



**ANNUAL  
REPORT**  
2019/20  
FINANCIAL YEAR



**FoodBev SETA**

Food & Beverages Manufacturing  
Sector Education and Training Authority



CELEBRATING  
**20**  
YEARS  
OF SKILLS DEVELOPMENT

FoodBev SETA's function is to **promote, facilitate and incentivise skills development** in the food and beverage manufacturing sector



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



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



**higher education  
& training**

Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**



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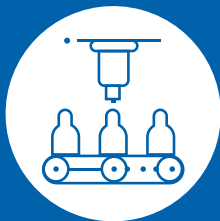
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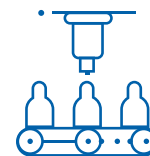


# PART A

## General information

**Chamber:** Manufacture of beverages





# 1. General Information

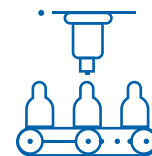
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<b>REGISTERED NAME</b>	Food and Beverages Manufacturing Sector Education and Training Authority (FoodBev SETA)
<b>REGISTRATION NUMBER</b>	09/FOODBEV11104111
<b>PHYSICAL ADDRESS</b>	13 Autumn Street Rivonia 2128
<b>POSTAL ADDRESS</b>	PO Box 245 Gallo Manor 2052
<b>TELEPHONE NUMBER/S</b>	011 253 7300
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<b>EMAIL ADDRESS</b>	info@foodbev.co.za
<b>WEBSITE ADDRESS</b>	www.foodbev.co.za
<b>INTERNAL AUDITORS</b>	Entsika Consulting 262 Rose Ave Doringkloof Centurion
<b>EXTERNAL AUDITORS</b>	Auditor-General South Africa 300 Middel Street New Muckleneuk Pretoria
<b>BANKERS</b>	First National Bank

## 2. List of Abbreviations/Acronyms

<b>AET</b>	Adult Education and Training
<b>AFS</b>	Annual Financial Statements
<b>AGSA</b>	Auditor-General of South Africa
<b>APP</b>	Annual Performance Plan
<b>ATR</b>	Annual Training Report
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>BCCS</b>	Baking, Cereals, Confection and Snacks
<b>BRICS</b>	Brazil, Russia, India, China, South Africa
<b>BUSA</b>	Business Unity South Africa
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CPD</b>	Corporation for Public Deposits
<b>COVID-19</b>	Corona Virus Disease of 2019
<b>DHET</b>	Department of Higher Education and Training
<b>DPME</b>	Department of Planning, Monitoring and Evaluation
<b>EXCO</b>	Executive Committee
<b>FoodBev</b>	SETA Food & Beverages Manufacturing Sector Education and Training Authority
<b>FW</b>	Funding Window
<b>GRAP</b>	Generally Recognised Accounting Practices
<b>HR</b>	Human Resources
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IIA</b>	Institute for Internal Auditors
<b>ISA</b>	International Standards on Auditing
<b>LAC</b>	Labour Appeal Court
<b>NAMB</b>	National Artisan Moderation Body
<b>NEC</b>	Not elsewhere classified
<b>NED</b>	Non-executive director
<b>NGO</b>	Non-governmental organisation
<b>NT</b>	National Treasury
<b>OHS</b>	Occupational Health and Safety
<b>PAA</b>	Public Audit Act
<b>PFMA</b>	Public Finance Management Act
<b>PIVOTAL</b>	Professional, Internship, Vocational, Technical and Academic Learning
<b>PWDs</b>	Persons with disabilities
<b>QCTO</b>	Quality Council for Trades and Occupations
<b>RPL</b>	Recognition of Prior Learning
<b>SARS</b>	South African Revenue Service
<b>SCM</b>	Supply chain management
<b>SDL</b>	Skills Development Levy
<b>SETA</b>	Sector Education and Training Authority
<b>SETMIS</b>	SETA management information system
<b>SIC</b>	Standard Industrial Classification
<b>SME</b>	Small and Micro Enterprises
<b>SSP</b>	Sector Skills Plan
<b>TVET</b>	Technical and Vocational Education Training
<b>UIF</b>	Unemployment Insurance Fund
<b>VAT</b>	Value-added tax
<b>WSP</b>	Workplace Skills Plan





### 3. Foreword by the Chairperson

It is my pleasure to present the FoodBev SETA Annual Report for 2019/20. The Annual Report recounts the performance of the Food & Beverage Manufacturing Sector Education and Training Authority (FoodBev SETA) during the financial year.

The FoodBev SETA is tasked to drive the development of quality skills in the food and beverage manufacturing sector of South Africa. This is no small task, as this sector is ubiquitous and its impact is far-reaching; in fact, its influence extends into every home.



**Mr Alan Campbell**  
Chairperson of the  
Accounting Authority/Board

With such a significant role to play in pursuing excellence while ensuring a transformed and relevant skills base, it is to be expected that the SETA's strategic objectives are extensive. In skills planning, the organisation is not only responsible for establishing a research system with the capacity to generate credible sector intelligence to support planning, but it is also responsible for providing continuous training to improve productivity and performance across the board. Monitoring and evaluation is an inseparable part of the strategy.

Its learning programme and various projects are designed to support both employed and unemployed learners to gain access to scarce and critical skills in the sector, improving their employability and improving the competitiveness of the sector. Adult

education and training gives further access to opportunities for employment. Partnerships with employers, technical colleges, government, and institutions of higher learning are critical for the success of learning programmes. As this report demonstrates, capacity building and employment are direct benefits of these effective partnerships. The SETA's services also benefit small businesses, community and non-profit organisations, contributing to their sustainability by being adequately skilled.

The SETA's efforts in developing a pipeline of future employees and employers in the food and beverage manufacturing sector through awareness campaigns and career guidance are commendable and will stand the sector in good stead.

### 3. Foreword by the Chairperson (continued)

Of course, none of these endeavours are possible without adequate quality assurance, strategic leadership, and solid management and support services.

While the SETA faced several challenges during the year under review, its commitment to achieve its goals remains undiminished and it will weather the storm of current socio-economic challenges.



#### Strategic relationships

The COVID-19 pandemic has wreaked havoc on the socio-economic status of international communities, including South Africa. It has disrupted all spheres of government and private sector organisations which are the cornerstones for effective livelihood. We must stand together as a nation to fight the novel coronavirus during this time of need. Doubtlessly, government cannot win this battle alone. Strategic relationships are critical to resuscitate our struggling economy and thereby augment the new normal.

Furthermore, we must heed prevailing health and safety protocols that government continues to emphasise. The FoodBev SETA has determined to cultivate effective relationships with reputable providers to spearhead food safety, and occupational health and safety learning programmes within our sector. This is the least we can do to ensure that the food and beverages manufacturing sector remains relevant in implementing the norms and standards that promote safe communities.

Strategic partnerships are vital to meaningfully develop small, medium and micro enterprises in South Africa, especially given the impact that COVID-19 has had on the economy. The South African economy must quit its over-reliance on food export products to sustain itself. On the

manufacturing front, most core capabilities have been eroded due to extensive imports to supplement our food security. The subsequent impact on our economy also hampers our country's ambition to become a reputable competitor in open trade. South Africans must exert more effort in turning around our economy. Every country that has gone through a major turnaround has realised that change for a better quality of life must come from within its borders.

As an initial step to do our part, we have partnered with the University of Johannesburg in a research initiative that will see the SETA responding to the Fourth Industrial Revolution. This will ensure that our Sector Skills Plan (SSP) is responsive to global needs and mirrors our sector.

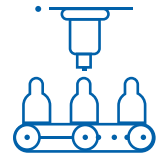


#### The year ahead

It is envisaged that the year ahead will be financially challenging due to the impact of COVID-19. Subsequent to year-end, a Disaster Management Tax Relief Bill of 2020 was passed and gazetted. This bill makes provision for, among others, tax relief and exempting employers from liability for and payment of the skills development levy for a period of four months, starting 1 May 2020 and ending 31 August 2020. Furthermore, it is anticipated that the SETA revenue for 2020/21 will contract due to employers retrenching because of COVID-19's impact. The SETA has estimated that the impact of COVID-19 will result in a revenue reduction of approximately R150 million for 2020/21.

Notwithstanding the uncertainty of our changed reality, the FoodBev SETA will continue to implement its five-year strategy as informed by the SSP, the National Skills Development Plan and other national priority plans. The SSP,

### 3. Foreword by the Chairperson (continued)



as one of the pillars of the FoodBev SETA's five-year strategy, has identified key priority actions for the SETA. Such priority actions include National Artisan Development as initially acknowledged by the National Development Plan, transformation of the food and beverages sector through prioritisation of the previously disadvantaged groups and individuals in the allocation of discretionary grants, as well as skills development of the labour force of small and micro enterprises (SMEs).

An additional uncertainty concerns the rate that SETAs should be paying to employers with respect to mandatory grants because of the Labour Appeals Court ruling in October 2019. The court ruled that Regulation 4(4) of the 2012 Grant Regulations, as re-promulgated in 2016, was consequently set aside. Although the Minister of Higher Education and Training has been in discussions with Business Unity South Africa and the National Skills Authority, there has been no directive from the Department of Higher Education and Training (DHET) to the SETAs on how to handle this matter. The SETAs continue to pay mandatory grants at 20% to all qualifying employers.

The FoodBev SETA will collaborate with the Department of Small Business Development alongside the Small Enterprise Development Agency to identify and support small businesses within the food and beverages manufacturing sector located in rural and township communities. The intention of this key imperative is to ensure self-sustainable small businesses that, in turn, can serve their communities.

We have further embarked on a strategic relationship with the Gordon Institute of Business Science to build managerial capacity within our sector. The aim of this relationship is to uplift previously disadvantaged individuals within our sector to play a meaningful role in

our economy and to further empower small businesses to contribute meaningfully to the economy.

We also intend to partner with the DHET to participate in WorldSkills South Africa, which will provide artisans with career guidance and development. This initiative is key in ensuring that our sector has ample artisans who can revolutionise the manufacturing industry.

The FoodBev SETA will continue its collaboration with the BRICS Skills Working Group to determine the current and future skills that are required in the different sectors of the economy within the BRICS community. This platform has afforded the FoodBev SETA the opportunity to create a sustainable digital space to exchange BRICS skills development experience, projects, and government initiatives. It supports further development of the BRICS skills challenge to enhance multicultural cooperation, and promotes the development of new and continuing cooperative projects within the BRICS skills development area. We believe these efforts bode well for addressing future skills needs as well as empowering our youth to take hold of global opportunities.

Furthermore, we believe that education plays a critical role in the development of humankind, and we are particularly mindful of the struggles of women in our communities. The role played by women in development is insufficiently recognised. Many communities remain segregated based on race, gender, and social class. It would seem that people are aware of what they need to do to change the situation, but are grappling with the effects of a global patriarchal system. All around the world, the ownership of the economy is male dominated, whereas many women in our society are poor and, in many cases, the breadwinners of their families.



### 3. Foreword by the Chairperson (continued)

It is in this context that we intend to pursue a strategic partnership with the Department of Women, Youth and Persons with Disabilities to uplift and empower rural and township women. The interventions from this partnership would be diverse and would ensure that these women are galvanised to assume their rightful positions in their communities to the benefit of the people of South Africa.

A critical partnership is the one with our employers. They implement our current and future performance plans so that we can deliver on our skills development initiatives, not only to meet our targets, but also, and especially, to contribute to addressing South Africa's challenges of inequality, growing unemployment and poverty.

While times might be hard, we have seen that our people can rise above adversity if we work together. Everyone will be tightening their belts in the months to come, and much wisdom and long-term strategic thinking are required to ensure that training opportunities are not sacrificed to reduce costs. Now is the time to put shoulder to the wheel of skills development, so that when the tide turns, our people are equipped to, collaboratively, place South Africa's socio-economic landscape on an upward trajectory, sustainably and for the benefit of all.

The Board experienced no challenges during the reporting period and could execute its functions efficiently.

#### Acknowledgements/Appreciation

I extend my gratitude to the previous Board members for their insight and dedication. On behalf of the new Board appointed at the end of March 2020, I also thank the management team of the FoodBev SETA and its employees for their vision and hard work, which persisted even as our reality started changing in the fourth quarter. Every entity that partnered with the FoodBev SETA during 2019/20 has contributed to it being one step closer to realising its vision. I thank you all.

#### Conclusion

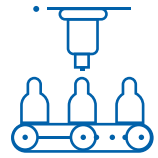
Hard work lies ahead – for the SETA as well as for the sector and all its stakeholders. Let us not use the challenges of the past few months, as overwhelming as these might be, as pretexts for sub-optimal delivery. Let us use the principles embedded in the entrepreneurship that the SETA aims to enhance sector-wide, to give impetus to our programmes and projects. I wish the FoodBev SETA well with its meaningful endeavours to increase effectiveness and efficiency, working smarter, and being a much-valued thought leader in the food and beverage manufacturing sector.



**Mr Alan Campbell**

*Chairperson of the Accounting Authority/Board  
30 September 2020*

## 4. Chief Executive Officer's Overview



I am pleased to present the 2019/20 Annual Report. While the report reflects on the difficulties experienced during the year with the COVID-19 pandemic affecting not only the FoodBev SETA, but also its partners, we share good news as well. We celebrate the targets that were met and exceeded.

Highlights include, among others, the number of research reports completed and approved, the number of unemployed learners registered for learnerships, SETA-funded employed students registered for bursaries, SETA-employed apprentices, career-oriented events hosted and career guides made available, companies visited during the year to verify learning programmes, the number of employed and unemployed learners certified through learnership programmes, and the number of students from colleges who have completed the Internship Programme. The target of the latter was exceeded by more than 150%.

We also share decisive action planned to address the challenges and capacity constraints as well as new activities to expand our reach.



### General financial review and spending trends

The FoodBev SETA's total revenue increased from R431 million in the prior year to R456 million in 2019/20. This was mainly due to annual cost of employment increases as well as the changes in the labour broking regulations. The latter resulted in employers hiring



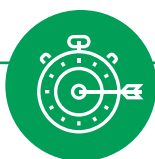
**Ms Nokuthula Selamolela**  
Chief Executive Officer

permanent employees who were previously employed on a temporary basis or sourced through labour brokers.

A regression in performance on pre-determined objectives for the reporting year is attributable to the improvement in the discretionary grant evaluation control processes (manual and automated).

This resulted in the late and slow submission of learner agreements and was exacerbated by the COVID-19 pandemic during the fourth quarter. Consequently, grant disbursements decreased from R320 million (83% of levy income) for 2018/19 to R302 million (74% of levy income) in 2019/20. This resulted in an increase in the surplus for the financial year to R109 million as compared to R73 million reported in the prior year.

## 4. Chief Executive Officer's Overview (continued)



### Capacity constraints

A need exists to streamline and automate business processes to enhance efficiency and effectiveness. The SETA's paper-driven administrative processes result in delays in processing learning and grant programmes. These bottlenecks hinder productivity and slow down responses to stakeholders. Streamlined and automated business processes will eliminate duplication and improve consistency in the dissemination of information. Such processes will effect administration that is effective, efficient and economical.

The SETA has faced the following challenges:

- a) Non-submission or late submission of declaration of results and/or progress reports and close-out reports by stakeholders, which results in low discretionary grant disbursements.
- b) High termination and cancellation requests from employers due to learners absconding, being dismissed, or resigning for better paying jobs or learnership programmes.
- c) Old contracts in the commitment register which have not been terminated or cancelled.
- d) COVID-19 pandemic that adversely affected progress momentum gathered in the prior year with regards to receipt of learner agreements and grant payments.
- e) Appointment of third parties in the coordination and implementation of Work Integrated Learning Programmes, which has seen the SETA being inundated with complaints of non-payment of stipends that were due to learners. The issue of non-payment of stipends has led to an increased administrative burden and implementation of grant recoveries.



### Addressing the challenges and constraints

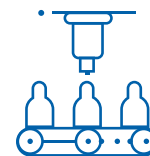
The organisation underwent an organisational structure enhancement process that was approved by the Board on the 26th of March 2020. The review was triggered, among others, by the above-mentioned challenges, implementation of government priorities, change in legislation such as the Quality Council for Trades and Occupations (QCTO) Landscape, and the high demand for service delivery. The enhanced organisational structure aims to address internal capacity issues to improve efficiency, and ensures accountability and organisational effectiveness to deliver on and achieve the SETA's strategic objectives and meet stakeholder expectations. The approved structure recommended an additional 38 positions that include the previously outsourced services. It should be noted that the 38 new positions will be phased in over a three-year cycle (2020/21 to 2022/23).

