced office rental costs.

26.9 BAD DEBTS

This is an accounting adjustment per GRAP 104.

26.10 PROJECT IMPLEMENTATION COST

The main contributor to the savings on project implementation costs was the BT&R programme, which was budgeted at full costs, however a portion of the grant funding was received during the current financial year, and this meant less costs were incurred.

26.11 LEGAL FEES

The legal fees are over the budget due to two major ongoing legal cases i.e. the post-retirement medical aid and one labour court matter awaiting court date allocation.

26.12 OPERATING EXPENDITURE

Savings on operating expenses was due to savings on costs like travel and accommodation, subsistence costs, all of which are due to the new working norm.

Changes from the approved budget to the final budget

The changes between the approved and final budget are as a consequence of amending the full amount that was budgeted for BT&R programme and some of the consulting projects targets could not be met as the implementation was delayed by partners due to internal reasons.

27. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The entity has a policy and framework on risk management. The strategic risk register is reviewed annually by management. The entity's activities expose it to interest, credit and liquidity risks.

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.

Below is the analysis of 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 amount disclosed is the contractual undiscounted cashflows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Figures in Rand	Carrying amount	Total cashflow	Contractual cashflow within one year
At 31 March 2023			
Payables from exchange transactions	4 800 597	4 800 597	4 800 597
At 31 March 2022			
Payables from exchange transactions	4 531 294	4 531 294	4 531 294

CREDIT RISK

The entity trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the entity's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed. There is no significant concentration of credit risk within the entity. With respect to credit risk arising from the other financial assets of the entity, which comprise cash and cash equivalents, the entity's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The entity's cash and cash equivalents are placed with high credit quality financial institutions therefore the credit risk with respect to cash and cash equivalents is low. Trade and other receivables are not rated.

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

Figures in Rand	2023	2022
Financial instrument		
Cash and cash equivalents	5 461 308	44 827 105
Receivables from exchange transactions	1 067 902	2 080 776
Deposits held	894 987	894 987

28. IRREGULAR EXPENDITURE AND FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure	16 346	1 894 374
Fruitless and wasteful expenditure	-	47 760
Closing balance	**16 346**	**1 942 134**

Prior year irregular expenditure and fruitless expenditure to the amount of R1 942 134 has been investigated, condonation has been submitted to National Treasury. Fruitless and wasteful expenditure confirmed has been approved by the Board to be written off in accordance with the debt write off policy of the entity.

Current year irregular expenditure to the amount of R16 346 has been investigated, condonation application to National Treasury in process.

29. COMMITMENTS TOTAL COMMITMENTS

Total commitments		
Authorised operational expenditure	7 973 688	4 180 298
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	5 695 492	5 324 167
- in second to fifth year inclusive	14 653 504	20 348 995
	20 348 996	**25 673 162**
Rental expenses relating to operating leases	5 907 299	5 868 049

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

Operating leases accruals		
Opening balance	515 198	287 420
Amount incurred during the year	509 478	227 778
	1 024 676	**515 198**

30. CONTINGENCIES

There are two legal cases that are continuing. Productivity SA is waiting for the allocation of dates by the courts for each case.

Productivity SA continues to challenge the post-retirement medical obligation costs and a CCMA arbitration award of R439 091 awarded in favour of one of its employees.

31. CHANGE IN ESTIMATE PROPERTY, PLANT AND EQUIPMENT

The useful life of some property, plant, and equipment was re-assessed and increased at the reporting date in line with the Standard of GRAP. The impact on the Statement of Financial Performance is R24 499 (2022: R1 806 863).

32. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the Statement of Financial Position, Statement of Financial Performance and cash flow statement that have been affected by prior-year adjustments:

STATEMENT OF FINANCIAL POSITION

Figures in Rand	Note	As previously reported	Correction of error	Restated
2022				
Accrued expenses	11	(848 769)	(134 334)	(983 103)
Other receivables	4	137 685	33 462	171 147
Accumulated surplus		(15 135 591)	100 872	(15 034 719)

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note	As previously reported	Correction of error	Re-classification	Restated
2022					
Lease rentals		(5 901 512)	33 463	-	(5 868 049)
Legal fees		(32 988)	(35 916)	-	(68 904)
Travel local	21	(1 419 171)	(10 351)	-	(1 429 522)
Utilities	21	(806 546)	(88 068)	-	(894 614)
Auditor's remuneration	19	-	-	(1 252 129)	(1 252 129)
Operating expenses	21	(13 306 703)	-	1 252 129	(12 054 574)
Surplus for the year		**(21 466 920)**	**(100 872)**	**-**	**(21 567 792)**

Figures in Rand	Note	As previously reported	Re-classification	Restated
Accrued income	4	214 577	(83 977)	130 600
Furniture and Fixtures	7	832 117	11 389	843 506
Computer Equipment	7	5 647 615	(11 389)	5 636 226
Donor funding LEDET	17	-	248 667	248 667
Bad debts written off		27 203	(27 203)	-
Audit fees – external	19	-	765 628	765 628
Audit fees – internal	19	-	486 501	486 501
Operating expenses-auditor's remuneration	21	1 252 129	(1 252 129)	-
Commitments – operating expenditure	29	1 860 287	2 320 011	4 180 298
		9 833 928	**2 457 498**	**12 291 426**

ERRORS

Expenses were not accrued for in the prior year. These errors affected payables and receivables from exchange transactions and accumulated surplus.

Reclassification was done to disclose reclassified items separately on the financial statements or notes.

33. COMPARATIVE FIGURES

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

34. GOING CONCERN

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R4 432 543 and that the entity total assets exceed its total liabilities by R4 432 543.

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.

35. EVENTS AFTER THE REPORTING DATE

There were no reportable events after the reporting date.

36. SEGMENT INFORMATION GENERAL INFORMATION IDENTIFICATION OF SEGMENTS

The entity is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. 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 SA 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 mind set across all segments (national, sector and enterprise) of society.

Business Turnaround and Recovery provides turnaround solutions to companies facing economic distress and its funding comes from the UIF.

The WCP, funded by **the dtic**, focuses on intervention aimed at enhancing productivity and competitiveness of SMMEs in the South African manufacturing sector.

SEGMENT SURPLUS OR DEFICIT, ASSETS AND LIABILITIES 2023

Figures in Rand	Productivity SA	BT&R	WPC	Eliminations	Total
2023					
Revenue					
Revenue from non-exchange transactions	63 431 333	31 891 963	10 894 667	-	106 217 963
Revenue from exchange transactions	1 831 877	-	812 892	-	2 644 769
Interest received	525 848	-	122 122	-	647 970
Inventories gains	2 827	-	-	-	2 827
Inter-segment transfers	21 291 904	-	-	(21 291 904)	-
Total segment revenue	**87 083 789**	**31 891 963**	**11 829 681**	**(21 291 904)**	**109 513 529**
Entity's revenue					**109 513 529**
Expenditure					
Employee related costs	71 643 553	9 463 118	1 648 127	-	82 754 798
Goods and services	23 689 905	9 238 429	1 327 380	-	34 255 714
Loss on sale of assets	335 190	-	-	-	335 190
Finance costs	80 990	-	-	-	80 990
Depreciation and amortisation	2 684 061	-	-	-	2 684 061
Inter-segment transfers	-	13 190 416	8 106 440	(21 291 904)	4 952
Total segment expenditure	**98 433 699**	**31 891 963**	**11 081 947**	**(21 291 904)**	**120 115 705**
Total segmental surplus/ (deficit)	**(11 349 910)**	**-**	**747 734**	**-**	**(10 602 176)**
Assets					
Segment assets	15 548 301	42 383 132	1 147 809	(3 771 706)	55 307 536
Total assets as per Statement of financial position					**55 307 536**
Liabilities					
Segment liabilities	8 319 801	42 383 132	3 943 766	(3 771 706)	50 874 993
Accumulated reserves	7 228 500	-	(2 795 957)	-	4 432 543
Total segment liabilities	**15 548 301**	**42 383 132**	**1 147 809**	**(3 771 706)**	**55 307 536**
Total liabilities as per Statement of financial position					**55 307 536**

SEGMENT SURPLUS OR DEFICIT, ASSETS AND LIABILITIES 2022

Figures in Rand	Productivity SA	BT&R	WPC	Eliminations	Total
2022					
Revenue					
Revenue from non-exchange transactions	60 917 970	24 707 731	10 389 000	-	96 014 701
Revenue from exchange transactions	8 041 671	-	-	-	8 041 671
Interest received	342 419	-	110 330	-	452 749
Inter-segment transfers	15 980 957	-	-	(15 980 957)	-
Total segment revenue	**85 283 017**	**24 707 731**	**10 499 330**	**(15 980 957)**	**104 509 121**
Entity's revenue					**104 509 121**
Expenditure					
Employee related costs	64 004 842	9 262 648	1 643 597	-	74 911 087
Goods and services	16 761 237	6 514 522	1 479 286	-	24 755 045
Loss on sale of assets	77 465	-	-	-	77 465
Depreciation and amortisation	1 113 653	-	-	-	1 113 653
Finance costs	1 682	-	-	-	1 682
Inter-segment transfers	-	8 930 561	7 050 396	(15 980 957)	-
Total segment expenditure	**81 958 879**	**24 707 731**	**10 173 279**	**(15 980 957)**	**100 858 932**
Total segmental surplus	**3 324 138**	**-**	**326 051**	**-**	**3 650 189**
Assets					
Segment assets	24 899 174	32 299 640	2 296 707	(4 347 825)	55 147 696
Total assets as per Statement of financial position					**55 147 696**
Liabilities					
Segment liabilities	6 320 747	32 299 640	5 840 415	(4 347 825)	40 112 977
Accumulated reserves	18 578 427	-	(3 543 708)	-	15 034 719
Total segment liabilities	**24 899 174**	**32 299 640**	**2 296 707**	**(4 347 825)**	**55 147 696**
Total liabilities as per Statement of financial position					**55 147 696**

PART G

CASE STUDIES

1. REGION 1: GAUTENG, LIMPOPO AND NORTH WEST

AUTO BLUE OILS AND PROJECTS PTY (LTD) (GAUTENG)

Programme: Competitiveness Improvement Services, Kaizen

By Rose Morweng, Snr Productivity Practitioner

Auto Blue Oils is a Black-owned Level-1 BBBEE company established in 2009, owned by Mr Moshe Mokgosi with 14 employees. It is a registered waste management company under the Department of Forestry, Fisheries and the Environment under the Norms and Standards for Storage of Waste in terms of GN 926 of November 2013.

Auto Blue Oils' bulking point (storage) facility, proposed Base Oil Plant and Transformer Oil Purification/Regeneration units, together with its administrative offices, are strategically located directly adjacent to the N12 highway at Zuurbekom, Westonaria.

At present, Auto Blue Oils collects used oil from its generator base and stores it within our 80 000-litre capacity approved bulking facility. The used oil is then sold to numerous approved processors. Auto Blue Oils also collects degenerated transformer oil for regeneration and resale. However, the current regeneration process is inefficient and requires to be upgraded to meet the ever-growing demand for saleable transformer oil within stringent specifications.

PROBLEM DEFINITION/PRODUCTIVITY CHALLENGE

The following challenges related to cleaning and organising were experienced by Auto Blue Oils before Kaizen Programme implementation.

- Presence of unwanted materials at the workplace which affects the morale of workers while working.
- Ineffective process flow.
- No well-defined space for storing the unwanted or rejected material.
- Useful storage space required for the unwanted materials.
- Improper utilisation of storage space for raw material, bins and finished products.
- Low productivity due to the time wasted in searching for tools and materials due to improper workplace management.

PRODUCTIVITY INTERVENTION

Productivity SA implemented a six-month Kaizen Programme from October 2021 to February 2022, which entailed conducting a Kaizen Tools and Capacity Building Workshop and implementation of identified projects. Coaching and a programme review followed implementation to ensure that the interventions are sustainable. A Kaizen team was selected, comprising management and plant operators.

The key deliverables for this project were to understand and implement 5S (sort, set in order, shine, standardise, and sustain) and visual management, analysing the process flow and identifying causes of delays in delivery. The action plan was developed to reduce and ultimately eliminate the identified delays.

RESULTS AND IMPACT

Measure/indicator	Before (Jan 2021)	After (Jan 2022)	Improvement Ratio Year B – Year A %/Year A
Quality service	30%	90%	60%
Staff morale	40%	90%	50%
Delivery	40%	90%	50%
Absenteeism Lost hours/Possible hours	5%	2%	60%
Number of human resources employed	7	14	50%
Customer satisfaction Index CSI – total rating	40%	80%	50%
Actual expenditure Total budget against targets	60%	90%	30%
Industrial action: people days lost	0	0	0
Annual labour turnover Number of leavers % Number of human resources employed	0	0	0
Total productivity (Pt) Total outbound (Rand) % HR (labour) input + capital input + materials input (Rand)	70%	90%	20%

At the 2022 financial year-end, there was a marked turnover increase with revenue at R10 825 846 compared to the previous financial period when revenue was R5 787 293. In the 2023 financial year, revenue continued to climb with the business achieving 15% of the previous year's revenue in the first month already.

CORPORATE SOCIAL INVESTMENT PROGRAMMES

The company has not yet introduced a gain-sharing scheme. However, it is doing well in giving back to the community. The company supports local businesses and contributed to the Durban floods initiative. Auto Blue contributed towards different socio-economic projects which includes donating a carpet cleaning machine to an SMME, a Cape Town shack donation, and R30 000 towards the Durban flood damage.

2022 NATIONAL PRODUCTIVITY AWARDS BRONZE WINNER

As a result of the implementation of its productivity initiatives over this period, Auto Blue Oils entered the 2022 National Productivity Awards under the category emerging sector and came out a bronze winner. Auto Blue Oils also participated in the 2022 WPC milestone workshop.

SUSTAINABILITY AND TRANSFERABILITY

Auto Blue Oils requires a full environmental impact assessment and waste management licence. This licence will attract the attention of major corporations and state-owned enterprises (SOEs) to create business relationships and vendor accreditation as per the corporate vendor requirements of the relevant major corporations and SOE's, thus creating sustainable customers in the future. Auto Blue Oils will always demonstrate commitment to sustainability, both individually and as a firm, by actively participating in its communities and integrating sustainable business practices wherever possible. We will ensure that we hold ourselves accountable to the highest standards by meeting our suppliers' and customers' needs precisely and completely. Furthermore, with the proposed growth at Auto Blue Oils, we envisage to create up to eight (additional job opportunities which will contribute to the current unemployment crisis that South Africa is facing.