FoodBev SETA has considered a different approach with regards implementation of learning programmes in relation to the placement of learners in workplaces. This approach will come into effect in the new financial year. To curb issues of non- or delayed payment of stipends to learners, the SETA will no longer utilise service providers to administer the placement of learners on its behalf. This new approach will include additional allocation of human resources to be solely responsible for the placement of learners (i.e. internship and graduate work experience) to ensure that targets related to these learning programmes are met, and stipend payments are made.

In addition, a service provider has been appointed to assist with the review of the



## 4. Chief Executive Officer's Overview (continued)



commitment register with the aim to address old contracts that are recorded in the register. This process will ultimately lead to the automation of the register to ease human resources constraints and reduce manual errors.

Lastly, we will increase and amplify our external stakeholder engagements and outreach programmes by broadening our reach to other provinces, particularly in the rural outskirts. This will ensure continuous communication and proactive feedback to our stakeholders, and will emphasise the importance of submitting accurate and complete documentation as well as communicate how to access the SETA programmes.

This intervention will also address the rolling out of career guidance activities that will target high school learners (from Grade 8) and encourage them to take on subjects related to career opportunities required in the sector.



### Discontinued activities/ activities to be discontinued

In the prior year, the FoodBev SETA announced that it was on the verge of signing an agreement with the Unemployment Insurance Fund (UIF) for the implementation of the learner activation programme. The programme aimed to reskill and upskill retrenched workers and had set aside an amount of R50 million towards the project. Unfortunately, the project did not come to fruition due to the UIF reprioritising its funds. The funds that were set aside will be reprioritised towards the closing of the cash flow gap created by an announced skills development four-month payment holiday as part of government's COVID-19 relief provisions.

### New or proposed activities

We have recently commissioned a project to identify, review and analyse, design and implement organisation-wide business processes to streamline workflows and recommend best practice as part of a comprehensive business processes optimisation initiative. This initiative will assist management, among others, to determine capacity and resource requirements within the SETA to function optimally. The SETA plans to support community education and training colleges in an effort to improve the quality and throughput of matriculants, as well as the skills needs of communities.



### Requests for roll over of funds

The SETA received approval from National Treasury to retain funds for 2018/19 amounting to R81 million. R41 million was utilised during the year, resulting in an unutilised balance of R40 million. The bulk of the unutilised funds relate to the unrealised UIF project where the funds were reprioritised, as mentioned earlier.



### Supply chain management

The SETA has developed and implemented effective supply chain management (SCM) processes and systems. The SETA did not receive or process any unsolicited bid, nor was any irregular expenditure or fruitless and wasteful expenditure reported, due to non-compliance with SCM regulations. However, irregular expenditure was recorded with respect to non-compliance with Grant Regulations for both mandatory grants and discretionary grants amounting to R3.6 million (refer to Note 24 in the Annual Financial Statements for details).

## 4. Chief Executive Officer's Overview (continued)



### Audit report matters and irregular expenditure

The control environment at the SETA has improved significantly, in that the SETA resolved 90% of the external auditors' findings and 96% of the internal auditor's findings. The SETA continues to strive to improve the control environment. Its efforts have resulted in a 36% reduction of reported audit findings by the internal auditor.

Regarding the non-compliance finding reported by the Auditor-General for this financial year, the SETA proactively identified and reported on the irregular expenditure resulting in management initiating an immediate investigation which will be followed by consequence management. This will assist in strengthening internal controls and to highlight management's commitment to prevent a re-occurrence thereof.

### Future outlook/plans to address financial challenges

- a) In response to the funding gap created by the socio-economic impact of the COVID-19 pandemic, the SETA has adopted the following approach:
  - i ) Revised the approved budgets for 2020/21 to recognise the reduced revenue and reprioritised planned activities to achieve budgets savings.
  - ii ) Submission of a motivation for retention of surplus to cover the funding gap.
  - iii) Implementation of various austerity and cost-containment measures.
- b) To improve efficiency and effectiveness of the SETA operating environment, the SETA will be embarking on a business process review with the assistance of an external service provider.

### Events after the reporting date

We draw your attention to Note 21.2 of the Annual Financial Statements, which presents the impact of the COVID-19 pandemic and national government's initiatives in response to the pandemic which will negatively impact the revenue of the sector and the FoodBev SETA for the next year. It is also anticipated that many companies will be closing down/ liquidating, and some will be retrenching as they restructure their organisations to avert the impact of COVID-19.

The term for the FoodBev SETA Accounting Authority/Board expired on 31 March 2020. The new Accounting Authority was appointed with effect from 1 April 2020.

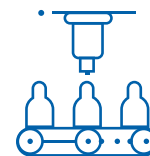


### Economic viability

Acquired knowledge and skills are an essential commodity to any organisation for its survival.

However, such ought to be implemented in a manner that will sustain business requirements. The FoodBev SETA is faced with a challenge of integrating technology and people to successfully render its services in the ever-changing business arena. It is without doubt that the SETA requires competent staff to support the food and beverages manufacturing sector that is faced with digitisation. More so, our people ought to be equipped with the right tools to effectively render the needed services.

Embracing new technologies is critical to ensure that our skill sets remain relevant. The SETA paid out R79 million to employers with respect to mandatory grants based on submitted Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) and R203 million with respect to discretionary grants.



### Acknowledgements and appreciation

As we end the year attentive to the uncertainty caused by the COVID-19 pandemic, we brace ourselves for what will certainly be a new way of life and working. We continue to applaud all the champions in the healthcare system and many other essential service staff in the food and beverages manufacturing sector who are playing their part to ensure that South Africa has food during this unprecedented time.

To our stakeholders, your continuous support, participation and engagement is greatly appreciated. As the SETA we commit ourselves to continuously keep you informed about our product and service offerings. We look forward to working with you again in the new financial year.

I take this time to also applaud the management team and staff who rose above the challenges

of this uncertain time to ensure that targets are met. Your commitment and dedication is acknowledged.

Lastly, on behalf of the SETA, I would like to welcome the new Board that was appointed by the Minister on 31 March 2020, led by Mr Alan Campbell as the Chairperson. As the CEO of the FoodBev SETA, I am looking forward to working with the new Board.

**Ms Nokuthula Selamolela**

Chief Executive Officer  
30 September 2020





## 5. Statement of Responsibility and Confirmation of Accuracy for the Annual Report

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To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General.

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.

The Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) Standards applicable to the FoodBev SETA.

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

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully



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**Chief Executive Officer**

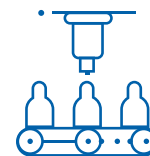
30 September 2020



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**Chairperson of the Accounting  
Authority/Board**

30 September 2020



## 6. Strategic Overview



### 6.1 Vision

To be the driver and innovator of developing quality skills through partnerships in the pursuance of a transformed and competitive food and beverage manufacturing sector.



### 6.2 Mission

#### Supporting the drive to:

- Increase employability of workforce entrants,
- Enhance greater entrepreneurship,
- Improve the competitiveness of the industry, and
- Maintain relevance of the SETA skills interventions to the sector.

#### By

- Facilitating skills training, and
- Driving investment in human capital development.

#### Through

- Innovation and managing SETA funds efficiently,
- Collaborating with learning and industry partners, and
- Increasing visibility of what we do and what we can offer.



### 6.3 Values

As FoodBev SETA we believe in the following values and we commit to:

- Service excellence (delivery),
- Integrity,
- Commitment,
- Transparency, and
- Accountability.

## 7. Legislative and Other Mandates

### 7.1 Legislative and policy mandates

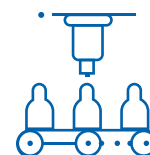
The FoodBev SETA is classified as a Schedule 3A public entity in line with the Public Finance Management Act No.1 of 1999 (as amended). The SETA derives its mandate from the Constitution of the Republic of South Africa, which gives everyone the right to education. This constitutional mandate is strengthened by the following critical pieces of legislation, which are directly applicable to the FoodBev SETA:

*Table 1: Mandates and frameworks*

Legislative and Policy Mandates	Other Policy Mandates and Frameworks
<ul style="list-style-type: none"> <li>• The Skills Development Act No. 97 of 1998 (as amended)</li> <li>• The Standard Constitution of SETA regulations</li> <li>• The Skills Development Levies Act No. 9 of 1999</li> <li>• The Sector Education and Training Authorities SETAs Grant Regulations regarding monies received by a SETA and related matters (Grant Regulations)</li> <li>• The Regulations regarding the establishment of Sector Education and Training Authorities</li> <li>• The National Qualifications Framework Act No. 67 of 2008 (as amended)</li> <li>• The Public Finance Management Act No. 1 of 1999 (as amended)</li> <li>• The National Treasury Regulations governing public entities</li> <li>• The Promotion of Access to Information Act 2 of 2000</li> </ul>	<ul style="list-style-type: none"> <li>• National Skills Development Plan</li> <li>• National Development Plan</li> <li>• Medium Term Expenditure Framework</li> <li>• Medium Term Strategic Framework</li> <li>• Human Resources Development Strategy of South Africa</li> <li>• National Skills Accord</li> <li>• Industrial Policy Action Plan</li> <li>• White Paper for Post-School Education and Training</li> <li>• Framework for Managing Programme Performance Information (NT)</li> <li>• Framework for Government-wide Monitoring and Evaluation (DPME)</li> <li>• Framework for Strategic and Annual Performance Plans (DPME)</li> <li>• Generic National Artisan Workplace Data, Learner Grant Funding and Administration System Policy</li> <li>• National Artisan Moderation Body (NAMB) Guidelines</li> <li>• SETA policies and standard operating procedures</li> </ul>







## 7.2 Scope of coverage

Table 2: Standard industrial classification codes and description

SIC Code	Main Business Description
30100	Production, processing and preservation of meat, fish, fruit, vegetables, oils and fats
30110	Production, processing and preserving of meat and meat products
30112	Manufacture of prepared and preserved meat, including sausage; by-products (hides, bones, etc.)
30113	Production of lard and other edible fats
30120	Processing and preserving of fish and fish products
30121	Manufacture of canned, preserved and processed fish, crustaceans and similar foods (except soups)
30130	Processing and preserving of fruit and vegetables
30131	Manufacture of canned, preserved, processed and dehydrated fruit and vegetables (except soups), including fruit juices, juice extracts and potato flour meal
30140	Manufacture of vegetable and animal oils and fats
30141	Manufacture of crude oil and oilseed cake and meal
30142	Manufacture of compound cooking fats, margarine and edible oils
30200	Manufacture of dairy products
30201	Processing of fresh milk (pasteurising, homogenising, sterilising and vitaminising)
30202	Manufacture of butter and cheese
30203	Manufacture of ice cream and other edible ice, whether or not containing cream or chocolate
30204	Manufacture of milk powder, condensed milk and other edible milk products, e.g. ghee
30312	Manufacture of breakfast foods
30401	Food preparation
30410	Manufacture of bakery products
30430	Manufacture of cocoa, chocolate and sugar confectionery
30440	Manufacture of macaroni, noodles, couscous and similar farinaceous products
30490	Manufacture of other food products not elsewhere classified (NEC)
30491	Manufacture of coffee, coffee substitutes and tea
30492	Manufacture of nut foods
30499	Manufacture of spices, condiments, vinegar, yeast, egg products, soups and other food products NEC
30500	Manufacture of beverages
30510	Distilling, rectifying, and blending of spirits; ethyl alcohol production from fermented materials; manufacture of wine
30520	Manufacture of beer and other malt liquors and malt
30521	Breweries, except sorghum beer breweries
30522	Sorghum beer breweries
30523	Manufacture of malt
30530	Manufacture of soft drinks; production of mineral waters
30600	Manufacture of tobacco products

## 8. High-level Organisational Structure

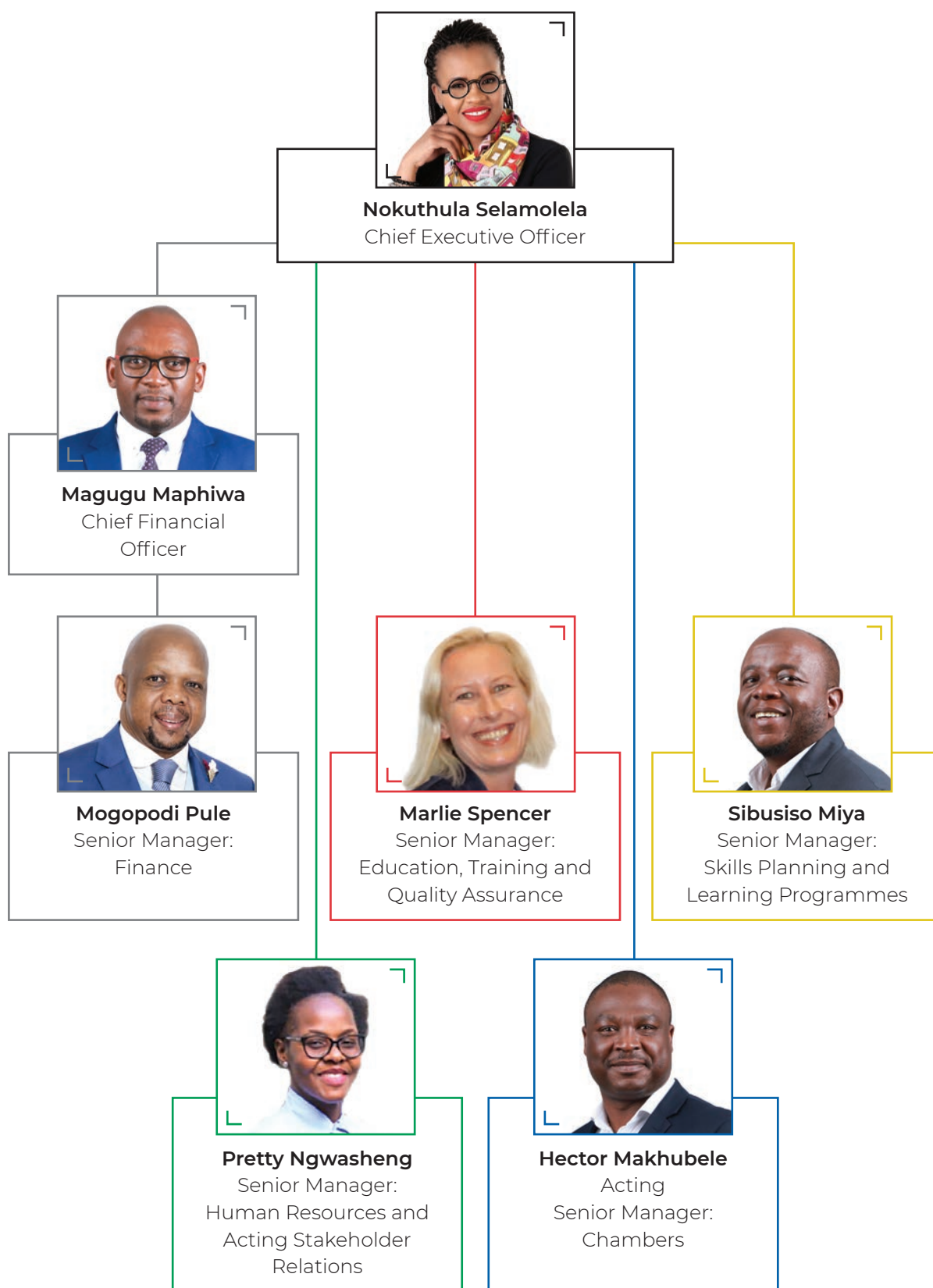
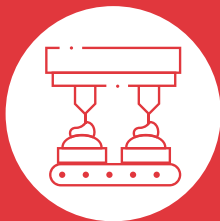


Figure 1: FoodBev SETA high-level organisational structure



## **PART B**

### Performance information

**Chamber:**  
Manufacture of breakfast foods





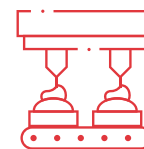
# 1. Auditor's Report: Predetermined Objectives

The Auditor-General of South Africa (AGSA) 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 88 to 93 of the Auditor's Report, published as Part E: Financial Information







## 2. Situational Analysis

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### 2.1 Service delivery environment

The Strategic Plan and Annual Performance Plan (APP) for the year under review was implemented in a service delivery environment that was not without challenges. The year in question was particularly unique within the context of the outbreak of a global pandemic causing the illness referred to as COVID-19. The South African Government took decisive action and declared the outbreak a national disaster with a National Lockdown implemented effective midnight 26 March 2020. Although the lockdown happened close to the end of the financial year, it had a severe impact on the FoodBev SETA's ability to meet its performance targets. A new discretionary grant application and evaluation process was implemented during the year under review, to strengthen internal controls. The first-time implementation resulted in many lessons learnt and delays in the approval of grants and associated learner registration. This coupled with the lockdown prevented submission of supporting documents to finalise expected registrations at the end of the financial year.