KHOMA NDLATI T/A GIMBO BRICKS AND SAND (PTY) LTD

Programme: Business Turnaround and Recovery Programme

By Kenny Ramukhubathi, Snr Productivity Practitioner

Gimbo Bricks and Sand, is a Giyani-based cement-brick manufacturing company established in 2007. The company was founded by the Managing Director (MD), Ms Mikateko Nkwinika Gimbo Bricks and Sand manufactures stock, maxi and paving bricks as core products. The products are supplemented by the supply of sand and crusher. Currently the company employs 38 full-time, permanent employees. The company's primary markets are the homeowners around Giyani, Malamulele and the surrounding villages. Commercial hardware stores such as Cashbuild and the building construction companies around Giyani Local Municipality are the secondary markets for the business.

PROBLEM DEFINITION/PRODUCTIVITY CHALLENGE

Gimbo Bricks and Sand operates in an economically sensitive environment. As a building and construction material supplier, it was negatively affected by the government's Covid-19 restrictions in 2020.

Sales dropped by 18% from R12 149 281 (2020) to R9 961 863 (2021) and picked up to R11 855 265 in 2022. Operating profit has remained under pressure despite an improvement in gross profit. Operating profit was R1 984 100 (2020), R770 754 (2021) and R934 198 (2022). The problems were located in two areas:

- Customer demand dropped during Covid-19 restrictions and although the construction sector started to recover slowly in 2021, recovery was slow for Gimbo Bricks and Sand.
- When the company experienced increased demand for bricks, production constraints and bottlenecks prevented the company from increasing output. Some of the noted issues were high machine downtime due to breakdowns and less production output than what was demanded by the customers.

The financial distress presented a huge risk of terminating employment or reducing work hours. The Limpopo Department of Economic Development, Environment and Tourism referred Gimbo Bricks and Sand to Productivity SA's Business Turnaround and Recovery programme.

THE BT&R INVOLVEMENT/INTERVENTIONS

Issue/Challenge	Intervention	Outcome – Completed
Inability to increase customer base, drop in sales mainly due to Covid-19	Development of a marketing strategy and plan	• Assessment • Strategic session meeting • Market research • Marketing plan and implementation plan
Poor operational practices	Instil a culture of process improvement by implementing WPC Tool Kit 1: Goal alignment	• Baseline assessment • Eight employees capacitated • Early warning systems
As business starts to grow, Gimbo struggles to meet customer demand. A growing backlog in customer orders due to a lack of capacity.	Develop a business plan and financial model for business growth. Raise capital from government funders to procure additional equipment to increase capacity.	• Business plan • Financial model • Funding application submitted to NEF

RESULTS

Deliverable	Marketing Plan	Workplace Transformation Toolkit 1: Goal alignment	Capital Appraisal
Consultant	Approved service provider (Libra Consulting)	Productivity SA - CIS practitioner.	Productivity SA – BT&R practitioner.
Project scope	Develop marketing and sales plan. Conduct market research to gather intelligence on size of the industry, target market and level of competition. Recommend implementation plan.	Implementation of workplace transformation toolkit 1, goal alignment. Capacity building of productivity champions, world-calls level baseline assessment and facilitating mini business units.	• Raise funds for Gimbo Bricks and Sand to procure operating assets to increase capacity • Business plan • Financial model • Application to government funders.
Gathering information	Secondary research data, interviews, desktop research. The consultant is based in Polokwane so he made several visits to the client for strategy sessions and gathering information from the MD.	Client visit, capturing production information onsite, engaging Future Forum and employees.	• Secondary research data, interviews, desktop research • Requested plenty of business and financial data from client • Conducted three visits to Gimbo Bricks and Sand.
Future Forum and champions	The chairperson and MD were consulted extensively. Champions were not engaged but informed.	Future Forum and some of the champions trained were consulted throughout the project.	There was minimum consultation with Future Forum and Champions.
Benefits and Impact	Gimbo Bricks and Sand started focusing marketing effort to target segments. Management became aware of activities in advertising on social media. See summary of financial performance below for sales figures.	Eight employees were capacitated and equipped with tools to effectively manage improvement initiatives. A facility closer to production lines with visual boards and displays was formed to assist mini business units in setting targets, identifying early warnings and to control performance. World Class Level at start of project was one, target in six months is three.	Development of a business plan is an interactive process which assists managers to think clearly about the long term plans. The MD was able to set clear goals and actions. The application for business funding is a long term process. The practitioner will represent the client until the end.
Major Challenges	Unavailability of the implementation budget to execute some of the recommendations like advertising on billboards, local radio stations and newspapers. Like other small enterprises, there is no dedicated marketing and sales person, this limits the potential.	Low literacy level of the employees was a challenge in capacitation. It was difficult to avail workers to participate in planned activities. It was hard for the operations manager to allow employees to independently develop improvement ideas or suggestions. This culture change takes time to embed.	Key information not available to complete the business plan and financial model. Critical data like sales per product per month was not easily available and validated. Government development financial agencies take long to process applications, some take up to 12 months.
Mitigations	The MD was advised to approach SEDA local branch to sponsor advertising budget.	The practitioner was patient in training, used examples and diagrams. Some consultations happened during lunch to minimise production interruptions.	The practitioner continuously engaged and communicated with Gimbo Bricks and Sand to obtain requested data. The practitioner continues to engage NEF to fast track the application for funds.
Timelines	The project was executed in four months as planned.	The project was executed in four months as planned. This programme normally takes about six months.	The project was finalised in five months instead of four months due to delays in obtaining information.

HIGHLIGHTS OF THE PROJECT

The early engagements by the service provider led to Gimbo Bricks and Sand revising their social media activity in advertising. A dedicated person was allocated and this generated an increased number of leads.

2021 | **2022**

Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct

- May 2021: Nurturing financial assessment acceptance
- Jun 2021: Future Forum 5x members
- Jun 2021: Productivity champions trained 6x employees
- Apr 2022: In-depth assessment workplan review and approval
- May 2022: Implement turnaround strategies
- Oct 2022: Project close out

2. REGION 2: WESTERN CAPE, NORTHERN CAPE AND FREE STATE

MERVYN GERS CERAMICS

Programme: Competitiveness Improvement Services, Kaizen

Hevanya Balkaran, Productivity Practitioner

COMPANY BACKGROUND

Productivity SA in partnership with the Craft & Design Institute (CDI) called for applications from organisations affiliated with the council to participate in a Kaizen programme hosted by Productivity SA. The aim of the programme was to create an understanding of continuous improvement concepts intended to decrease inefficiencies within the business; increase selected key performance indicators as well as create an awareness of productivity.

Mervyn Gers Ceramics is an organisation based in Paarden Eiland, Cape Town, that manufactures hand-crafted ceramic items and is affiliated with the CDI. The company signed a contract with Productivity SA in October 2021 to participate in the six-month Kaizen Programme to commence in November 2021.

KAIZEN CAPACITATION AND IMPLEMENTATION

The Mervyn Gers Ceramics Kaizen Team attended training sessions held weekly which consisted of capacitating the staff on best operating practices and leadership. These training sessions allowed staff members to express their concerns through various activities which are included in the programme.

As part of the programme, the team was required to analyse and identify problems within the operations of the business to reduce and eliminate the root causes of these problems. Due to the nature of the business, the Kaizen programme was customised to allow for weekly training sessions as well as project identification and implementation. The team was also encouraged to allocate time for weekly team meetings in which they would problem-solve as well as identify and implement projects.

The projects identified included:

Project	Planned Outcomes	KPIs affected	Status
Business process map	• Identification of wasteful activities. • Understanding of the different roles in the business.	• Cost • Speed	Complete
Job card	• Ability to track each order through the process. • Increase the number of orders correctly delivered.	• Delivery	Complete
Root cause analysis for bubbles occurring on products	• Identification of the root cause of common quality defects (bubbles). • Investigation of recommendations to reduce the defects by reducing or eliminating the root cause. • Implementation of recommendations.	• Quality • Speed	Complete
Root cause analysis for late deliveries	• Identification of the root cause of products being despatched after the agreed time. • Investigation of recommendations to reduce late deliveries by reducing or eliminating the root cause. • Implementation of recommendations.	• Delivery • Morale	Complete
Suggestion box	• Implementation of a suggestion box for employees to utilise and supervisors to monitor.	• Morale	In progress
5S in the 'Lab'	• Removal of redundant equipment and unused materials in the lab. • Organisation of raw materials.	• Speed	Completed
5S in the Printing Department	• Removal of redundant equipment and materials. • Organisation of equipment.	• Speed	Completed
5S in the Despatch Department	• Organisation of raw materials. • Organisation of finished products.	• Delivery • Speed	Completed
5S in the Bisque Department	• Organisation of work in progress. • Reduction in breakages.	• Quality	Completed
Relocation of the 'Lab'	• Relocation of the lab to a floor closer to production. • Reduction of time spent on motion and transportation.	• Speed	Completed

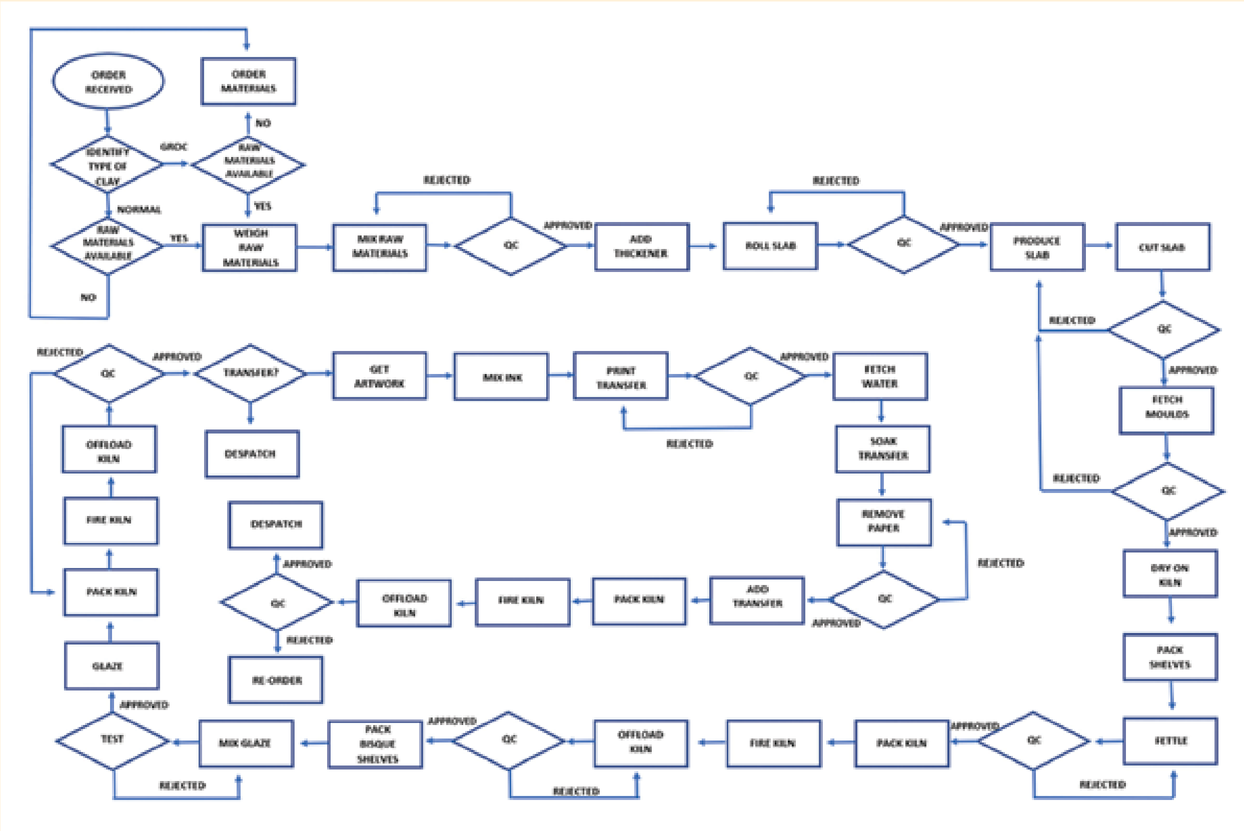
KAIZEN PROJECTS

The Kaizen programme training sessions started with an introduction to process flows and maps. This gives the team as well as the practitioner a holistic view of the business and its operations. It also acts as a tool to identify activities that are wasteful and problematic. The team was capacitated on the methods used to create a process map.

The project guideline included:

- Each member to list the processes involved in their department from start to finish.
- Transfer these activities into a flow diagram.
- Introduce the basic process mapping symbols into the flow.
- Use the process flows of each department to create a holistic operational process map.

The activity encouraged teamwork and questions which led to the understanding of each team member's roles and responsibilities.



A concern was raised during the programme of incorrect products as well as incorrect number of products being delivered to customers. Due to the customers affected being international clients of the company, a high cost was spent rectifying these orders. A brainstorming activity was held between the practitioner and the Kaizen team, the goal being to identify a means to reduce or eliminate the problem of incorrect deliveries.

During this session, it was established that there is no system in place to track the order during the production process and that not every department was aware of the number of products that each order required.

The team created a job card system to reduce these errors. The job card follows the product throughout the production process. It allows each supervisor to see the total number of products required for an order as well as requires each department to fill in the number of units that they are dispatching from their department to the next. In doing so, it became easier for the team to identify the departments that produced defective units.

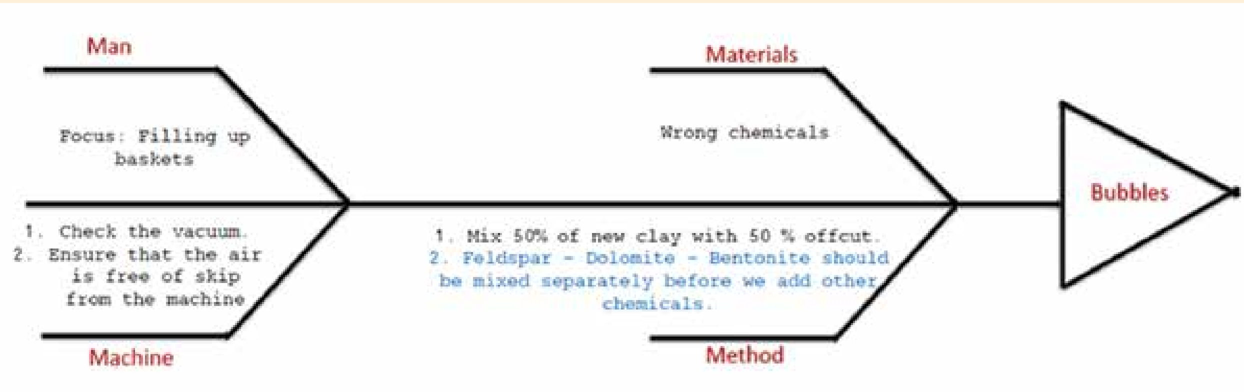
While developing and implementing the job card, the team followed the 'Plan, Do, Check, Act' method, which needed the team to start by implementing the project on a small-scale before revising, correcting if necessary and implementing fully.