FoodBev SETA continued to rely on employers and training providers to report and submit progress reports within agreed timelines to assist with the implementation of the APP. However, several challenges were encountered during the year, such as delayed submissions of progress reports, completions or certifications of learners on approved programmes. These had a negative impact on the achievement of the set targets in the APP and service level agreement with the DHET. Furthermore, several approved programmes could not be realised in the previous financial year, the pandemic itself had a severe impact on FoodBev SETA's ability to meet its performance targets due to anxiety in the sector which impacted the operations of the industry.

The DHET announced that reporting of performance information via the centralised SETA management information system (SETMIS) will be compulsory for the period under review. SETMIS provides a great number of benefits, but is a highly complex and labour-intensive reporting system. The change impacted the ability to report complete performance information from the onset and created data conflicts and discrepancies among the various SETAs. In response to this challenge, FoodBev SETA developed the organisational Performance Information Policy to align its reporting with SETMIS requirements. To assist with this, additional capacity was required and recruitment commenced to deal with data validation. However, the appointment had to be suspended due to the National Lockdown as per the directive issued by the DHET to halt all recruitment processes. Continued engagement with the DHET during the year assisted in resolving some teething problems with the system.

The organisation is struggling to obtain commitment from companies to participate in Technical and Vocational Education Training (TVET) lecturer development. The project was advertised in the media for interested parties to participate, but failed to generate sufficient interest. The department will consider a different approach or model for implementation in 2020/21.

The SETA has experienced a challenge with accreditation of new training providers. This is due to the fact that the majority of new accreditation applicants tend to originate from the tourism and hospitality industry. These applicants normally lack the necessary manufacturing expertise and experience. This poses a challenge in finalising and awarding accreditation for programmes relevant to

## 2. Situational Analysis (continued)

the FoodBev SETA sector. The department is working with the applicants to secure alternative skills-related resources so that accreditation can be finalised.

In an effort to meet these challenges:

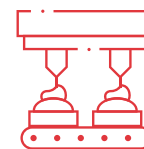
- a) The FoodBev SETA conducted advocacy and stakeholder engagement workshops. These engagements proved to be a success based on the level of dialogue and input received to enhance service delivery and increase knowledge and understanding of SETA processes and requirements. This had particular relevance to SMEs, non-governmental organisations (NGOs) and non-profit organisations.
- b) The SETA implemented a new discretionary grant evaluation process that includes numerous additional internal controls in response to previous audit findings and recommendations. Teething problems with establishing the new process resulted in delays in approvals. The approvals from funding window (FW) coincided with the peak food and beverage production period that ends in December annually. Trends from previous years show that the bulk of learner registrations are completed in quarter four (Q4), following the peak production period. Companies approved completed the majority of recruitment processes, but an early lockdown in response to COVID-19 had a severe impact on their ability to submit signed forms. Most companies have requested extensions and are still willing to implement training as soon as they can.
- c) The discretionary grant policy was subjected to an extensive review for implementation in the 2020/21 financial year. Lessons learnt from previous evaluations were incorporated into the process to streamline and expedite approvals. The FoodBev SETA amended the dates for discretionary grant windows to be better aligned with industry production cycles.

The QCTO announced that it intends to revoke the formal delegation of functions to all SETAs as Quality Assurance Partners. In its stead, a service level agreement was proposed for joint delivery of quality assurance as per QCTO policies and procedures. This intends to increase standardisation of quality assurance processes and requirements among the various SETAs. A detailed costing of the revised quality assurance functions was completed, and policies were aligned to QCTO requirements. Planning was initiated and implementation will be initiated in the 2020/21 financial year. The QCTO model will place increased strain on resources. A cost-benefit evaluation will be completed in the next financial year to determine continued viability.

### 2.2 Organisational environment

FoodBev SETA started the year under review with confidence after achieving its second clean audit in the financial year 2018/19. A total of ten appointments were made to capacitate the organisation to deliver on its mandate and thus making the FoodBev SETA an employer of choice.

During the year under review, the SETA signed a partnership agreement with the University of Johannesburg which aims to assist with research capacity of the organisation and deliver on the research agenda. The partnership will also assist with the review of core business processes and identify opportunities for better use of technology. This should assist in faster turn-around times in service delivery. In addition, the FoodBev SETA signed five partnership agreements with the following colleges: Vhembe TVET College, Tshwane South TVET College, South West Gauteng TVET College, Central Johannesburg TVET College and Vuselela TVET College. The agreements concern the capacitation of the colleges' lecturers.



## 2. Situational Analysis (continued)

The FoodBev SETA set out to deliver four programmes, monitored by 57 performance indicators. Out of the 57 performance indicators, 31 were achieved, and 26 were not achieved. This translates to an organisational performance of 54.4%, which regressed from 81% reported in 2018/19. The regression is attributable to the improvement in the discretionary grant process controls in an effort to address internal audit findings. This resulted in delays in the approval of discretionary grants. The delayed approvals impeded the prompt finalisation of contracts and learner agreements by stakeholders, which was further exacerbated by the COVID-19 pandemic and subsequent National Lockdown. Some employers cancelled approved funding, partly due to late approvals and partly due to employers indicating that they are failing in some instances to recruit relevant learners to enter into training programmes. Other employers have cancelled due to change in operational requirements and difficult economic times. The uncertainty brought by the pandemic resulted in some companies cancelling approved funding.

Consequently, grant disbursements decreased from R320 million (83% of levy income) for 2018/19 to R302 million (74% of levy income) in the 2019/20 reporting period. This resulted in an increase in the surplus for the financial year to R109 million as compared to R73 million reported in the previous year.

### 2.3 Key policy developments and legislative changes

The Work-based Learning Programme Regulations of 2018, which replaces the Learnership Regulations of 2007, came into effect on 1 April 2019. The regulation specifies the criteria for registration of learners. The QCTO published revised policies for accreditation, certification and assessment, and further published a revised Occupational Qualifications Sub-Framework Policy on 2

March 2020. The policy includes a change in qualification nomenclature and minimum credits, and introduces a category for national skills programmes. The National Treasury published an updated irregular expenditure framework that provides procedures to the accounting authorities when dealing with irregular expenditure. The FoodBev SETA policies have been aligned to these new regulations.

### 2.4 Strategic outcome-oriented goals

The strategy of FoodBev SETA aligns with outcome five of the 14 government outcomes, namely “A skilled and capable workforce to support an inclusive growth path”. The following National Skills Development Strategy III outcomes were considered when developing the strategic goals of the SETA:

- a) Establish a credible institutional mechanism for skills planning.
- b) Increase access to programmes leading to intermediate and high-level learning.
- c) Increase access to occupationally directed plans in needed areas.
- d) Increased access to occupationally directed schedules in required fields and thereby expanding the availability of intermediate-level skills with particular focus on artisan skills.
- e) Enhance research, development and innovation in human capital for a growing knowledge economy.

To support the achievement of the above-mentioned outcomes, FoodBev SETA has defined ten strategic outcome-oriented goals, as listed below:

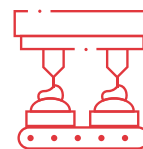
- a) **Strategic outcome-oriented Goal 1:** Establishing a credible institutional mechanism for skills planning.
- b) **Strategic outcome-oriented Goal 2:** Increasing access to occupationally directed programmes.

## 2. Situational Analysis (continued)

- c) **Strategic outcome-oriented Goal 3:** Promoting the growth of a public TVET college system that is responsive to sector, local, regional and national skills needs and priorities, and enter into strategic partnerships with different stakeholders in the sector.
- d) **Strategic outcome-oriented Goal 4:** Addressing the low level of youth and adult language and numeracy skills to enable additional training.
- e) **Strategic outcome-oriented Goal 5:** Encouraging better use of workplace-based skills development.
- f) **Strategic outcome-oriented Goal 6:** Encouraging and supporting cooperatives, small enterprises, NGO and community training initiatives.
- g) **Strategic outcome-oriented Goal 7:** This goal relates mostly to the DHET rather than FoodBev SETA and, therefore, was not included as part of the strategic objectives.
- h) **Strategic outcome-oriented Goal 8:** Building career and vocational guidance.
- i) **Strategic outcome-oriented Goal 9:** Improve effectiveness and efficiency for an optimally functioning SETA.
- j) **Strategic outcome-oriented Goal 10:** Establish and maintain effective quality assurance mechanisms.







## 2. Situational Analysis (continued)

To support the achievement of the above-mentioned goals, FoodBev SETA has defined 10 strategic objectives aligned to four programmes, as listed below:

*Table 3: Strategic objectives and programmes*

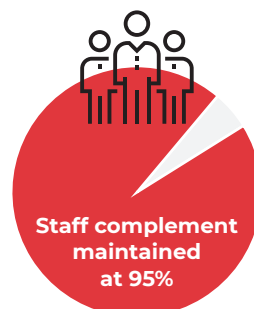
<b>Programme 1</b>	<b>Administration and Support</b>
<b>Strategic Objective 9.1</b>	To provide strategic leadership, management and support service to the organisation.
<b>Programme 2</b>	<b>Skills Planning</b>
<b>Strategic Objective 1.1</b>	To establish a research system that will have the capacity to generate credible and reliable sector intelligence and information to support skills planning, monitoring and evaluation.
<b>Strategic Objective 5.1</b>	Provision of continuous training to improve overall productivity and performance of the food and beverages manufacturing sector (quality WSPs and ATRs).
<b>Programme 3</b>	<b>Learning Programme and Projects</b>
<b>Strategic Objective 2.1</b>	To support employed and unemployed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.
<b>Strategic Objective 4.1</b>	To support AET training interventions that facilitate intermediate and high-level learning.
<b>Strategic Objective 6.1</b>	To increase participation of small businesses including the non-levy paying employers, non-profit organisations, community-based organisations and cooperatives in the food and beverages manufacturing sector by facilitating training that will lead to their sustainability.
<b>Strategic Objective 3.1</b>	Partnerships between the SETA, employers and public TVET colleges are formed to assist TVET colleges with placement and to increase the capacity of lectures to meet industry needs.
<b>Strategic Objective 7.1</b>	Establishment of public sector partnerships to increase public sector capacity for improved service delivery and support the building of a developmental state.
<b>Strategic Objective 8.1</b>	To create awareness amongst youth distribution of career guides in order to facilitate entry into careers those are in demand in the food and beverages manufacturing sector.
<b>Programme 4</b>	<b>Quality Assurance</b>
<b>Strategic Objective 10.1</b>	To ensure the establishment of the necessary capacity for effective quality assurance of all learning programmes.
<b>Strategic Objective 2.1</b>	To support employed and unemployed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.
<b>Strategic Objective 4.1</b>	To support AET training interventions that facilitate intermediate and high-level learning.
<b>Strategic Objective 6.1</b>	To increase participation of small businesses including the non-levy paying employers, non-profit organisations, community-based organisations and cooperatives in the food and beverages manufacturing sector by facilitating training that will lead to their sustainability.
<b>Strategic Objective 3.1</b>	Partnerships between the SETA, employers and public TVET colleges are formed to assist TVET colleges with placement and to increase the capacity of lectures to meet industry needs.
<b>Strategic Objective 7.1</b>	Establishment of public sector partnerships to increase public sector capacity for improved service delivery and support the building of a developmental state.

# Performance Highlights

## Programme 1: Administration and Support



**5 indicators achieved**  
**1 achieved and exceeded**



## Programme 2: Skills Planning



**3 indicators achieved**  
**1 achieved and exceeded**



Number of research reports completed and approved by the Board achieved and exceeded. The research department completed an additional research report



WSPs and ATRs approved by the Board for small companies achieved and exceeded

## Programme 3: Learning Programme and Projects



Learning Programmes:  
**4 929 learners enrolled**



TVET Lecturer Capacitation Programme,  
**5 partnerships signed, 5 lecturers placed**



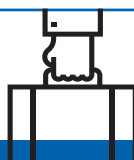
**191 learners** were registered on AET levels and  
**190 completed training**

FoodBev SETA provided career and vocational guidance to **9 418 learners, students and unemployed youth** by its participation in or hosting of **36 career events**

## Programme 4: Quality Assurance



**2 indicators achieved,**  
**1 almost achieved**  
**>75%**



**Number of companies visited annually to conduct verification of learning programmes:** Annual target achieved and exceeded



**Number of accredited training providers:** Annual target almost achieved

### 3. Performance Information by Programme

FoodBev SETA planned to deliver on four programmes during the year under review, namely:

- a) Administration and Support;
- b) Skills Planning;
- c) Learning Programme and Projects; and
- d) Quality Assurance.

The assessment of programme performance is done against achievements of the planned annual targets. Achievement is categorised according to the below performance ratings against all indicators for each of the four programmes.

*Table 4: Performance ratings*

Rating	% Target achieved	
	Low	High
Not Achieved	0%	49%
Partially Achieved	50%	74%
Almost Achieved	75%	99%
Achieved	100%	-
Exceeded	101%>	-

#### 3.1 Programme 1: Administration and Support

The purpose of this programme is to enable the FoodBev SETA to deliver on the mandate by providing strategic management, sound financial and supply chain management capacity, corporate and administrative support. The programme consists of the following sub-programmes:

- a) **Office of the CEO** to provide strategic direction, policy development, decision-making support and leadership.
- b) **Human Resource Management** ensures efficient utilisation and development of human capital and provides an advisory service on matters pertaining to the organisational effectiveness and development; individual performance management; sound employee relations; and effective recruitment, selection and placement services including research and development of human resources policies and practices.
- c) **Risk Management** addresses risks that have a negative impact on the FoodBev SETA's performance.
- d) **Internal Audit** provides management and the audit committee with independent objectives and assurances with a view to improving effectiveness of governance, risk management and control processes.
- e) **Stakeholder Relations** promotes and communicates FoodBev SETA's strategic goals and objectives with all stakeholders. This with an aim of cultivating and fostering good relations through sharing of information, events, media and public relations.
- f) **Information Communication Technology** provides for the information and communications technology requirements of FoodBev SETA.
- g) **Finance and Supply Chain Management** provides effective and efficient financial management, procurement of goods and services and administrative support.

### 3. Performance Information by Programme (continued)

#### 3.1.1 Key performance indicators, planned targets and actual achievements

Table 5: Administration and Support – provide strategic leadership, management and support

Strategic outcome-oriented Goal 9		Improve effectiveness, efficiency for an optimally functioning SETA.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
9.1 To provide strategic leadership, management and support service to the organisation.	1 Approved Annual Human Resources Plan	1	1	1	0	100%	Target achieved.
	2 Staff complement maintained at 95%	New indicator	95%	96%	1%	101%	Annual target achieved and exceeded. The majority of vacant positions were filled, and staff turnover was kept at a minimum.
	3 Approved Annual Strategic Risk Register	1	1	1	0	100%	Target achieved.
	4 Approved Annual Procurement Plan	1	1	1	0	100%	Target achieved.
	5 Number of quarterly Governance Charter reports submitted to DHET	4	4	4	0	100%	Target achieved.
	6 Approved Annual IT Strategic Plan	1	1	1	0	100%	Target achieved.

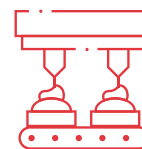
#### 3.2 Programme 2: Skills Planning

The purpose of this programme is to conduct compelling research that demands credible institutional mechanisms for skills planning, and to provide reliable information on the supply and demand for skills in the food and beverages manufacturing sector. The programme consists of the following sub-programmes:

- Sector Skills Plan and research projects.
- Encouraging better use of workplace-based skills development.



### 3. Performance Information by Programme (continued)



#### 3.2.1 Key performance indicators, planned targets and actual achievements

Table 6: Skills Planning – provide strategic leadership, management and support

Strategic outcome-oriented Goal 1		Establishing a credible institutional mechanism for skills planning.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
1.1 To establish a research system that will have the capacity to generate credible and reliable sector intelligence and information to support skills planning, monitoring and evaluation.	7 Approved Sector Skills Plan by DHET	1	1	1	0	100%	Target achieved.
	8 Number of research reports completed and approved by the Board	6	4	5	1	125%	Annual target achieved and exceeded. The research department completed an additional research report.