GLAZING JOB CARD: V1 DATE:

SO	CODE	ITEM	COLOUR	QUANTITY REQUIRED	GLAZED	DATE GLAZED	KILN	DISPATCH	DATE DISPATCH	LOSS

DATE	SO	CODE	ITEM	COLOUR	QUANTITY GLAZED	KILN NO	1ST GRADE	REJECTS	YIELD
28/02/2022	2640	808	MEDIUM BOWLS	J14 - HARBOUR	12	11	10	2	83%
28/02/2022	2640	p03	DINNER PLATE	J14 - HARBOUR	22	11	20	2	91%
02/03/2022	2422	PL05	XL FLAT ROUND PLATTER	SEA LETTUCE	2	1		2	0%
03/03/2022	2686	b07	WL BOWLS	KELP	10	10	8	2	80%
07/03/2022	2596	NEW D	XL VASE NO LIP	FIG GREEN	3	11	1	2	33%
11/03/2022	2684	PL05	XL FLAT ROUND PLATTER	GLOSS WHITE	11	2	9	2	82%
27/01/2022	2619	804	SMALL ROUND HIGH BOWL	TEAL	20	10	19	1	95%

Two of the most common recurring quality issues experienced were bubbles and cracks occurring on products which rendered the products as rejects. The team utilised the fishbone diagram which they were capacitated on during the Kaizen workshop. The purpose of the diagram is to establish the root cause of a problem – in this case, bubbles on products.



It was determined that the clay should be mixed prior to the addition of chemicals into the clay to reduce the amount of bubbles appearing on products. This method is currently being used in the production process. Pictures of the clay before and after implementing the new method are seen below showing a clear difference in the consistency and texture of the clay.

Another aspect of the Kaizen programme is understanding the methodology and purpose of 5S.

The team implemented 5S in four aspects of the business which included the lab; the dispatch department; the printing department and the bisque department.

The 'lab' is the department in which the clay is mixed and the associated raw materials are stored for this process. Due to the high amount of raw materials and dust associated with the mixing process, there is confusion due to the lack of labelling. The ability to easily identify materials needed in each of these departments reduces the lead time of the entire process, thereby positively affecting the output of the production department.

The lab was situated on the third floor of the building which required staff to transport the clay to the production floor (situated on the second floor of the business). After being capacitated on the seven lean wastes, it was established that the high amount of transport and motion between the lab and the production floor could be reduced by relocating the lab to the second floor. The team supervised the relocation of the lab by first relocating the men's locker room to the third floor. The lab is currently on the production floor in place of the locker room which has significantly reduced waste in the process.

RESULTS

Below is the list of KPIs identified at Mervyn Gers Ceramics during the Kaizen programme. As seen in the table, quality, on-time delivery, and speed were prioritised and measured and captured over a period of three months. The team continues to measure the KPIs implemented.

Mervyn Gers Ceramics also participated in the Productivity Efficiency Programme, funded by the City of Cape Town and implemented by Productivity SA. Since the completion of the Kaizen and Productivity Efficiency Programme, Mervyn Gers Ceramics has signed a contract with Productivity SA to participate in the 12-month WCP which commenced in September 2022.

QCDSM	KPI	February	March	April	Improvement
Quality	Bisque yield	90.6%	91.4%	94.3%	4.08%
	Glaze yield	75.1%	89.59%	91.24%	21.50%
Cost	Not yet measured				
Delivery	On time delivery	Not measured	51%	66.67%	30.70%
Safety	Output	7 728	10 728	11 548	49.4%
Morale	Not yet measured				

MONTAGU COUNTRY HOTEL (PTY) LTD

Programme: Business Turnaround and Recovery

By Thinus de Vos, Snr Productivity Practitioner

INTRODUCTION

Montagu Country Hotel is a unique hotel in the village of Montagu, South Africa. It is located on Route 62, halfway between the Cape Winelands and the Garden Route. The hotel has been operational since 1996 and currently employs a total of 41 employees.

The hotel has steadily grown its client base over the years and caters to both local and international customers. Clients of the hotel include government officials and tour operators; as well as individual-, business- and group-travellers.

Montagu Country Hotel's clients range from tour operators, businesses, group travelers, government, and individuals. Montagu Country Hotel competes with other establishments in the area that offer the same services within the hospitality industry such as Jonkmanshof, Olive Stone Farm Cottage, Mirihof Retreat and Olive Esta.

PROBLEM DEFINITION/PRODUCTIVITY CHALLENGE

The financial performance of the company was poor for the three financial years reviewed by Productivity SA. The severe negative impact of the Covid-19 pandemic on the tourism and hospitality industries in South Africa further drastically reduced the financial sustainability of the business.

Due to the impact of the pandemic on the tourism and hospitality industry, the hotel had to retrench six employees. This was prior to the BT&R project.

The business was facing serious financial challenges and there was a high risk of financial failure.

THE BT&R INVOLVEMENT/INTERVENTIONS

The aim of the BT&R project was to assist the hotel with its efforts to remain a profitable and viable business that can sustain employment into the future.

The improvement interventions that were funded and delivered via this BT&R project were to:

- Integrate the property reservation/management and financial systems
- Develop a new reporting tool for management
- Training of the Food and Beverage employees
- Redesign the website.

The expected impact of the project was to increase the number of enquiries, reservations and room occupancy levels. The aim was also to increase the percentage of revenue generated by the Food and Beverage department and to increase the hotel's service ratings.

Intervention	Issue/Challenge	Intervention	Outcome – Completed
Intervention 1: Integrate property reservation/ management and financial systems	• Data from the reservation system had to be manually recaptured into the accounting system • Manual reconciliation had to be done between the two systems • Operating and managing the information systems were very labour intensive and time consuming	A new reservation system as well as accounting system were implemented and integrated	**Reduced:** • Time spent managing the information systems • Administrative errors • Administrative workload and costs **Improved:** • Financial controls • Debt collection • Speed of financial reporting
Intervention 2: Develop a new reporting tool for management	• Lack of management information and market intelligence for decision-making and market positioning to attract more guests • The few reports that were used were generated with spreadsheets	A new visual business intelligence reporting tool was developed for management	• Better management information on reservations, sales and revenue sources. • Improved decision-making regarding forecasting, costings, pricing and market positioning • The tool now enables the business to align itself with the market and attract more guests to the hotel

Intervention	Issue/Challenge	Intervention	Outcome – Completed
Intervention 3: Training of Food and Beverage employees	• Covid-19 led to less guests, ongoing financial losses and a decrease in operational performance • To reduce expenses, management had to retrench some staff • This placed an additional burden on the remaining staff and led to a decline in service levels	Training was provided to the Food and Beverage staff to be able to: • Review and revise the current menus • Review and revise the costings and pricing of the menu items • Improve general practices in that department	• More upsell and revenue-boosting opportunities are now available on the menus • It provides a novel marketing stance • The success of the two restaurants will contribute to improving the hotel's service offering and financial performance • The new practices will assist in reducing waste and expenses
Intervention 4: Redesign website	• The website, which is a primary source of information to clients, was ineffective • Expenses were incurred to outsource the editing and updating of the website • Not all the service and value offerings were indicated on the website • The website was extremely slow to load • The website content was not properly displayed on all devices • The website was not integrated with the other information systems • The user interface of the website was unappealing and not user-friendly	• The new website design has been developed and implemented • Search engine optimisation of the website was also completed • The website is now also hosted on a cloud-based server • Some employees were trained on how to utilise Google analytics and Google webmaster to monitor and manage the website effectively	• The hotel now has a new and improved website • It provides sufficient and descriptive information • It includes better and updated visuals • It is more accessible, appealing and easier to navigate • More features are available to explore • It is now responsive to all devices and ensures that the content will be displayed properly on all types of devices • The speed at which the website functions has improved • Some employees can now edit and update the website which reduces outsourcing expenses • The morale and utilisation of these employees were improved • The new website enables the business to attract more guests and to generate more revenue

RESULTS

Integrate property reservation/management and financial systems

A new property reservation system as well as a new accounting system was implemented and integrated.

After the implementation and integration of the two new systems, daily reconciliations are being done to check that transactions are correctly and fully processed. To date, no problems, errors or omissions have been detected. This means that the integration between the two systems was seamless and extraordinarily successful.

An additional benefit of the systems integration is that the quality of data used for management reporting has improved and it is now also easier to extract the required data.

The systems architecture before and after the implementation and integration is illustrated below.

BEFORE	AFTER
TallOrder POS All restaurant extras sold to hotel guests	**TallOrder POS** All restaurant extras sold to hotel guests
↓	↓
Automatic data transfer (integration)	Automatic data transfer (integration)
↓	↓
NightsBridge PMS Accommodation charges plus extras from POS	**Benson PMS** Accommodation charges plus extras from POS. Manage customers and payments received
↓	↓
Manual recapturing of data	Automatic data transfer (integration)
↓	↓
Sage Accounting All financial transactions, customer's information and reconciliation of payments received	**Xero Accounting** All financial transactions and financial reports

Figure 11: Systems Architecture before and after implementation and integration

Develop a new reporting tool for management

The new reporting tool enables information to be displayed in a visual manner with numerous performance indicators that are easy to interpret.

The new reporting tool provides better management information on reservations, sales, and revenue sources. It enables improved decision-making regarding forecasting, costings, pricing, and market positioning.

After the Covid-19 restrictions being lifted, the hotel was able to increase its room occupancy levels. It now also takes less time to analyse and interpret the data in the reporting tool. This is because the information is presented in a visual manner.

Another benefit is the ability to generate performance indicators. These performance indicators enable the business to determine if the hotel is performing well or if other measures should be put in place to improve occupancy levels.

Training of Food and Beverage employees

This training aimed to improve the customer service ratings of the hotel. If the trained employees successfully implemented the techniques, it will also assist the hotel in reducing its expenses and increase the hotel's operating profit margin.

Individual and group travel generates a considerable amount of revenue. This training should improve the hotel's ability to attract this target group and to sell extras to them.

Providing the employees with training will most likely contribute to the success of the business. It will result in better-trained employees, lower costs and improved operational in financial performance. This will enable the hotel to sustain existing jobs and create the opportunity to recruit more employees.

Redesign website

The new website went live on 9 September 2022 and can be accessed at www.montagucountryhotel.co.za

As a result of the successful completion of this deliverable, the hotel now has a new and improved website.

The new website provides visitors with sufficient and descriptive information. This includes better and updated visuals of the rooms and amenities, an expanded list of activities and extensive menus. It also includes all the services that the hotel offers.

The website is now more accessible, appealing, and easier to navigate. More features are available to explore. All of this is of assistance to potential customers, as well as the hotel's employees.

Search engine optimisation of the website was also completed. This means that the website is now responsive to all devices and ensures that the content will be displayed properly on all types of devices.

The website is now also hosted on a cloud-based server. This has improved the speed at which the website functions.

It is anticipated that the aesthetic appeal of the new website will attract and encourage increased customer engagement. The site is expected to improve the hotel's ratings, attract more customers, and generate more business for the company.

Additional training on how to edit and update the website was provided to the hotel's employees. This will reduce outsourcing expenditure in the long term.

Overall impact

The overall impact of the BT&R project is illustrated in the graph below. The room income in 2022/23 was more than double that of 2020/21. This is mostly due to the fact that room occupancy levels have increased.

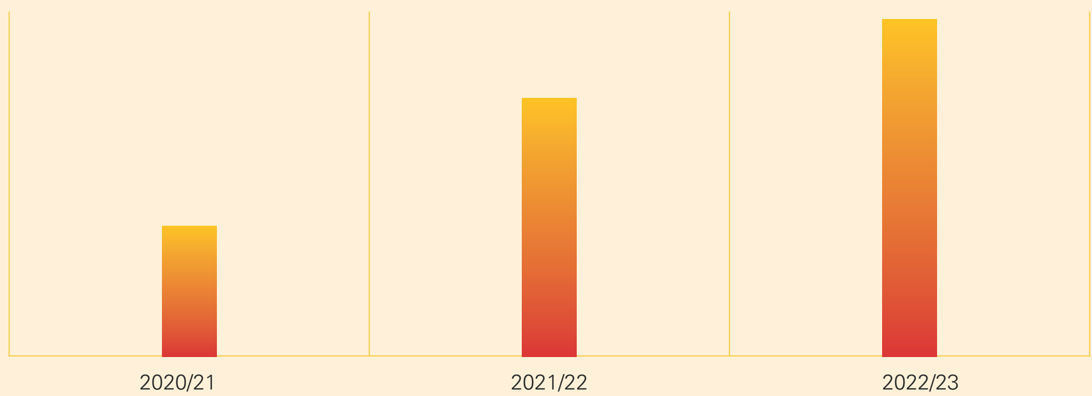


Figure 12: Income from Rooms

HIGHLIGHTS OF THE PROJECT

Integrate property reservation/management and financial systems

The hotel's Financial Manager was intimately involved with the systems implementation and integration. She commented as follows:

"The new systems are very straightforward to use. It has substantially improved the hotel's financial controls and reduced the workload of administrative staff. It has also increased the speed at which the financial department can produce financial reports."

Training of Food and Beverage employees

The employees appreciated the focus that was placed on them as a team. This demonstrated that management was interested in their development and performance. The training helped to improve their skills and assisted in boosting their self-confidence and improving their work ethic.

New website

The new website had a positive impact on the morale and utilisation of some of the hotel's employees. These employees are now empowered with the ability to make changes to the website. They were also trained on how to utilise Google analytics and Google webmaster to monitor and manage the website effectively. This has proven to be a major advantage for the company.

The management of Montagu Country Hotel has demonstrated genuine satisfaction with the implementation of the new website. This is because the new website and its functionality has exceeded their expectations. The hotel's management expects a significant increase in revenue generated through the website.

The rankings of the hotel's website are also expected to increase.