Strategic outcome-oriented Goal 5		Encouraging better use of workplace-based skills development.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
5.1 Provision of continuous training to improve overall productivity and performance of the food and beverages manufacturing sector (quality WSPs and ATRs).	9 Number of WSPs and ATRs approved by the Board from large, medium and small levy-paying companies	Large companies 219	Large companies 220	221	1	100%	Annual target achieved and exceed for small companies. Target for small companies was exceeded as more applications were received than expected. This may be in response to advocacy efforts.
		Medium companies 204	Medium companies 210	211	1	100%	
		Small companies 330	Small companies 300	313	13	104%	

### 3. Performance Information by Programme (continued)

#### 3.3 Programme 3: Learning Programme and Projects

The purpose of this programme is to disburse grants through regular (PIVOTAL and NON-PIVOTAL) and special projects that are addressing the sector needs. The programme consists of the following sub-programmes:

##### *Learning programmes*

FoodBev SETA implemented various learning programmes through the discretionary grant process to increase access to occupationally directed learning programmes that will address scarce, critical, language and numeracy skills in the sector. During the year under review, FoodBev SETA registered a total of 4 929 learners through the provision of the following:

- a) Learnership programmes (employed and unemployed);
- b) Learnership programmes for persons with disabilities;
- c) Recognition of Prior Learning (RPL);
- d) Skills programmes;
- e) Candidacy programmes;
- f) Internships;
- g) Work experience;
- h) TVET student placements and TVET bursary programme;
- i) Apprenticeship programme;
- j) Undergraduate bursary programme; and
- k) Research and Innovation bursary programme.

##### *TVET Lecturer Capacitation Programme*

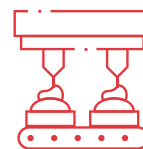
To grow a capable public TVET sector, FoodBev SETA has placed TVET lecturers within the food and beverages manufacturing sector companies for exposure and development in the latest technological advancements and industry skills, which will contribute in the development of their lecturing skills. In the year under review FoodBev SETA entered into five partnerships and placed five lecturers.

##### *Adult Education and Training (AET)*

The purpose of this grant is to ensure that the sector's numeracy and literacy levels are increased to enable employees to take further training opportunities. In the year under review, 191 learners were registered on various AET levels and 190 completed and progressed to the next level of training.

##### *Small businesses*

In the year under review, 65 learners from small businesses were supported through training in various skills programmes. These training programmes focused on skills programmes that support business growth and sustainability, such as business practices and those that deal with regulatory and compliance issues in the food sector, such as food safety handling, hazard analysis and critical control points, etc. The non-achievement is attributed to the lack of commitment and interest by small business owners in the programmes offered by the SETA. Some business owners would apply for training and be approved and then cancel due to prioritisation of business needs over training needs. Part of the research that is commissioned for the next financial year is to understand the skills needs of small businesses to address this challenge.



### 3. Performance Information by Programme (continued)

#### *Building career and vocational guidance*

Career and vocational guidance remain an important activity in advocating for broad-base career plans/paths that focus on increasing the knowledge of careers in the sector, thereby enabling the learners and students to make the right career choices. FoodBev SETA provided career and vocational guidance to 9 418 learners, students and unemployed youth by its participation in or hosting of 36 career events.

#### *3.3.1 Key performance indicators, planned targets and actual achievements*

*Table 7: Learning Programme and Projects – support employed and unemployed learners*

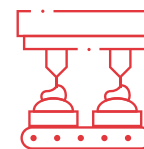
Strategic outcome-oriented Goal 2		Increasing access to occupationally directed programmes.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
2.1 To support employed and unemployed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.	10 Number of employed learners registered for learnerships	1 768	1 600 SETA funded	1 254	-346	78%	<b>Annual target almost achieved.</b> A total of 2 521 learners were approved. However, employers cancelled 160 of these after approval and the other approved grants were not taken up as the employers did not submit compliant documents for registration and reporting. This was also exacerbated by the COVID-19 pandemic and subsequent lockdown, considering that most learner registrations in this sector traditionally happen in the fourth quarter.
			100 Sector funded	85	-15	85%	<b>Annual target almost achieved.</b> The number of industry-funded learners registered falls outside the SETA's control. Targets are set based on prior-year trends, but external factors will impact actual achievement.

## 3. Performance Information by Programme (continued)

Strategic outcome-oriented Goal 2		Increasing access to occupationally directed programmes.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
2.1 To support employed and unemployed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.	11 Number of unemployed learners registered for learnerships	2 399	1 600 SETA funded	1 816	+216	114%	<b>Target achieved and exceeded.</b> due to improved stakeholder participation in learnership programmes. Additional learners were funded from budget available as a result of cancellations from other learning programmes.
			100 Sector funded	390	+290	390%	<b>Annual target achieved and exceeded.</b> Employers registered more industry-funded learners than anticipated.
	12 Number of employed learners registered to obtain full or part qualification through RPL learnership	86	100	30	-70	30%	<b>Annual target not achieved.</b> A total of 60 learners were approved in FW1 of whom only 30 were registered and 30 cancelled. The SETA did not receive sufficient applications during FW2 to ensure target achievement.
	13 Number of employed learners registered for skills programmes	1 392	1 200 SETA funded	810	-390	68%	<b>Annual target partially achieved.</b> A total of 2 236 learners were approved. Of these, 388 cancelled after approval. The remaining approved grants were not taken up as the employers did not submit compliant documents for registration and reporting. This was also exacerbated by the COVID-19 pandemic and subsequent lockdown, considering that most learner registrations in this sector traditionally happen in the fourth quarter.



### 3. Performance Information by Programme (continued)

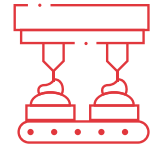


Strategic outcome-oriented Goal 2							
Increasing access to occupationally directed programmes.							
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
2.1 To support employed and unemployed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.	13 Number of employed learners registered for skills programmes		100 Sector funded	75	-25	75%	<b>Annual target almost achieved.</b> The number of industry-funded learners registered falls outside the SETA's control. Targets are set based on prior-year trends, but external factors will impact actual achievement.
	14 Number of SETA-funded employed students registered for bursaries in higher education institutions	230	150	153	+3	102%	<b>Annual target achieved and exceeded.</b> There was budget available and therefore more learners were funded.
	15 Number of SETA-funded employed learners registered for a Candidacy Programme with a registered professional body	7	5	1	-4	20%	<b>Annual target not achieved.</b> The SETA did not receive sufficient applicants during FW1&2. Additional advocacy will have to be done in the following financial year to ensure stakeholders understand the concept of candidacy as a learning programme.
	16 Number of SETA-funded unemployed students registered for the TVET Bursary Programme	60	120	65	-55	54%	<b>Annual target partially achieved.</b> The majority of TVET colleges were unable to submit signed enrolment forms with the required supporting documents, as the learners were not allowed on campus during the National Lockdown. The TVET colleges requested extension to submit the required documents once the colleges re-open.

### 3. Performance Information by Programme (continued)

Strategic outcome-oriented Goal 2		Increasing access to occupationally directed programmes.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
2.1 To support employed and unemployed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.	17 Number of SETA-funded Master's and PhD students registered for the research bursary programme	30	30	31	+1	103%	<b>Annual target achieved and exceeded.</b> Additional approvals were completed due to budget availability.
	18 Number of SETA-employed apprentices registered for an apprenticeship programme	These indicators were previously combined and reported as 229 achieved apprenticeship enrolments in the prior year	80	93	+13	116%	<b>Annual target achieved and exceeded.</b> There was budget available and therefore more learners were funded.
	19 Number of SETA-funded unemployed apprentices registered for an apprenticeship programme		120	46	-74	38%	<b>Target not achieved.</b> A total of 145 learners were approved, the industry cancelled five registrations after approval. The remaining approved grants were not taken up as the employers did not submit compliant documents for registration and reporting. This was also exacerbated by the COVID-19 pandemic and subsequent lockdown as most learner registrations in this sector traditionally happen in the fourth quarter.
	20 Number of SETA-funded unemployed apprentices registered under centre of specialisation programme	New indicator	40	0	-40	0%	<b>Target not achieved.</b> A total of 50 learners were approved to be funded. Employers did not submit compliant documents for registration. This was also exacerbated by the lockdown as most learner registrations in this sector traditionally happen in the fourth quarter.

### 3. Performance Information by Programme (continued)



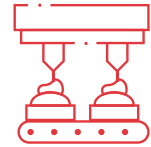
Strategic outcome-oriented Goal 2							
Increasing access to occupationally directed programmes.							
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
2.1 To support employed and unemployed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.	21 Number of SETA-funded students from higher education institutions registered for Internship Programme	556	500	224	-276	45%	<b>Annual target not achieved.</b> A total of 802 learners were approved, the employers cancelled 22 of these registrations after approval. The remaining approved grants were not taken up as the employers did not submit compliant documents for registration and reporting. This was also exacerbated by the COVID-19 pandemic and subsequent lockdown as most learner registrations in this sector traditionally happen in the fourth quarter.
	22 Number of SETA-funded higher education institution graduates placed in companies to gain work experience	543	500	159	-341	32%	<b>Annual target not achieved.</b> A total of 619 learners were approved, the employers cancelled 30 placements after approval. The remaining approved grants were not taken up as the employers did not submit compliant documents for registration and reporting. This was exacerbated by the lockdown as most learner registrations in this sector traditionally happen in the fourth quarter.

### 3. Performance Information by Programme (continued)

Strategic outcome-oriented Goal 2		Increasing access to occupationally directed programmes.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
2.1 To support employed and unemployed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.	23 Number of SETA-funded students from TVET colleges registered for the Internship Programme	1280	450	351	-99	78%	<b>Annual target almost achieved.</b> A total of 624 learners were approved and 237 learners could not be registered due sudden closure of TVET colleges. Thus, the colleges were unable to submit signed enrolment forms with the required supporting documents, as the learners were not allowed on campus during the National Lockdown. The TVET colleges requested an extension to submit the required documents once the colleges re-open.



### 3. Performance Information by Programme (continued)



#### 3.3.2 Key performance indicators, planned targets and actual achievements

Table 8: Learning Programme and Projects – support AET training interventions

Strategic outcome-oriented Goal 4		Addressing the low level of youth and adult language and numeracy skills to enable additional training.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
4.1 To support AET training interventions that facilitate intermediate and high-level learning.	24 Number of employees registered on AET programmes	298	250	191	-59	76%	<b>Annual target almost achieved.</b> A total of 373 learners were approved, however the employers cancelled 28 registrations after approval. A total of 29 learners could not be registered due to an employer submitting learner enrolment forms after the training had been conducted and completed. Some companies submitted documents that did not comply, and some learners were already registered for other programmes. The companies that were approved in FW2 could not submit the enrolment forms due to the COVID-19 pandemic and subsequent lockdown, and learners could not submit the supporting documents in time, which had an impact on achievement of the annual target.



### 3. Performance Information by Programme (continued)

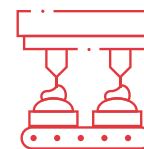
#### 3.3.3 Key performance indicators, planned targets and actual achievements

Table 9: Learning Programme and Projects – participation of small businesses

Strategic outcome-oriented Goal 6		Encouraging and supporting cooperatives, small enterprises, NGO and community training initiatives.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
6.1 To increase participation of small businesses including the non-levy paying employers, non-profit organisations, community-based organisations and cooperatives in the food and beverages manufacturing sector by facilitating training that will lead to their sustainability.	25 Number of SETA-funded learners from non-levy-paying organisations registered for skills programme	100	100	65	-35	65%	<b>Annual target partially achieved.</b> A total of 127 learners were partially approved pending successful due diligence site visits. From the site visits, only 65 learners could be fully approved and registered.



### 3. Performance Information by Programme (continued)



#### 3.3.4 Key performance indicators, planned targets and actual achievements

Table 10: Learning Programme and Projects – partnerships and continuous improvement

Strategic outcome-oriented Goal 3		Promoting the growth of a public TVET college system that is responsive to sector, local, regional and national skills needs and priorities and enter into strategic partnerships with different stakeholders in the sector.					
Strategic outcome-oriented Goal 7		Increasing public sector capacity for improved service delivery and supporting the building of a developmental state.					
Strategic Objective 3.1 and 7.1	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
3.1 Partnerships between the SETA, employers and public TVET colleges are formed to assist TVET colleges with placement and to increase the capacity of lectures to meet industry needs.	26 Number of partnerships entered into with public and private sector entities	13	10 Public sector entities	8	-2	80%	<b>Annual target partially achieved.</b> This target is dependent on the willingness of both colleges and employers to participate. During Q4, a number of memoranda of understanding between TVET colleges and employers were not finalised due to sudden closure of colleges as a result of the COVID-19 pandemic and subsequent lockdown.
			10 Private sector companies	1	-9	10%	
7.1 Establishment of public sector partnerships to increase public sector capacity for improved service delivery and support the building of a developmental state.	27 Number of SETA-funded lecturers entered into work exposure programme	14	20	5	-15	25%	<b>Annual target not achieved.</b> A total of ten lecturers were approved, but only five commenced with training due to workplace readiness and ability of the college to free the lecturers to participate in the programme.

### 3. Performance Information by Programme (continued)

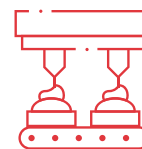
#### 3.3.5 Key performance indicators, planned targets and actual achievements

Table 11: Learning Programme and Projects – career awareness

Strategic outcome-oriented Goal 8							
Building career and vocational guidance.							
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
8.1 To create awareness amongst youth distribution of career guides in order to facilitate entry into careers that are in demand in the food and beverages manufacturing sector.	28 Number of career-oriented events hosted and/or attended by FoodBev SETA	25	30	36	+6	120%	<b>Annual target achieved and exceeded.</b> The SETA was able to support and participate in more career events than planned.
	29 Number of career guides distributed to reach youth through career development awareness programme	6 500	7 000	9 418	+2 418	135%	<b>Annual target achieved and exceeded.</b> Attendance at more career-oriented events than planned meant that more material could be printed and distributed within the available budget.



### 3. Performance Information by Programme (continued)



#### 3.4 Programme 4: Quality Assurance

The purpose of this programme is to develop qualifications, accredit training providers and fulfil the QCTO functions.

##### 3.4.1 Key performance indicators, planned targets and actual achievements

Table 12: Quality Assurance – establish capacity for adequate quality assurance

Strategic outcome-oriented Goal 10	Establish and maintain effective quality assurance mechanisms.						
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
10.1: To ensure the establishment of the necessary capacity for effective quality assurance of all learning programmes.	30 Development and submission of new QCTO qualifications	1	1	1	0	100%	<b>Annual target achieved.</b>
	31 Number of accredited training providers	26	20	15	-5	75%	<b>Annual target almost achieved.</b> A total of six training providers' accreditation could not be finalised due to the training providers not having adequately qualified and experienced assessors. Plans are in place to assist them to gain access to the required resources in the new financial year.
	32 Number of companies visited annually to conduct verification of learning programmes	82	85	90	+5	106%	<b>Annual target achieved and exceeded.</b> The Monitoring and Evaluation team conducted more due diligence site visits than initially planned to mitigate risk associated with grant approvals.

### 3. Performance Information by Programme (continued)

#### 3.5 Completion targets for all programmes

Programme 3: Learning Programmes and Projects

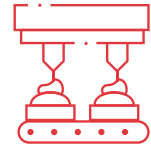
##### 3.5.1 Key performance indicators, planned targets and actual achievements

Table 13: Completion targets for all programmes – support employed and unemployed learners

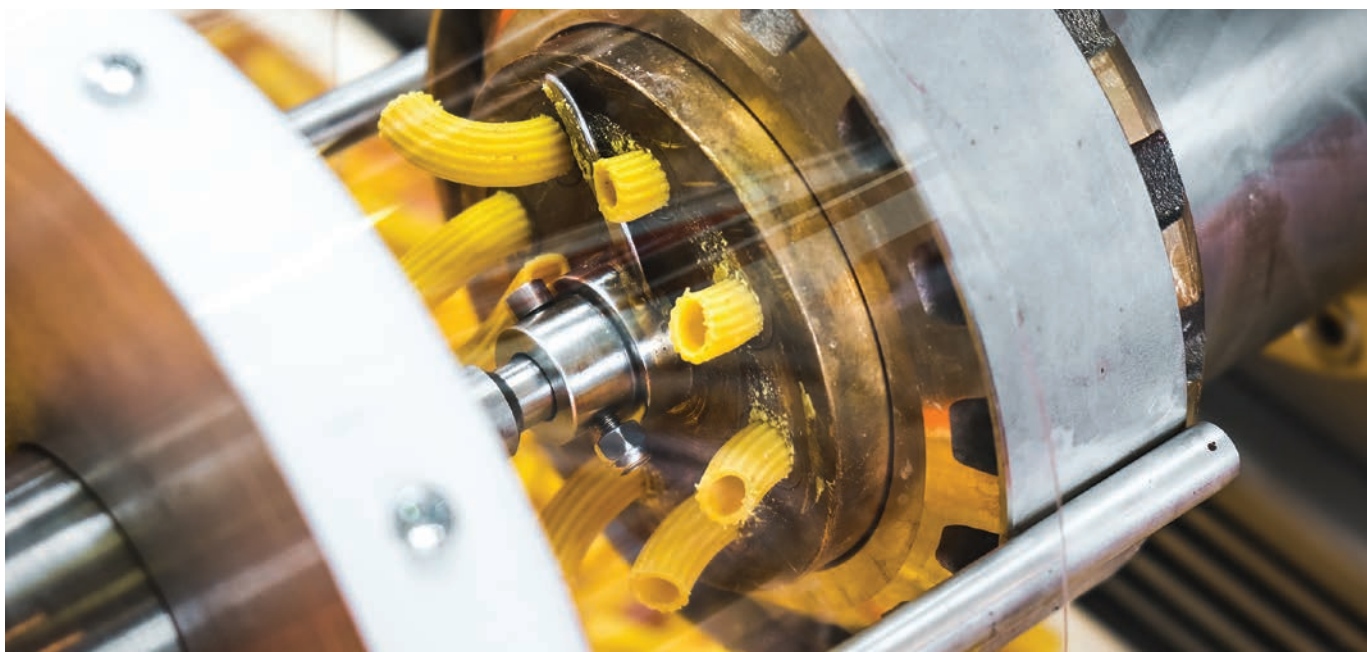
Strategic outcome-oriented Goal 2		Increasing access to occupationally directed programmes.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
2.1 To support employed and unemployed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.	33 Number of employed learners certified through learnership programmes	802	800 SETA funded	1 297 SETA funded	+497	151%	<b>Annual target achieved and exceeded.</b> The backlog in external moderation was resolved which resulted in higher certification numbers. Additionally, efforts to obtain evidence of completion from other SETAs also contributed to the achievement.
			60 Sector funded	87 Sector funded	+27	145%	<b>Annual target achieved and exceeded.</b> The backlog in external moderation was resolved which resulted in higher certification numbers. Additionally, efforts to obtain evidence of completion from other SETAs also contributed to the achievement.