The management of the hotel has also expressed their appreciation for Productivity SA's contribution on the hotel's social media channels.

Job security

Due to the impact of the Covid-19 pandemic on the tourism and hospitality industry, the hotel had to retrench six employees. This was prior to the BT&R project. At the start of the project the hotel had 35 employees and at completion there are now 41 employees. It can therefore be claimed that six new jobs were created. This, however, was also a result of the lifting of the Covid-19 restrictions.

PROJECT INNOVATION

The systems implementation and integration, the new reporting tool and the new web site were all innovative projects in their own right.

CONCLUSIONS

It can be concluded that the project was very successful. A lot of value was derived by the client from the funding. The total expenditure for all four deliverables was only R196 000.

The client has expressed a high degree of satisfaction with the solutions that were delivered and has also expressed its appreciation for Productivity SA's contribution on its social media.

One new client has already approached Productivity SA because of a recommendation by Montagu Country Hotel and there are surely others to follow.

3. REGION 3: KWAZULU-NATAL, EASTERN CAPE AND MPUMALANGA

MZANTSI COMMERCIAL SOLUTIONS (PTY) LTD

Programme: Competitiveness Improvement Services, Kaizen

By Russel Mailula, Snr Productivity Practitioner

CORPORATE PROFILE

Mzantsi Commercial Solutions (Pty) Ltd (Mzantsi) is a Gqeberha based new entrant/emerging contract-based business that provides packaging solutions and is 100% black female-owned. Our services are used by food manufacturers and/or brand owners as it removes the need to invest in packing equipment, human resources and facilities.

Mzantsi Food Bottling, Labelling and Packaging is a division of Mzantsi which specialises in the Mining Charter Compliance Business and Project Management Business. This department is designed to ensure packaging that is reasonably priced, environmentally sensitive, convenient for our service provider while striving for job creation amongst the unemployed.

Mzantsi aims to be the co-packer of choice and has the capacity to thrive due to our biggest asset – motivated and professional employees.

REASON FOR PARTNERING WITH PRODUCTIVITY SA

Mzantsi joined the Kaizen Programme in August 2021 with the aim to improve their dry food contract packing services' daily operations, namely:

- Sourcing of dry foods and packaging.
- Supplying of dry foods/spices and other items.
- Filling doyle packs, bottling, and labelling of foods.
- Shrink and flow wrapping of items.
- Offline label coding of products.
- Coding best before inkjet dates onto cartons, sleeves, and boxes.
- Flash labelling.
- Re-working pallets.
- Repacking single products into mixed twin packs.
- Sleeving items.
- Outsourcing assembly and glue sealing.
- Designing labels and providing printing facilities.

ACTIONS TAKEN

Mzantsi undertook the following phases of the Kaizen Programme as offered by Productivity SA:

- Kaizen capacity building.
- Process analysis and project identification.
- Implementation of the identified improvement initiative.
- Performance monitoring.

The company is currently using a manual process to label products. This is due to Covid-19, which prevented Mzantsi from sourcing labelling equipment which was aimed at increasing our operational production timelines. To resolve this concern, several improvements were made in the manual labelling process to ensure less rectifications and scrap. We were able to achieve these outcomes successfully by observing and improving our processing sequence.

One of the main contributing factors that affected outcomes was our facilities' layout and employee movement flow, which consequently led to an increase in rectifications that had to be actioned. We re-established the facility layout in order to streamline our operational workflow process. Some of our actions included:

- Reducing unnecessary movement of the operators in the factory.
- Having one operator labelling one box at any given time.
- Having one employee designated to delivering the stickers to all workstations.
- Having the forklift operator collecting boxes in bulk from the operators and transporting them to the truck.

RESULTS

Mzantsi is delighted with the results that we were able to achieve, among them we:

- Eliminated any unnecessary movement between operators which added no value to the final product.
- Developed and set standard operational timelines for each labelling process per workstation.
- Eliminated any unnecessary movement of material around the factory by operators, this resulted in having one operator assisting all the workstations with the provision of material.
- Implemented 5s and the technique of visual management per workstation for ease of access.
- Improved the production throughput by 10%.
- Improved our quality control results by 5%.

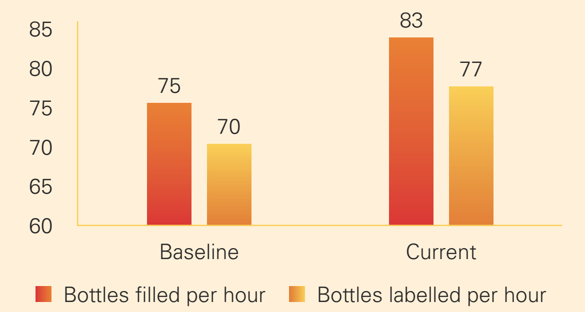


Figure 13: Speed (throughput/flow rate)

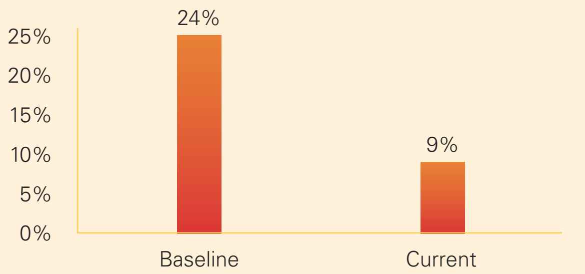


Figure 14: Quality (i.e. Q = reduced defects of goods by 5%)

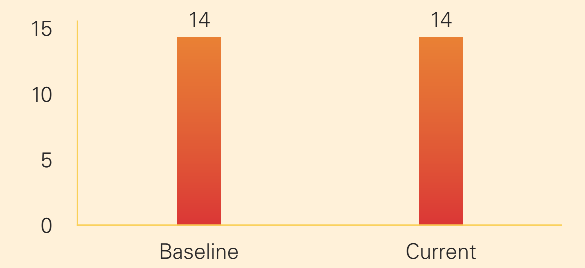


Figure 15: Employment (14 employees)

CONCLUSION

The role that Productivity SA played was of great importance and significance for Mzantsi. We were able to increase our knowledge base of consistent improvement and productivity successes. We are proud to say that amongst the stellar results we achieved it included the following:

- Excellent labelling quality process.
- Standardisation of all operational processes.
- Increased speed and efficiency of production outcomes.
- A working environment that provides correct safety guidelines and rules to protect our employees.
- Increased morale of all employees.

We are well positioned, operationally efficient and equipped to grow Mzantsi to become known within the industry as setting the benchmark in our business sector.

GOTEC INVESTMENTS

Programme: Business Turnaround and Recovery

By Sinqobile Shoba, Snr Productivity Practitioner

INTRODUCTION

Gotec, situated in Durban, KwaZulu-Natal, was founded in 2005 and is a 100% black women-owned Level 1 BBBEE company (135% procurement-spend recognition) with a strong management team who have many years of combined experience in the cleaning, health, and hygiene industry. Eighty per cent of Gotec's employees are women.

The company has two distinct market segments, namely Facilities Management and Specialised Industrial Cleaning. It offers free audits to identify gaps in line with the Occupational Health and Safety Act 85 of 1993.