### 3. Performance Information by Programme (continued)



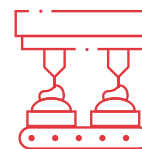
Strategic outcome-oriented Goal 2		Increasing access to occupationally directed programmes.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
2.1 To support employed and un-employed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.	34 Number of unemployed learners certified through learnership programmes	858	800 SETA funded	1 641 SETA funded	+841	205%	<b>Annual target achieved and exceeded.</b> The backlog in external moderation was resolved which resulted in higher certification numbers. Additionally, efforts to obtain evidence of completion from other SETAs also contributed to the achievement.
			75 Sector funded	99 Sector funded	+24	132%	<b>Annual target achieved and exceeded.</b> The backlog in external moderation was resolved which resulted in higher certification numbers. Additionally, efforts to obtain evidence of completion from other SETAs also contributed to the achievement.



## 3. Performance Information by Programme (continued)

Strategic outcome-oriented Goal 2		Increasing access to occupationally directed programmes.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
2.1 To support employed and un-employed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.	35 Number of employed learners who have completed an RPL learnership programme	0	50	5	-45	10%	<b>Annual target not achieved.</b> Currently, 75 learners have been registered. Participating providers applied for exit moderation for 41 learners, but the moderations were not completed before financial year-end due to the COVID-19 pandemic and subsequent lockdown. There are 21 learners who will only complete in the next three months as another SETA still needs to conduct exit moderation and issue certificates. One employer has requested an extension as learners will only complete in June 2020.
	36 Number of employed learners who have completed a skills programme	541	600 SETA funded	904 SETA funded	+304	151%	<b>Annual target achieved and exceeded.</b> The backlog in external moderation was resolved which resulted in higher certification numbers. Additionally, efforts to obtain evidence of completion from other SETAs also contributed to the achievement.
			400 Sector funded	334 Sector funded	-66	84%	<b>Annual target almost achieved.</b> Fewer industry-funded learners than projected completed their programmes.

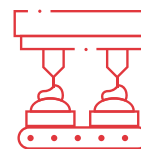
### 3. Performance Information by Programme (continued)



Strategic outcome-oriented Goal 2		Increasing access to occupationally directed programmes.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
2.1 To support employed and un-employed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.	37 Number of employed students who have completed their studies through bursaries in higher education institutions	158	75	117	+42	156%	<b>Annual target achieved and exceeded.</b> More completions could be processed following efforts to obtain evidence from employers.
	38 Number of employees who have completed a Candidacy Programme	2	2	0	-2	0%	<b>Annual target not achieved.</b> The current employees will only complete the programme in the next financial year.
	39 Number of unemployed students who have completed their studies through bursaries in TVET colleges	0	60	4	-56	7%	<b>Annual target not achieved.</b> Only 61 learners originally entered the programme. Of these, 38 commenced in 2019 and 23 commenced in 2018. Funding was awarded for learners to complete N4, N5 and N6, depending on what remained of their studies towards a National Diploma. The bulk of the results received to date relate to completion of N4 and N5, which supports progress but not completion. Learners who commenced in 2019 will only complete in 2020.
	40. Number of Master's and PhD students who have completed their studies through the Research Bursary Programme	18	15	18	+3	120%	<b>Annual target achieved and exceeded.</b> Efforts to obtain completions from prior years resulted in a slightly higher achievement than anticipated.

### 3. Performance Information by Programme (continued)

Strategic outcome-oriented Goal 2		Increasing access to occupationally directed programmes.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
2.1 To support employed and un-employed learners to enter in various learning programmes that address the scarce and critical skills in the food and beverages manufacturing sector.	41 Number of employed apprentices certified as artisans	Previously combined and reported as 90 completed apprenticeships achieved in the prior year	40	4	-36	10%	<b>Annual target not achieved.</b> An apprenticeship programme usually takes a period of at least five years to complete, therefore fewer employed learners completed their training in the current year.
	42 Number of unemployed apprentices certified as artisans		60	51	-9	85%	<b>Annual target almost achieved.</b> An apprenticeship programme usually takes a period of at least five years to complete, therefore fewer employed learners completed their training in the current year.
	43 Number of students from the higher education institutions who have completed Internship Programmes	282	250	487	+237	195%	<b>Annual target achieved and exceeded.</b> A higher number of learners than expected successfully completed the programme.
	44 Number of graduates from higher education institutions who have completed the Work Experience Programme	285	250	273	+23	109%	<b>Annual target achieved and exceeded.</b> A higher number of learners than expected successfully completed the programme.
	45 Number of students from the TVET colleges who have completed the Internship Programme	199	225	589	+364	262%	<b>Annual target achieved and exceeded.</b> A higher number of learners than expected successfully completed the programme.



### 3. Performance Information by Programme (continued)

#### 3.5.2 Key performance indicators, planned targets and actual achievements

Table 14: Completion targets for all programmes – partnerships and continuous improvement

Strategic outcome-oriented Goal 3		Promoting the growth of a public TVET college system that is responsive to sector, local, regional and national skills needs and priorities and enter into strategic partnerships with different stakeholders in the sector.					
Strategic outcome-oriented Goal 7		Increasing public sector capacity for improved service delivery and supporting the building of a developmental state.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
3.1 Partnerships between the SETA, employers and public TVET colleges are formed to assist TVET colleges with placement and to increase the capacity of lectures to meet industry needs.	46 Number of TVET lecturers who have completed the Workplace Exposure Programme	8	10	5	-5	50%	<b>Annual target partially achieved.</b> Insufficient number of lecturers commenced with the programme.
7.1 Establishment of public sector partnerships to increase public sector capacity for improved service delivery and support the building of a developmental state.							



### 3. Performance Information by Programme (continued)

#### 3.5.3 Key performance indicators, planned targets and actual achievements

Table 15: Completion targets for all programmes – support AET training interventions

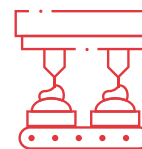
Strategic outcome-oriented Goal 4		Addressing the low level of youth and adult language and numeracy skills to enable additional training.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
4.1 To support AET training interventions that facilitate intermediate and high-level learning.	47 Number of employed learners who have completed AET programmes	159	125	190	+65	152%	<b>Annual target achieved and exceeded.</b> A higher number of learners than expected successfully completed the programme.

#### 3.5.4 Key performance indicators, planned targets, and actual achievements

Table 16: Completion targets for all programmes – participation of small businesses

Strategic outcome-oriented Goal 6		Encouraging and supporting cooperatives, small enterprises, NGO and community training initiatives.					
Strategic Objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target	Actual achievement 2019/20	Comment on deviations
6.1 To increase participation of small businesses including the non-levy paying employers, non-profit organisations, community-based organisations and cooperatives in the food and beverages manufacturing sector by facilitating training that will lead to their sustainability.	48 Number of learners from non-levy-paying organisations who have completed skills programmes	0	50	0	-50	0%	<b>Annual target not achieved.</b> A total of 67 learners were entered into the programme, however they could not complete the programme before year-end. Small businesses normally prefer shorter training programmes as employees cannot afford to be away from business for an extended period.

### 3. Performance Information by Programme (continued)



#### 3.6 Strategy to overcome areas of under-performance

The FoodBev SETA applied a principle that 50% of learners who enter programmes will complete the programme in the same year. A more sophisticated approach to setting completion targets will have to be used in future to mitigate against under-performance. The actual duration of programmes, trends in throughput rates, and the number of prior-year entrants will be considered in setting targets.

A new model for TVET lecturer capacitation needs to be explored to facilitate industry exposure. Options to be considered include strategic partnerships with other stakeholders and linking lecturer capacitation to public TVET college accreditation initiatives.

The implementation of improved internal controls for processing and disbursement of discretionary grants hampered the achievement of targets as it led to delayed approval of discretionary grants. To address this challenge, the Accounting Authority/Board revised the delegation of authority and delegated the awarding of grants to the award committee which will shorten the approval processes. The other challenge that contributed to the non-achievement of targets is the timing of opening the second funding window. This resulted in all other processes being conducted late, which then meant late approvals. It should be noted that the sector traditionally submits contracts and learner agreements towards the end of Q4; however, the anticipated lockdown impacted on the submission of these documents on time, as the industry started early in the year to limit entry onto their premises and committing to training.

#### 3.7 Changes to planned targets

During the reporting period changes were made to seven performance indicators. A revised APP was then submitted to the Minister of Higher Education and Training for approval. The Minister approved the revised APP and it was implemented accordingly through the rest of the reporting period.

#### 3.8 Linking performance with budgets

Table 17: Programmes and budgets

Programme/ activity/ objective	2018/19			2019/20		
	Budget R'000	Actual expenditure R'000	(Over)/ Under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/ Under expenditure R'000
Administration and Support	44 784	37 362	7 522	47 470	43 993	3 477
Employer Grants and Research	72 348	74 911	(2 563)	75 080	78 872	(3 792)
Learning Programmes and Projects	361 795	229 807	131 988	351 023	203 348	147 675
Project Administration	18 484	15 477	3 007	20 844	20 146	698
<b>TOTAL</b>	<b>497 411</b>	<b>357 457</b>	<b>139 954</b>	<b>494 417</b>	<b>346 359</b>	<b>148 058</b>

## 4. Revenue Collection

Table 18: Sources of revenue and collections

Sources of revenue	2018/19			2019/20		
	Estimate R'000	Actual amount collected R'000	Over/(under) collection R'000	Estimate R'000	Actual amount collected R'000	Over/(under) collection R'000
Fines and penalties	5 000	13 686	8 686	5 000	6 429	1 429
Skills Development Levy	340 141	370 412	30 271	360 548	393 608	33 060
Interest received – investment	42 000	46 652	4 652	48 000	50 241	2 241
Other income	-	174	174	-	5 577	5 577
<b>Total revenue</b>	<b>387 141</b>	<b>430 924</b>	<b>43 783</b>	<b>413 548</b>	<b>455 855</b>	<b>42 307</b>
<b>Approved retained funds</b>	<b>110 270</b>	<b>110 270</b>	<b>-</b>	<b>80 869</b>	<b>-</b>	<b>-</b>
<b>Total funds available for spending</b>	<b>497 411</b>	<b>541 194</b>	<b>43 783</b>	<b>494 417</b>	<b>-</b>	<b>-</b>

### 4.1. Capital investment

There were no infrastructure projects undertaken in the reporting financial year. Capital investment consists of only the following:

- Fixed assets required for administration of the FoodBev SETA; and
- All excess funds not immediately required for operations are transferred to the CPD account held with Reserve Bank.

The acquisition, implementation, and management of the above are achieved through the sound policies and procedures of the FoodBev SETA. Where fixed assets are deemed not to result in an inflow of economic benefits to the FoodBev SETA, these are assessed for impairment and donated to different entities upon approval by the Accounting Authority/Board. The asset register is reviewed and updated regularly, and redundant assets are included in the disposal list, while stolen assets are written off. In the year under review, more than 95% of fixed assets were in good condition.

During the current year FoodBev SETA acquired fixed assets to the value of R252 000 and intangible assets of R461 000.



# PART C

## Governance

**Chamber:**  
Manufacture of Dairy Products



## 1. Introduction

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance. Corporate governance embodies processes and systems by 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 regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King Report on Corporate Governance.

While the Accounting Authority oversees the overall process and structure of corporate governance, each business unit and every FoodBev SETA employee is responsible for promoting good corporate governance practices.

## 2. Portfolio Committee

The FoodBev SETA Strategic Plan and Annual Performance Plan were tabled and approved by the Portfolio Committee in the year under review. FoodBev SETA was not requested to appear before the Portfolio Committee in the 2019/20 financial year.

## 3. Executive Authority

Executive Authority in the SETA environment rests with the Minister of Higher Education and Training. It is the Minister who appoints members of the Accounting Authority/Board. Furthermore, the Minister determines its remuneration as per the tariffs set by National Treasury. All compliance documents required by the Executive Authority were submitted on time. Quarterly reports were submitted to both National Treasury and the DHET in accordance with the PFMA and compliance requirements. The DHET conducted verification visits at FoodBev SETA; all issues raised during the visits were addressed.







## 4. The Accounting Authority/Board

### 4.1 The role of the Board

The Board is responsible for directing, administering and controlling the affairs of the SETA in a transparent, fair and responsible manner. The Board is supported by various committees to carry out the oversight role of ensuring that the activities of the organisation are managed in the manner that is consistent with the ethical leadership and values of FoodBev SETA. The roles and responsibilities of the Board and each sub-committee are set out in the Constitution and Delegation of Authority of the SETA. The Chairperson has not yet been appointed, and Ms Mapule Ncanywa was appointed as an Acting Chairperson until the Minister officially appoints the new Chairperson.

During the year under review, eight Board members attended training through the Institute of Directors of South Africa, in the following programmes:

- a) Being a Director part 1 to 4;
- b) Governance of Ethics;
- c) Financial Insights for Non-Financial Directors;
- d) Mastering Board Leadership;
- e) Technology and Information Governance; and
- f) Effective Remuneration Committees.

### 4.2 Board Charter

The Board is governed by the SETA Constitution which spells out the roles and responsibilities of the Board and its sub-committees. The constitution also contains the Code of Conduct of the Board members and each member is required to sign a declaration of interest form. The latter discloses each member's link to companies through directorship, spousal, relatives, boards, or committees on which they serve.

### 4.3 Composition of the Board

The Board consists of 15 members, including the Chairperson, and is constituted as follows:

- a) Levy-paying employers/Organised employer – six representatives;
- b) Representative trade unions/Organised labour – six representatives;
- c) Professional bodies – one representative;
- d) Small business – one representative; and
- e) Independent Chairperson – one representative.

During the year under review, the Board consisted of 13 Board members. The Chairperson of the Board, Mr Tom Mkwana, resigned, effective 31 August 2018. Ms Mapule Ncanywa was subsequently appointed as Acting Chairperson of the Board from 1 September 2018; a position she held until the end of Board term on 31 March 2020. From 1 April 2018, the SETA had a vacancy for an organised employer representative, which was not filled by the time the Board term ended on 31 March 2020.

### 4.4 Accounting Authority/Board appointment process

During August 2019, the SETA issued a 'Call for Nominations' in various newspapers, on its website, social media platforms and through stakeholder bulk email. A total of 55 Board nominations were received and submitted to the Minister for approval. On 20 January 2020, the Minister issued another directive for the SETA to re-open the nominations and the window was re-opened until 31 January 2020. A total of 23 additional Board nominations were received and submitted to the Minister for approval.

On 31 March 2020, the Minister finalised the appointment of a permanent Chairperson and 13 Board members, which comprised five returning and eight new members. One vacancy remains from labour as the Minister indicated that the Board should be gender balanced. The affected union is yet to submit the nominated candidate.

## 4. The Accounting Authority/Board (continued)

### *Accounting Authority/Board members – appointed 1 April 2020*



**Alan Campbell**  
Chairperson



**Ezra Ndwandwe**  
Member



**Thuli Njapa Mashanda**  
Member



**Mark Oliver**  
Member



**Sthembile Mzizi**  
Member



**Atwell Nazo**  
Member



**Anna Pholoana**  
Member

#### 4. The Accounting Authority/Board (continued)



**Trevor van Wyk**  
Member



**Nqobile Tshabangu**  
Member



**Funeka Khumalo**  
Member



**Richard Campbell Hutton**  
Member



**Gugulethu Xaba**  
Member



**Nthabe Zondo**  
Member



**Mapule Ncanywa**  
Member

## 4. The Accounting Authority/Board (continued)

### *Accounting Authority/Board members – appointed 1 April 2018*



**Mapule Ncanywa**  
Acting Chairperson



**Geoff Penny**  
Member



**Trevor van Wyk**  
Member



**Gerhardus Hamman**  
Member



**Richard Campbell Hutton**  
Member



**Mary-Lou Harry**  
Member



**Nthabe Zondo**  
Member

#### 4. The Accounting Authority/Board (continued)



**Raymond Mnguni**  
Member



**Katishi Masemola**  
Member



**Andile Nkosibomvu**  
Member



**Nqobile Tshabangu**  
Member



**Nolubabalo Maqungo**  
Member



**Carnen De Wee**  
Member



## 4. The Accounting Authority/Board (continued)

The details of the Board members for the 2019/20 financial year are shown in the following table.

*Table 19: Details of Board members*

Name of members	Designation (in terms of the Public Entity Board structure)	Date appointed	Qualifications	Board directorships	Other committees or task teams	No. of Board meetings attended out of a total of 14 meetings held
Mapule Ncanywa*	Acting Board Chairperson	01.04.2018	Bachelor of Arts in Education	<ul style="list-style-type: none"> <li>International Council of Beverages Associations</li> <li>SARS Beverage Industry Committee</li> <li>BEVSA EXCO Transformation and Technical Committee</li> </ul>	<ul style="list-style-type: none"> <li>FoodBev SETA Governance and Strategy Committee</li> <li>FoodBev SETA EXCO</li> <li>FoodBev SETA Finance and Remuneration Committee</li> </ul>	12/14

\* Chairperson



#### 4. The Accounting Authority/Board (continued)



Name of members	Designation (in terms of the Public Entity Board structure)	Date appointed	Qualifications	Board directorships	Other committees or task teams	No. of Board meetings attended out of a total of 14 meetings held
Geoff Penny	Board member	01.04.2018	Bachelor of Commerce	<ul style="list-style-type: none"> <li>SA Chamber of Baking Management Committee</li> <li>SA Chamber of Baking Training Committee and Technical Committee</li> <li>Winter Cereal Trust</li> <li>Trustee and Bursary Committee member</li> <li>Southern African Grain Laboratory</li> <li>South African Grain Information Service</li> <li>Wheat Forum and Steering Committee</li> <li>Department of Health &amp; Department of Agriculture, Forestry &amp; Fisheries – various working groups, e.g. food fortification, sodium reduction</li> <li>Consumer Goods Council SA – Various working groups/committees, e.g. HFO II</li> <li>SA Bakers Association member representing SACB</li> </ul>	<ul style="list-style-type: none"> <li>FoodBev SETA EXCO</li> </ul>	12/14
Trevor van Wyk	Board member	01.04.2018	Bachelor of Commerce Honours	<ul style="list-style-type: none"> <li>n/a</li> </ul>	<ul style="list-style-type: none"> <li>FoodBev SETA Governance and Strategy Committee</li> </ul>	10/14
Gerhardus Hamman	Board member	01.04.2018	Bachelor of Arts Honours Industrial Psychology	<ul style="list-style-type: none"> <li>n/a</li> </ul>	<ul style="list-style-type: none"> <li>FoodBev SETA Finance and Remuneration Committee</li> </ul>	13/14

## 4. The Accounting Authority/Board (continued)

Name of members	Designation (in terms of the Public Entity Board structure)	Date appointed	Qualifications	Board directorships	Other committees or task teams	No. of Board meetings attended out of a total of 14 meetings held
Richard Campbell Hutton	Board member	01.04.2018	Bachelor of Commerce Honours Industrial Relations	<ul style="list-style-type: none"> <li>Woodlands Dairy (Pty) Ltd Executive Committee</li> <li>Milk South Africa Transformation Advisory Committee</li> <li>South African Milk Processors Organisation</li> <li>Secondary Industry Skills Development Sub-Committee</li> </ul>	<ul style="list-style-type: none"> <li>FoodBev SETA Finance and Remuneration Committee</li> </ul>	13/14
Mary-Lou Harry	Board member	01.04.2018	Bachelor of Commerce Honours	<ul style="list-style-type: none"> <li>SeaVuna Fishing</li> </ul>	<ul style="list-style-type: none"> <li>FoodBev SETA EXCO</li> </ul>	13/14
Nthabe Zondo	Board member	01.04.2018	Master's in Science (International Marketing Management)	<ul style="list-style-type: none"> <li>Bumbles Babies (Pty) Ltd – Director</li> <li>Msebe Foods (Pty) Ltd – Director</li> <li>Msebe Engineering – Non-Executive Director</li> <li>Nthabe Maqache Holdings – Director</li> </ul>	<ul style="list-style-type: none"> <li>FoodBev SETA Audit and Risk Committee</li> </ul>	13/14
Raymond Mnguni	Board member	01.04.2018	Diploma in ABET	<ul style="list-style-type: none"> <li>n/a</li> </ul>	<ul style="list-style-type: none"> <li>FoodBev SETA Audit and Risk Committee</li> </ul>	14/14
Katishi Masemola	Board member	01.04.2018	Master's in Philosophy	<ul style="list-style-type: none"> <li>Basebenzi Investments</li> <li>Black Star Communication</li> <li>Wallet One Investments</li> <li>MB Coachworks</li> <li>Babereki Dignity Plan</li> <li>Basebenzi Properties Holdings</li> <li>BIG Insurance Brokers</li> <li>Highlands Urban Living</li> </ul>	<ul style="list-style-type: none"> <li>FoodBev SETA Finance and Remuneration Committee</li> </ul>	14/14

## 4. The Accounting Authority/Board (continued)



Name of members	Designation (in terms of the Public Entity Board structure)	Date appointed	Qualifications	Board directorships	Other committees or task teams	No. of Board meetings attended out of a total of 14 meetings held
Andile Nkosibomvu	Board member	01.04.2018	Certificate in Practical Labour Law	• n/a	• FoodBev SETA EXCO • FoodBev SETA Finance and Remuneration Committee	14/14
Nqobile Tshabangu	Board member	01.04.2018	Master's of Art in Industrial Psychology, Labour and Globalisation	• Services SETA Labour and Collective Services Chamber	• FoodBev SETA Finance and Remuneration Committee	12/14
Nolubabalo Maqungo	Board member	01.04.2018	Matric	• n/a	• FoodBev SETA Governance and Strategy Committee	14/14
Carmen De Wee	Board member	01.04.2018	Matric	• VPUU (Snac Member) • COS (Secretary Civic Organisation) • FAWU (POB 2nd Deputy Chair)	• FoodBev SETA Governance and Strategy Committee	14/14

### 4.5 Board sub-committees

Table 20: Board sub-committee details

Committee	No. of meetings held	No. of members	Name of members
Executive Committee	6	5	Mapule Ncanywa*, Andile Nkosibomvu, Geoff Penny, Katishi Masemola and Mary-Lou Harry
Governance and Strategy Committee	5	4	Trevor van Wyk*, Carmen De Wee, Nolubabalo Maqungo, Mapule Ncanywa, and Vacant
Finance and Remuneration Committee	8	5	Andile Nkosibomvu*, Gerhardus Hamman, Mapule Ncanywa, Richard Hutton and Nqobile Tshabangu
Audit and Risk Committee	9	5	Tracy Randall*, Tom Tshitangano, Fana Mkwanazi, Nthabe Zondo and Raymond Mnguni

\* Chairperson

## 4. The Accounting Authority/Board (continued)

### 4.6 Remuneration of Board members

Board members are remunerated based on the directive from the National Treasury. The amounts are reviewed annually. No increases were granted during the year under review due to cost containment measures that were put in place by the Minister of Finance. The current value-added tax (VAT) law requires non-executive directors (NEDs) of companies to register for and charge VAT in respect of any director's fees earned for services rendered as a NED. The value of the fees must, however, exceed the compulsory VAT registration threshold of R1 million in any 12-month consecutive period. All fees to NEDs were significantly below the threshold.

Only one member is not permitted by his company to be paid Board-meeting fees, Mr Trevor van Wyk. He has not been paid fees, except a travel fee as per the FoodBev SETA Board and Sub-Committee Remuneration Policy. Following is a table that shows Board-meeting remuneration and travel reimbursement paid to each member during the 2019/20 financial year.

*Table 21: Board members' remuneration*

Name	Remuneration	Other allowance	Other re- imbursements (travel)	Total
Andile Nkosibomvu*	261 417.27	n/a	9 614.34	271 031.61
Carmen De Wee	118 717.52	n/a	50.00	118 767.52
Gerhardus Hamman	133 827.02	n/a	5 173.13	139 000.15
Geoff Penny	148 396.89	n/a	4 968.64	153 365.53
Katishi Masemola	142 461.02	n/a	3 451.16	145 912.18
Mary-Lou Harry	123 574.13	n/a	2 556.74	126 130.87
Mapule Ncanywa*	326 731.04	n/a	15 778.81	342 509.85
Nolubabalo Maqungo	127 351.52	n/a	3 600.86	130 952.38
Nqobile Tshabangu	139 223.27	n/a	5 581.06	144 804.33
Nthabe Zondo	135 445.89	n/a	3 962.29	139 408.18
Richard Hutton	142 461.02	n/a	2 037.31	144 498.33
Raymond Mnguni	147 317.64	n/a	10 005.18	157 322.82
Trevor van Wyk*	34 536.00	n/a	733.54	35 269.54
<b>TOTAL</b>	<b>1 981 460.23</b>	<b>n/a</b>	<b>67 513.06</b>	<b>2 048 973.29</b>

\* The Board members fees are higher than other members as a result of international travel. The additional amount paid to the members is travel fees as stipulated in the Board and Sub-Committee policy.





## 5. Risk Management

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The FoodBev SETA is committed to good governance practices, which seek to promote transparency and accountability to its stakeholders. The organisation remains committed to the effective management and mitigation of risk associated with performance and achievement of strategic objectives. In line with the Risk Framework and Risk Policy, FoodBev SETA conducts risk assessments to identify new and emerging risks.

The SETA has a strategic risk register that identifies risks with the potential to impact on the attainment of the organisation's strategic goals. The organisation also has operational risk registers that focus on the risks that can potentially hinder the organisation's day-to-day operations. Risk monitoring was conducted by the Fraud Prevention, Risk and Compliance Committee on a quarterly basis, which enabled the organisation to identify risks and develop effective controls to mitigate the risks to acceptable levels.

During the year under review, FoodBev SETA successfully managed to develop a risk management culture that resulted in consistent and frequent risk monitoring and reporting. This process provided the organisation with the ability to systematically identify new and emerging risks and ensure that existing risks

are being addressed by implementing control improvements.

The risk registers were compiled subsequent to conducting a risk assessment. This outlined the risks, controls put in place to reduce such, residual risk ratings, control improvements and risk owners assigned to ensure that each unit is responsible for managing risks. These measures assure a risk management culture throughout the organisation. To ensure effective risk monitoring, a dedicated resource is responsible for ensuring that risk owners implement control improvements timeously and ahead of the quarterly committee meetings.

The Audit and Risk Committee provides oversight and monitors the effectiveness of the risk management function through the receipt of risk reports that are presented quarterly. The FoodBev SETA Board played an integral role in forging the risk management culture and remains ultimately responsible for the risk management function within the organisation.

## 6. Internal Audit Function

FoodBev SETA has outsourced the internal audit function to Entsika Consulting who has contributed immensely in the improvement of the control environment of the SETA. Entsika performed the internal audit for the year ended 31 March 2020 in accordance with the Internal Audit Plan 2019/20 which was approved by FoodBev SETA's Audit and Risk Committee. The Internal Audit Plan was developed after considering the SETA's top strategic risks identified by management.

Internal audit completed ten of 14 planned audits. Out of four remaining audits, two audits are at reporting phase (i.e. SCM review and AFS 2019/20 review), and the other two, comprising

auditing of performance information for Q4 and audit findings follow-up reviews (phase two), will be completed during Q1 of 2020/21.

The year 2019/20 saw a significant reduction in the number of level one critical findings (72%) and a 14% reduction on level two significant findings. This improvement in the control environment was attributed to the mandatory grant and internal financial control process audits which were both rated satisfactory in the current year. The significant findings reported in the current year were mainly due to the new DHET reporting system (SETMIS) which was implemented this year as the SETA experienced significant challenges.



## 7. Internal Audit and Audit Committees



### 7.1 Key activities and objectives of the internal audit

Internal audit is responsible for conducting its work in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards/ISPPA) established by the Institute for Internal Auditors (IIA). The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations.

Internal audit undertakes a continuous function in measuring, evaluating, and reporting on the effectiveness of systems and processes, their economy of application and efficiency in meeting the objectives of the organisation. The internal auditors will perform their duties with very strict and absolute accountability for safekeeping and confidentiality of the FoodBev SETA's information.

The scope of work of the internal audit function is to determine whether FoodBev SETA's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- a) Risks are appropriately identified and managed.
- b) Significant financial, managerial and operating information is accurate, reliable and timely.
- c) Employees' actions comply with policies, standards, procedures and applicable laws and regulations.
- d) Resources are acquired economically, used efficiently and adequately protected.
- e) Programmes, plans and objectives are achieved.
- f) Quality and continuous improvement are fostered in FoodBev SETA's control processes.
- g) Significant legislative or regulatory issues impacting on FoodBev SETA are recognised and addressed appropriately.

The objectives of internal control are to ensure:

- a) Reliability and integrity of information;
- b) Compliance with policies, plans, procedures, laws and regulations;
- c) Safeguarding of assets;
- d) Economical and efficient use of resources; and
- e) Accomplishment of established objectives and goals for operations or programmes.

### 7.2 Key activities and objectives of the Audit and Risk Committee

The Audit and Risk Committee assisted the Board in assuming the following fundamental responsibilities:

- a) Fostering and improving open communication and contact among relevant stakeholders in FoodBev SETA (monitoring of the management process).
- b) Ensuring that all stakeholder interests are considered in the management of the operations.
- c) Ensuring adequate processes to assess FoodBev SETA's risks and control environment (assessing the risk and control environment).
- d) Ensuring that management has implemented policies and procedures to identify risks and appropriately manage these risks through an effective system of internal control.
- e) Ensuring the oversight of the financial reporting process.
- f) Reviewing financial statements and appropriateness of accounting policies and significant transactions/estimates.
- g) Ensuring the evaluation of the internal and external audit process.
- h) Ensuring that the work of internal and external audit is appropriate, risk based, and properly coordinated to ensure no duplication of audit effort takes place, and that assurance provided to the Audit and Risk Committee is maximised.
- i) Ensuring the review of the quarterly performance of the SETA.

## 7. Internal Audit and Audit Committees (continued)

The following table discloses relevant information on the Audit and Risk Committee members.

*Table 22: Audit and Risk Committee members*

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	No. of meetings attended out of a total on 9 meetings
Tracy Randall	Bachelor in Accounting Science	External	n/a	01.09.2016	7/9
Fana Mkwanazi	Chartered Accountant (SA)	External	n/a	11.12.2018	9/9
Tom Tshitangano	Master's in Commerce in Development Finance	External	n/a	01.09.2016	5/9
Nthabe Zondo	Master's in Science (International Marketing Management)	Board member	n/a	01.04.2018	9/9
Raymond Mnguni	Diploma in ABET	Board member	n/a	01.04.2018	8/9



## 8. Compliance with Laws and Regulations



FoodBev SETA is committed to ensure that the organisation complies with applicable laws, rules, codes and standards, and this remains an important consideration in all its decision-making processes. In achieving effective Compliance Regulatory Management, the SETA continues to develop its compliance universe.

To instil and maintain a culture that fosters compliance, on a quarterly basis, all departments submit compliance registers setting out the legislative prescripts that are applicable to their respective departments and the level of compliancy. During the year under review, 21 pieces of legislation were reviewed and reported against. Although FoodBev SETA's compliance universe is still at a developmental stage, it is significant to indicate that the organisation's compliancy levels are satisfactory.

## 9. Fraud and Corruption

FoodBev SETA has adopted a zero-tolerance approach towards fraud and corruption in a bid to uphold good corporate governance and embed an integritous and honest work culture. During the year under review, the Fraud Prevention Plan was reviewed and approved to assist FoodBev SETA in managing fraud risk and raising the level of fraud awareness among the internal and external stakeholders. The Fraud Prevention Plan intends to reduce the risk of fraud and provides mitigating measures that will protect the interests of the organisation. A whistle-blowing policy is in place to support the plan. FoodBev SETA has an anonymous tip-off hotline platform outsourced to Deloitte. All reported cases are investigated, escalated to the Board and the resolutions implemented.