Gotec offers a range of services, including industrial cleaning for industry in general, but especially the chemical, petrochemical, pulp and paper, and sugar industries; and contract cleaning of corporate clients such as hotels, shopping centres, schools and universities, and companies in the food, manufacturing and transport sectors. Deep cleaning is a critical service in any workplace, especially concerning washrooms, toilets, basins, showers, and urinals. Super deep cleaning involves high-intensity chemical and high-pressure cleaning. All surfaces are sanitised to eradicate viruses, bacteria, and germs. Other services include high-rise window cleaning, warehouse cleaning, pest control services, upholstery and carpet cleaning, garden and landscaping services, provision of washroom consumables, provision of the latest hygiene services' equipment for washrooms and servicing thereof, and selection and training of domestic cleaners for home cleaning.

PROBLEM DEFINITION/PRODUCTIVITY CHALLENGE

Several areas of productivity improvement were identified during an in-depth assessment and workshops held with the management team of Gotec. A review of the company's operations and interviews with management as well as key staff were also conducted.

GOTEC

Leaders in Cleaning Innovation

Due to a lack of marketing orientation, a need existed to develop a marketing strategy/plan for the business to identify and penetrate new markets. The website was also reviewed and aligned with the new marketing strategy/plan.

Growing Gotec's footprint in the identified markets necessitates the capacitation of the current personnel to develop the needed expertise and be competitive in the market. A training plan for the organisation will mitigate the gaps in terms of skills, knowledge, and market orientation.

There is a compelling business need for risk management that must be developed and which will detail the current risks as well as future risks, also outlining the cost-benefit. This will give the risk appetite at Gotec a much more informed platform to pursue some of the market and sales ambitions. Risk management will ensure business sustainability with increased market share as well as entering new markets nationally and, in the future, internationally.

THE BT&R INVOLVEMENT/INTERVENTIONS

The Future Forum, a collaborative structure representing management and employees to actively involve all employees at all levels in the programme during all its phases, was established. The Future Forum members all received productivity training and participated in the development of an early warning system (EWS).

This formed a basis for the development of a work plan outlining the turnaround strategies and required interventions.

Interventions	Issue/Challenge	Intervention	Outcome – Completed
Intervention 1:	Increased sales were required to increase breakeven/profitability of the business.	Development of marketing plan/ strategy	Increased productivity and Increased sales and market share in the industry in which Gotec operates.
Intervention 2:	Risk management had to be improved to include detailing the current risks as well as future risks also outlining the cost-benefit.	Developing a Risk Assessment for the company.	Increased risk appetite at Gotec, more informed review of the market, and sales ambitions set out in the Marketing plan/Strategy
Intervention 3:	Losing out on potential projects because workers lacked critical skills as well as health and safety improvements of personnel on job sites needed.	Training of personnel in specialised cleaning services etc.	Gotec widened the net in terms of the services it offers because of increasing its expertise to accommodate market needs as set out in the marketing plan.

RESULTS

Marketing plan

Once a brand is created that everyone knows and trusts, sales will increase. Gotec has developed its detailed marketing plan and strategy with dates of planned targets as well as the responsible person. Other benefits of the marketing plan and strategy include:

- Understanding the importance of marketing.
- Adjusting to be a marketing-orientated business.
- Realising the importance of acquiring 'real' marketing information regarding customers, competitors and the direct market.
- A clear understanding of staying in tune with the market and its changing environment.
- Paying due attention to the crucial element of planning to ensure the detailed marketing plan and strategy considers the potential risks and threats, thereby enabling Gotec's timely and appropriate response moving forward.
- Establishing an efficient sales team, even within the current management team, and ensuring that accountability rests with the relevant individuals to access new and maintain existing markets.
- The importance of acquiring social media platforms and actively engaging with an audience.

Risk assessment

The risk assessment as part of the BT&R intervention highlighted the following:

- No risk assessment was in place.
- Past insurance claims were not paying out.
- Gotec was not familiar with its insurance policies.
- No new customers were identified.
- Too many applied tenders not awarded to Gotec for reasons still to be identified.
- No growth plan in place, although management knows exactly where they want to take the business, it was not documented.
- Lack of detailed market information to inform marketing strategies.
- Cash flow prevented innovative spending and reaching larger audiences.
- Digital marketing spend not leading to result-based sales increases.
- The leading competitors in the market have several advantages over Gotec such as geographical stretch, size of the operation, and location.
- Insufficient marketing planning and low sales productivity.
- Unsatisfactory awareness and visibility of Gotec and its product range in townships in the region.
- Lack of formal marketing plan and consensus on the future marketing direction of Gotec

Specialised training

Scrutinising Gotec's training programme identified the following opportunities and focus areas:

- Safety of workers on job sites.
- Worker retention and motivation.
- Upskilling or reskilling workers with critical skills required by untapped markets, e.g. Hazard Analysis and Critical Control Point training will allow Gotec to enter the food and beverage industry with ease.
- Employees had received training in the past and went on to start their own cleaning services. A more

systematic and formalised training will allow Gotec to not lose the expertise in which it has invested.

- Illustrate to staff that Gotec values the staff's health and safety by equipping them with the necessary skills to carry out even the most dangerous and complicated projects.

HIGHLIGHTS OF THE PROJECT

1. The BT&R project has achieved significant milestones with the most powerful one being increased turnover, Chreeson Moodley, Sales and Marketing Director, said, "2022/23 has seen Gotec break records in terms of revenue." Gotec's revenue margins have grown exponentially, month by month, as a direct result of an aligned marketing and sales strategy.

2. Staff morale is at an all-time high. The training that the company embarked on played a huge role in increasing staff morale. The personnel felt empowered by these training opportunities and being knowledgeable on different service offerings. One supervisor said, "Normally bosses only do training to benefit them, but these ones [training courses] are different because I got certificates." Making use of the training immediately resulted in Gotec getting more contracts, paving the way for the company to become a leader in some of the new markets accessed.

3. Gotec's versatility and resilience were put to the test during Covid-19 and the inevitable business decline. However, the pandemic brought about a new sense of opportunity because of the sector Gotec is, especially considering issues around compliance and the regulatory framework regarding the use of masks, deep cleaning, required fumigations etc. There was a spike in sales and revenue as a result. The company's management was forward-thinking in its decision to undertake the BT&R journey to be able to plan better for the aftermath of Covid-19 and set Gotec on a course of growth and sustainability.

4. Opportunities for increasing the staff complement abound. At the beginning of the programme Gotec was at risk of retrenching some of its employees. Now, it has embarked on an employment drive to increase the headcount. This, for the most part, has been offset by the turnaround in sales and revenue. Gotec remains committed to employing mostly females in this male-dominated industry. In the future Gotec wants to lead the fight against unemployment in the hope to use its current setup as a blueprint for franchising.

PROJECT INNOVATION

These are some of the projects that Gotec has been able to undertake because of the sales growth and the specific training courses on rope access (specialised training) that were undertaken.

The Pavilion Shopping Centre


Refurbishing a chemical plant at the harbour

CONCLUSIONS

Gotec has gone 'the whole nine yards' in BT&R. From the onset, Gotec aspired to expand its footprint in the industrial space. The resulting business readiness campaign identified gaps in the company's readiness to franchise and was followed by the BT&R interventions.

It was encouraging to see that both management and staff embraced all the efforts and the programme itself until completion. The deliverables and the desired impacts were achieved as set out in the work plan.

Now, Gotec is ready to be franchised nationally and even internationally as they it has already made significant strides in KwaZulu-Natal.

NOTES

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