## 10. Minimising Conflict of Interest

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At the beginning of each financial year or with the appointment of new employees, the latter and Board members are requested to declare their interests by completing declaration of interest forms. These forms state whether they or anyone related to them engage in any remunerative work that has the potential of posing a conflict of interest with their work and the organisation.

Human Resources facilitated the recording of any interest that might impact the FoodBev SETA. Furthermore, in each Management, Supply Chain Bid Evaluation Committee and Bid Adjudication Committee, Recruitment and Selection Panels/Committee, Board and committee meeting, a declaration of interest form on agenda items is completed and signed. Where interest is declared, the member would be requested to recuse him/herself when the item is discussed. During the year under review, one matter relating to non-disclosure of a conflict of interest by an employee has been escalated to the Audit and Risk Committee, and disciplinary processes put in place.

## 11. Code of Conduct

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All employees of FoodBev SETA are required to comply and adhere to the provisions of the Code of Conduct. The code adopts a zero-tolerance approach to corruption and employees are required to make declarations on an annual basis which seek to achieve accountability and transparency. Employees within the organisation continue to uphold the principles set out in the Code of Conduct and are committed to performing in a manner that always maintains the principles of accountability and integrity.

The Human Resources Department ensures that new employees are informed and well acquainted with the code and its provisions during their induction programme. Awareness of the code is also continuously promoted to existing employees. As part of the organisation's commitment to zero tolerance against corruption, as outlined in the Code of Conduct, the organisation has made provision for a hotline dedicated to reporting any allegations of actual or perceived corrupt conduct. All matters reported to the hotline are directly conveyed to the Board and the Audit and Risk Committee and dealt with decisively.

## 12. Health Safety and Environmental Issues

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As an organisation, FoodBev SETA cares about the health, safety and welfare of its employees and recognises that their wellbeing is a pre-requisite for organisational performance and its success. The Occupational Health and Safety function primarily focused on creating and maintaining a safe working environment and preventing workplace accidents. A significant obstacle in achieving these objectives was the dormant (departmental) safety committees and the lack of awareness and capacity among employees to fulfil the responsibilities of Safety Representatives.

## 13. Social Responsibility

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The FoodBev SETA, through its Corporate Social Responsibility initiatives, seeks to improve quality of life by identifying socio-economic challenged schools, home-care centres and community-based organisations, etc. FoodBev SETA focuses on education, youth and women development, persons living with disabilities, environmental sustainability and skills development. In the past year, FoodBev SETA contributed towards the Back to School Programme at Phuthanang Training Centre for the Disabled in Tembisa.



## 14. Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2020.

### Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 78 of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit and Risk Committee also reports that it has formally adopted appropriate terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

During the 2019/20 financial year, the Audit and Risk Committee:

- a) Reviewed the effectiveness of internal control systems by approving the risk-based Internal Audit Plan, and reviewed internal audit reports on a quarterly basis.
- b) Assessed the adequacy, reliability and accuracy of financial information provided by management.
- c) Reviewed the effectiveness of the internal audit function, through assessment of the quality of reports submitted to the committee.
- d) Reviewed the SETA's processes for compliance, legal and regulatory provisions.
- e) Reviewed the SETA's processes for risk management and ethics management.
- f) Reviewed the expertise, resources and experience of the organisation's finance function.
- g) Reviewed, and where appropriate, recommended changes to the Annual Financial Statements as presented by the SETA for the year ended 31 March 2020.
- h) Reviewed the accounting policies and practices, as reported in the Annual Financial Statements, and confirmed that these were appropriate.
- i) Reviewed the information of the predetermined objectives as reported in the Annual Report.
- j) Reviewed the AGSA's Management Report and management's response thereto.
- k) Reviewed adjustments resulting from the audit of the SETA.
- l) Provided a channel of communication between the Accounting Authority and management, internal auditors and external auditors.
- m) Ensured that a combined assurance model was applied to provide a coordinated approach to all assurance activities and ensured that it was appropriate to address all significant risks faced by the organisation.

Our review of the findings highlighted by Internal and External Audit, revealed certain weaknesses. These were raised with management, and have been adequately and effectively addressed.

The Committee acknowledges the non-compliance finding reported by the Auditor-General with concern; however, it commends management and the Board on the pro-active, decisive and timely action taken to identify and address the incident of irregular expenditure. The immediate initiation of an investigation, followed by consequences for management and strengthening of controls, highlights management's commitment to prevent a re-occurrence thereof.



The Audit and Risk Committee ensured that the organisation's internal audit function was independent and had the necessary resources and authority to discharge its duties. Having considered, analysed and reviewed the combined assurance information provided by management, Internal Audit, external auditors and the management risk committee, the Audit and Risk Committee confirms that:

- a) The internal controls of the organisation were effective in most material aspects throughout the period under review.
- b) Appropriate policies supported by reasonable and prudent judgement and statements were applied.
- c) Adequate and effective controls are in place to safeguard assets.
- d) The Financial Statements comply, in all material respects, with the relevant provisions of the PFMA of 1999 and GRAP.
- e) The skills, independence, audit plan, reporting, and overall performance of the external auditors were acceptable.
- f) Adequate skills, knowledge and expertise exist in the finance function of the organisation.

The Audit and Risk Committee is happy to note the external auditor's report relating to the fair representation of the Annual Financial Statements and the usefulness and reliability of the reported performance information presented by the SETA.

The Audit and Risk Committee concurs and accepts the conclusion of the Auditor-General on the Annual Financial Statements and performance information, and is of the opinion that the Annual Financial Statements and performance information be accepted and read together with the report of the Auditor-General.

A black ink handwritten signature, appearing to read 'Tracy Randall', written in a cursive style.

**Ms Tracy Randall**

*Chairperson of the Audit and Risk Committee  
30 September 2020*

## 15. B-BBEE Compliance Performance Information

The following table has been completed in accordance with compliance to the Broad-Based Black Economic Empowerment (B-BBEE) requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade and Industry.

*Table 23: B-BBEE compliance*

Has the SETA applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes/No	What measures have been taken to comply?
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law?	No	n/a
Developing and implementing a preferential procurement policy?	Yes	FoodBev SETA implements the preferent policy regulations of 2017 as prescribed
Determining qualification criteria for the sale of state-owned enterprises?	No	n/a
Developing criteria for entering into partnerships with the private sector?	Yes	Standard Operating Procedure is under development to re-enforce compliance to B-BBEE
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	FoodBev SETA considers equity imperatives when evaluating and awarding the discretionary grants







# PART D

## Human Resource Management

**Chamber:** Manufacture of Food  
Preparation Products



# 1. Introduction

The primary objective of the Human Resources Department (HR) is to assist FoodBev SETA to achieve its strategic objectives and ensure that the employees of the organisation provide stakeholders with exceptional service. In providing strategic support to the organisation, HR is committed to fostering a positive and engaging work environment while identifying and responding to the changing needs of our diverse organisation.

## 1.1 Overview of Human Resource Matters

In the year under review, HR invested in several initiatives to ensure the achievement of organisational goals. These initiatives are discussed in detail further below.

## 1.2 Human Resource Priorities

FoodBev SETA identified a number of priorities to enhance human capabilities, namely:

### 1.2.1 Implement the skills audit recommendations

FoodBev SETA seeks to build the competences of its employees to assist their professional and personal development. As such, during the previous financial year, a Skills Audit was conducted, and the results and recommendations were communicated to the relevant employees and partially implemented during the year under review through means of training initiatives.

As a result of the comprehensive recommendations received, HR will finalise the implementation of the Skills Audit Report recommendations during the next financial year, in line with the training plan that has been developed.

### 1.2.2 Review and develop HR policies and procedures to ensure alignment with relevant legislation

Nine policies were developed (and in certain instances updated) and approved by the Board to ensure alignment with the organisational mandate:

- a) Job Evaluation Policy,
- b) Code of Conduct Policy,
- c) Leave and Regulation of Hours Policy,
- d) Occupational Health and Safety Policy,
- e) Sexual Harassment Policy,
- f) Uniform and Dress Code Policy,
- g) Employee Benefits Policy,
- h) Disciplinary Code and Procedure, and
- i) Bereavement Policy.

Subsequent to the Board approval of the above-mentioned policies, HR held training sessions to create awareness on the salient clauses.

### 1.2.3 Roll-out of Leadership and Management Development Training Programme

The Gordon Institute of Business School was appointed to assist in rolling out the International Executive Development & International Management Development Programmes for SETA member companies. The process commenced with the recruitment for participants on 3 February 2020 following the FoodBev SETA roadshows.

A total of 231 applications were received, 81 candidates were shortlisted for interviews, 35 candidates were placed on the waiting list and 42 candidates were unsuccessful. The remaining 73 applications were disqualified.



The recruitment process was concluded on 20 March 2020, and applicants were informed of the outcome of their applications. Interviews were scheduled for 25 to 27 March 2020; however, this had to be rescheduled due to the COVID-19 pandemic. The full implementation will be rolled over to the new financial year.

### **1.2.4 Resuscitate Occupational Health and Safety initiatives and awareness within the organisation**

FoodBev SETA considers its employees to be its most valuable assets and accordingly commits to safeguard them by providing and maintaining, as far as reasonably practical, a working environment that is safe and without risk to the health of its employees.

In maintaining a safe working environment and to create awareness, HR arranged for Occupational Health and Safety (OHS) training for all employees. The training was facilitated by an accredited service provider and was comprehensive and relevant for the employees and their day-to-day operations. Following the training initiative, HR developed an OHS Policy. The development and implementation of the policy are indicative of the compliance culture that the SETA is committed to achieving.

In addition, a planned emergency evacuation and fire drill was conducted on 28 January 2020. The purpose of the fire drill was to ensure that everyone knows how to exit safely and as quickly as possible if a fire, smoke, or other emergency occurs, and to familiarise themselves with the sound of the fire alarm.

During the year under review, no major incidents or injuries on duty were recorded and/or reported.

## **1.3 Achievements**

### **1.3.1 The implementation of the organisational structure**

FoodBev SETA is pleased to report that the organisational structure project that begun a few years ago was finally approved and implemented during the year under review. This process included the implementation of the approved salary scales, which ensured that employees are now paid competitive salaries that are in line with the market. The outcome of the process entailed the following:

- a) The review and development of the new job profiles for all employees.
- b) The implementation of the new job grades and salary scales following a job evaluation and salary benchmarking exercise for all positions.
- c) The renaming and conversion of affected positions in the structure.

It is worth mentioning that the implementation of the above-mentioned structure met with various organisational challenges, priorities, QCTO Landscape and other relevant legislation. These changes necessitated an organisational structure review and enhancement process which was approved by the Board on 26 March 2020. The aim of the review was, among others, to address internal capacity issues to improve efficiency, ensure accountability and organisational effectiveness to deliver and achieve the SETA's strategic objectives and exceed stakeholder expectations.

The total staff establishment increased from 51 to 89, which is inclusive of the previously outsourced services such as information technology, legal and compliance etc. It should be noted that the 38 new approved positions will be phased in over a three-year period, commencing in the 2020/21 financial year.

## 1. Introduction (continued)

### 1.3.2 Employee performance management

FoodBev SETA, for the first time since the implementation of the Performance Management Policy, fully complied with the provisions of the policy in that all employees entered into performance plans and conducted mid-year and annual reviews. This process was aided by a number of performance management training initiatives provided by HR and support provided by line management. Employees have satisfactorily managed to familiarise themselves and participate in the performance management process. In the next financial year, HR will strive to ensure that employees honour the timelines associated with performance management to ensure that the process is more meaningful and holistic.

### 1.3.3 Employee wellness programmes

FoodBev SETA is committed to the health and well-being of its employees and recognises the importance of employee wellness in the organisation. In showing its commitment to employee wellness, the SETA undertook the following activities during the year under review:

- a) A Board Strategic Plan feedback session was held with employees and followed by a team building exercise that was held externally. As part of the team building, key values and principles such as teamwork, building trust, taking accountability and handling pressure in a mature manner were emphasised through the activities conducted.

- b) FoodBev SETA held its annual Corporate Social Investment event, which coincided with World AIDS day and Disability Awareness month. The SETA gives back to less privileged communities by donating food, clothes, toys and funds to an identified charity organisation. Both the SETA and employees contributed towards this initiative. The activities undertaken on the day were cleaning, gardening, cooking and providing lunch. These activities were followed, for the first time, by the employee Long Service Awards where certificates were awarded to employees with uninterrupted years of service of between five and 20 years. A total of 23 employees received Long Service Certificates as a token of appreciation. Of the 23 employees, ten employees have been with the SETA for ten years and longer.

## 1.4 Challenges

### 1.4.1 Achieve the planned Employment Equity targets

FoodBev SETA has faced barriers with the achievement of its planned Employment Equity targets in relation to the advancement and development of employees in designated groups and the appointment of underrepresented racial groups and in line with the demographics of South Africa and the Gauteng region. The overall African representation is 91%, White employees' representation is 4%, with 6% being foreign nationals, and 4% are persons with disabilities (PWDs). Indian and Coloured people are not





represented. FoodBev SETA exceeded the required 2% appointment of PWDs; however, the 50/50 target for males and females has not been achieved as males are underrepresented by 10%.

### **1.4.2 Implementation of the Skills Audit**

As part of the full implementation of the organisation review project, FoodBev SETA had prioritised the full implementation of the Skills Audit recommendations. However, these could not be implemented due to the late approval of the job grading and job profiles which were finalised late and impacted the commencement and the full roll-out. It should be noted that HR facilitated a one-on-one feedback session where employees were given their outcomes. The implementation of the recommendations will be rolled over to the new financial year.

## **1.5 Future HR plans**

- 1.5.1 Implement the newly enhanced organisational structure.
- 1.5.2 Implement and roll out of the Employee Wellness Programme, which will be easily accessible to employees to cater for their wellness issues, including but not limited to, mental health and stress management.
- 1.5.3 Migrate from predominantly manual HR processes to automated processes. Phase one for online leave management has been implemented.





## 2. Human Resource Oversight Statistics

### 2.1 Personnel cost by salary band

Table 24: Salary bands and expenditure

Occupational level	No. of employees	Personnel expenditure in (R'000)	% of total personnel cost	Average cost per employee (R'000)
Top Management	2	4 015	15%	2 008
Senior Management*	5	5 819	22%	1 164
Middle Management	9	6 344	24%	705
Skilled Technical	13	5 686	21%	437
Semi-skilled	16	4 604	17%	288
Unskilled	2	282	1%	141
<b>Total</b>	<b>47</b>	<b>26 750</b>	<b>99%</b>	<b>569</b>
Graduate Interns	4	221	1%	55
<b>Grand Total</b>	<b>51</b>	<b>26 971</b>	<b>100%</b>	<b>529</b>

\* One Senior Manager: Chambers is on a fixed-term contract, however for the purposes of costing, the position has been included at the Senior Management Occupational Level. It should be noted that the high increase in the reported personnel expenditure is attributed to the implementation of the salary adjustments after a formal job grading and benchmarking exercise, and appointment of additional employees.

### 2.2 Performance rewards

Table 25: Performance rewards per occupational level

Occupational level	No. of employees	Performance rewards	% of total performance rewards	Average performance rewards per employee (R'000)
Top Management	2	374 154	22%	187
Senior Management	5	335 158	19%	67
Professional qualified	9	352 877	21%	39
Skilled	13	336 838	20%	26
Semi-skilled	16	305 776	18%	19
Unskilled	2	15 361	1%	8
<b>Total</b>	<b>47</b>	<b>1 720 164</b>	<b>100%</b>	<b>37</b>

## 2. Human Resource Oversight Statistics (continued)



### 2.3 Training costs

Table 26: Training costs per occupational level

Occupational level	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	No. of employees trained	Average training cost per employee
Top Management	4 015	57	1.42%	2	29
Senior Management	5 819	2	0.04%	1	2
Professional qualified	6 344	78	1.23%	4	20
Skilled	5 686	92	1.62%	3	31
Semi-skilled	4 604	157	3.41%	11	14
Unskilled	282	18	6.52%	2	9
<b>Total</b>	<b>26 750</b>	<b>404</b>	<b>1.51%</b>	<b>23</b>	<b>18</b>

A total of 23 employees attended training interventions with the aim of addressing skills gaps identified and improving competency levels. Over and above the reported training in the table, an organisational-wide training on Occupational Health and Safety amounting to R25 000.00 was facilitated. A grand total amount of R429 783.00 was spent on employee training (excludes board training). In addition, a number of senior and management employees attended training that was provided by FASSET such as Risk Management, Labour Relations etc. Furthermore, the SETA has received from FASSET a mandatory grant amount of R44 124.88 for the training that was conducted during the reporting period.

### 2.4 Employment and vacancies

Table 27: Employees, posts and vacancies per occupational level

Occupational level	No. of employees as at 31 March 2019	Approved posts as at 31 March 2020	No. of employees as at 31 March 2020	No. of vacancies as at 31 March 2020	% of vacancies
Top Management	1	2	2	0	0%
Senior Management	3	5	4	1	2%
Professional qualified	8	11	9	2	4%
Skilled	10	13	13	0	0%
Semi-skilled	16	18	16	2	4%
Unskilled	2	2	2	0	0%
<b>Total</b>	<b>40</b>	<b>51</b>	<b>46</b>	<b>5</b>	<b>10%</b>
Fixed term contract*	1	1	1	0	0%
<b>Grand Total</b>	<b>41</b>	<b>52</b>	<b>47</b>	<b>5</b>	<b>10%</b>

\* The Board approved the appointment of a fixed-term contract employee who is responsible for the management of the chambers. This post has subsequently been included in the newly approved organisational structure to be filled permanently in the new financial year.

## 2. Human Resource Oversight Statistics (continued)

### 2.5 Employment changes

In total, ten appointments were made during the year. It should be noted that internal appointments had no effect on the employment at the end of this period since the candidates remain employees of FoodBev SETA. The following table provides an indication of trends and movements of the SETA's employment profile by occupational levels during the year under review, which excludes the appointment of interns who are not recorded as fulltime employees.

*Table 28: Changes in employment*

Salary band	Employment as at 31 March 2019	External appointments	Internal appointments	Salary band adjustment	Terminations/ End of contract	Employment as at 31 March 2020
Top Management	1	0	1	0	0	2
Senior Management	3	1	0	0	0	4
Professional qualified	8	2	0	0	(1)	9
Skilled	10	1	2	0	0	13
Semi-skilled	16	2	0	(2)	0	16
Unskilled	2	0	0	0	0	2
<b>Total</b>	<b>40</b>	<b>6</b>	<b>3</b>	<b>(2)</b>	<b>(1)</b>	<b>46</b>
Fixed term contract	1	1	0	0	(1)	1
<b>Grand Total</b>	<b>41</b>	<b>7</b>	<b>3</b>	<b>(2)</b>	<b>(2)</b>	<b>47</b>

The negative figures indicate salary band adjustments and terminations that were implemented effective 1 April 2019.



### 2.6 Reasons for staff leaving

Table 29: Staff leaving and reasons

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	1	2%
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	1	2%
Other	0	0
<b>Total</b>	<b>2</b>	<b>4%</b>

One employee resigned and cited career advancement reasons for the resignation. One employee's contract ended, however, this employee was subsequently appointed in a permanent position.

### 2.7 Labour relations: Misconduct and disciplinary action

Table 30: Incidence of disciplinary action

Nature of disciplinary action	Number
Verbal recorded warning	1
Written warning	1
Final written warning	1
Dismissal	0
Grievances	1
<b>Total</b>	<b>4</b>

The above-mentioned disciplinary actions were dealt with in line with FoodBev SETA disciplinary code and procedures. It must be noted that the verbal warning and written warning recorded above are for one employee. The one grievance recorded was in principle finalised; however, as at 31 March 2020, the Chairperson had not issued a report.

## 2. Human Resource Oversight Statistics (continued)

### 2.8 Equity target and Employment Equity status

During the period under review, FoodBev SETA embarked on various affirmative action measures, as per the approved SETA Employment Equity Plan. The following table provides a perspective of the organisation's Employment Equity position.

*Table 31: Employment equity profile*

Occupational level	Employment Equity Profile										Grand total
	Male				Female				Foreign national		
	A	C	I	W	A	C	I	W	M	F	
Top Management	0	0	0	0	1	0	0	0	1	0	2
Senior Management	2	0	0	0	1	0	0	1	0	0	4
Professionally Qualified	2	0	0	1	6	0	0	0	0	0	9
Skilled Technically	6	0	0	0	6	0	0	0	0	1	13
Semi-skilled	7	0	0	0	9	0	0	0	0	0	16
Unskilled	0	0	0	0	1	0	0	0	0	1	2
Total	17	0	0	1	24	0	0	1	1	2	46
Fixed term	1	0	0	0	0	0	0	0	0	0	1
Graduate Interns	1	0	0	0	3	0	0	0	0	0	4
Grand Total	19	0	0	1	27	0	0	1	1	2	51

Numerical targets were met for some of the occupational levels. However, the overall Employment Equity targets were not met as there were no representation of Indian and Coloured employees, and the 50/50 gender split was not achieved as males were underrepresented by 10%.





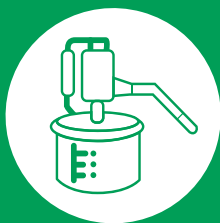
## 2. Human Resource Oversight Statistics (continued)



### 2.9 Persons with disability

Table 32: Profile of persons with disability

Occupational level	Employment Equity Profile										Grand total
	Male				Female				Foreign national		
	A	C	I	W	A	C	I	W	M	F	
Top Management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0	0	0
Professionally Qualified	0	0	0	0	0	0	0	0	0	0	0
Skilled Technically	0	0	0	0	1	0	0	0	0	0	1
Semi-skilled	1	0	0	0	0	0	0	0	0	0	1
Unskilled	0	0	0	0	0	0	0	0	0	0	0
Temporary Staff	0	0	0	0	0	0	0	0	0	0	0
Total	1	0	0	0	1	0	0	0	0	0	2
Fixed term	0	0	0	0	0	0	0	0	0	0	0
Graduate Interns	0	0	0	0	0	0	0	0	0	0	0
Grand Total	1	0	0	0	1	0	0	0	0	0	2



## PART E

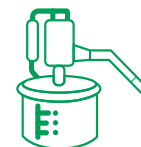
### Financial information


**Chamber:** Manufacture of  
Production, processing and  
preservation of meat, fish, fruit,  
vegetables, oils and fats





# Financial Highlights



 **R456 m**  
(2018/19: R430m)

**Revenue increased  
year-on-year**



**Cash receipts from  
stakeholders increased  
year-on-year**

**R450 m**   
(2018/19: R432m)

 **R299 m**  
(2018/19: R306m)

**Grant and project  
payments decreased  
year-on-year**



**Cash and cash  
equivalents increased  
year-on-year**

**R818 m**   
(2018/19: R713m)

 **R44 m**  
(2019/20 budget: R47m)

**Administration expenses  
contained through cost  
cutting measures**



**Employer grant and  
project expenses  
lower than budgeted**

**R302 m**   
(2019/20 budget: R356m)

# Report of the Auditor-General to Parliament on the Food & Beverage Manufacturing Sector Education and Training Authority

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Food & Beverages Manufacturing Sector Education and Training Authority set out on pages 95 to 143, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Food & Beverages Manufacturing Sector Education and Training Authority as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

### Basis for the opinion

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

4. I am independent of the public entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter

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

### Events after the reporting date

7. I draw attention to note 21 in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of COVID-19 on public entity's future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances.

### Responsibilities of accounting authority for the financial statements

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA and the SDA, and for such

internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

## **Report on the audit of the annual performance report**

### ***Introduction and scope***

12. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning document. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.



## Report of the Auditor-General to Parliament on the Food & Beverage Manufacturing Sector Education and Training Authority (continued)

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

Programmes	Pages in the annual performance report
Programme 3 – Learning programme and projects	32–42

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
- Programme 3 – Learning programme and projects.

### Other matter

17. I draw attention to the matter below.

### Achievement of planned targets

18. Refer to the annual performance report on pages 29 to 51 for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a significant number of targets.

## Report on the audit of compliance with legislation

### Introduction and scope

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

### Expenditure management

21. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R3 598 000 as disclosed in note 24 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

### Other information

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

## Report of the Auditor-General to Parliament on the Food & Beverage Manufacturing Sector Education and Training Authority (continued)

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

25. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

### Internal control deficiencies

26. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

27. The public entity did not have adequate review and monitoring processes in place to prevent non-compliance with SETA Grant Regulations, which resulted in irregular expenditure being incurred.

*Auditor-General*

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**Pretoria**

30 September 2020



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

## Annexure – Auditor-General’s Responsibility for the Audit

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

### Financial statements

2. In addition to my responsibility for the audit of financial statements as described in this auditor’s report, I also:
  - a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
  - b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control.
  - c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting

- estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- d) conclude on the appropriateness of the board of directors, which constitutes the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Food & Beverages Manufacturing Sector Education and Training Authority to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease operating as a going concern.
- e) 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.

## Annexure – Auditor-General’s Responsibility for the Audit (continued)

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### **Communication with those charged with governance**

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

# Annual Financial Statements Index

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*The reports and statements set out below comprise the annual financial statements:*

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# Statement of Financial Performance

for the year ended 31 March 2020

	Note(s)	2019/20 R'000	2018/19 R'000
<b>Revenue</b>			
<b>Non-exchange revenue</b>			
Skills development levy: Income	3	393 608	370 412
Skills development levy: Interest and penalties	4	6 429	13 686
Other income	6	5 564	98
<b>Total revenue from non-exchange transactions</b>		<b>405 601</b>	<b>384 196</b>
<b>Exchange revenue</b>			
Other income	6	13	76
Interest received – investment	5	50 241	46 652
<b>Total revenue from exchange transactions</b>		<b>50 254</b>	<b>46 728</b>
<b>Total revenue</b>		<b>455 855</b>	<b>430 924</b>
<b>Expenditure</b>			
Employee related costs	8	(17 669)	(13 664)
Depreciation and amortisation	10&11	(1 434)	(1 489)
Lease rentals on operating lease	9	(2 569)	(2 521)
Debt impairment	12	(225)	(101)
Employer grant and project expenses	7	(302 366)	(320 195)
Other administration expenses	8	(22 096)	(19 487)
<b>Total expenditure</b>		<b>(346 359)</b>	<b>(357 457)</b>
<b>Surplus for the year</b>		<b>109 496</b>	<b>73 467</b>

# Statement of Financial Position

as at 31 March 2020

	Note(s)	2019/20 R'000	2018/19 R'000
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables from non-exchange transactions	12	5 768	380
Trade and other receivables from exchange transactions	13	467	467
Inventory	14	20	42
Cash and cash equivalents	15	817 767	713 142
		<b>824 022</b>	<b>714 031</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	2 460	3 089
Intangible assets	11	391	504
		<b>2 851</b>	<b>3 594</b>
<b>Total assets</b>		<b>826 873</b>	<b>717 625</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from non-exchange transactions	16	18 754	27 097
Trade and other payables from exchange transactions	17	10 094	4 527
Provisions	18	8 413	5 886
		<b>37 261</b>	<b>37 510</b>
<b>Total liabilities</b>		<b>37 261</b>	<b>37 510</b>
<b>Net assets</b>		<b>789 612</b>	<b>680 115</b>
<b>Reserves</b>			
Administration reserve		2 871	3 636
Discretionary grant reserve		786 433	676 338
Employer grant reserve		308	141
<b>Total net assets</b>		<b>789 612</b>	<b>680 115</b>

# Statement of Changes in Net Assets

for the year ended 31 March 2020

	Administration reserve R'000	Discretionary grant reserve R'000	Employer grant reserve R'000	Accumulated surplus R'000	Total net assets R'000
<b>Balance at 1 April 2018</b>	<b>3 446</b>	<b>603 202</b>	<b>-</b>	<b>-</b>	<b>606 648</b>
Changes in net assets					
Surplus for the year	-	-	-	73 467	73 467
Allocation of unappropriated surplus	11 586	45 023	16 858	(73 467)	-
Excess reserves transferred to discretionary reserve	(11 396)	28 113	(16 717)	-	-
<b>Balance at 31 March 2019</b>	<b>3 636</b>	<b>676 338</b>	<b>141</b>	<b>-</b>	<b>680 115</b>
Changes in net assets					
Surplus for the year	-	-	-	109 496	109 496
Allocation of unappropriated surplus	7 600	82 093	19 803	(109 496)	-
Excess reserves transferred to discretionary reserve	(8 366)	28 002	(19 636)	-	-
<b>Balance at 31 March 2020</b>	<b>2 871</b>	<b>786 433</b>	<b>308</b>	<b>-</b>	<b>789 612</b>

Note(s) 2

# Cash Flow Statement

for the year ended 31 March 2020

	Note(s)	2019/20 R'000	2018/19 R'000
<b>Cash flows from operating activities</b>			
<b>Cash receipts from stakeholders</b>			
Levies, interest and penalties received		400 213	385 492
Interest income		50 241	46 652
		<b>450 454</b>	<b>432 144</b>
<b>Cash paid to stakeholders, suppliers and employees</b>			
Grants and project payments		(299 154)	(305 575)
Compensation of employees		(28 691)	(20 875)
Payments to suppliers and other		(17 305)	(9 063)
		<b>(345 150)</b>	<b>(335 513)</b>
<b>Net cash flows from operating activities</b>	19	<b>105 304</b>	<b>96 631</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(252)	(1 269)
Proceeds from disposal of assets		34	-
Purchase of intangible assets	11	(461)	(455)
<b>Net cash flows from investing activities</b>		<b>(679)</b>	<b>(1 724)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>104 625</b>	<b>94 907</b>
Cash and cash equivalents at the beginning of the year		713 142	618 235
<b>Cash and cash equivalents at the end of the year</b>	15	<b>817 767</b>	<b>713 142</b>

## Statement of Comparison of Budget and Actual Amounts

	Approved budget R'000	Adjustments R'000	Final budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Other income	-	-	-	5 577	5 577	29.1
Fines and penalties	5 000	-	5 000	6 429	1 429	29.2
Skills development levies – income	360 548	-	360 548	393 608	33 060	29.3
Interest received – investment	38 000	10 000	48 000	50 241	2 241	29.4
Retained funds	-	80 869	80 869	-	(80 869)	29.7
<b>Total revenue including retained funds</b>	<b>403 548</b>	<b>90 869</b>	<b>494 417</b>	<b>455 855</b>	<b>(38 562)</b>	
<b>Expenses</b>						
Administration expenses	(47 470)	-	(47 470)	(43 993)	3 477	29.5
Employer grant and project expenses	(356 078)	(90 869)	(446 947)	(302 366)	144 581	29.6
<b>Total expenditure</b>	<b>(403 548)</b>	<b>(90 869)</b>	<b>(494 417)</b>	<b>(346 359)</b>	<b>148 058</b>	
<b>Surplus for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109 496</b>	<b>109 496</b>	



# Accounting Policies

## 1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The implementation of the new GRAP Standards has not resulted in any change in accounting policy.

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

### 1.1 Basis of preparation

The Annual Financial Statements (AFS) have been prepared on the historical cost basis except where adjusted for fair values as required by the respective accounting standards, all figures presented are rounded off to the nearest thousand.

### 1.2 Functional and presentation currency

These Financial Statements are presented in South African Rands, which is FoodBev SETA's functional currency.

### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or if the period of revision and future periods of the revision affects both the current and future periods.

#### *Key sources estimation uncertainty*

The following are the key assumptions concerning the future, and other sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the amount of assets and liabilities within the next financial period.

#### *Estimation of useful lives and residual value*

Management considers the impact of technology, condition of the asset, and if there are any approved plans by the Board to dispose of the asset. The estimation of residual values of assets is based on management's judgement whether the assets will be sold or will be used to the end of their useful lives and in what condition the assets will be at the time. Management are of the opinion that all other assets of the SETA that will not be disposed of, have a useful life that is equal to the economic life of the assets. Management therefore considers the residual value to not be materially significant.

## Accounting Policies (continued)

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### *Impairment of assets*

Management makes estimates and judgements with regards to the impairment of non-cash generating assets. Management considers the subsequent measurement criteria and indicators of potential impairment as indicated in the GRAP Standards. If an indication exists, then management determines the recoverable amount.

### *Provisions*

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities.

### *Segment reporting*

The FoodBev SETA does not have an activity or unit that meets the definition of a 'Segment' as defined, as the FoodBev SETA administrative units and functional department do not undertake activities that generate economic benefits or service potential separately from the SETA as a whole. Management have assessed that the FoodBev SETA operates as one segment both from a service and geographical point of view. Management have not divided the financial information into different segments as required by GRAP 18. We draw the reader's attention to Notes 2,12 and 16 where revenue, expenses, trade and other receivables and trade and other payables are allocated into administration, mandatory and discretionary grant activities.

## **1.4 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners. Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue is recognised when it is probable that future economic benefits will flow to the SETA and these benefits can be measured reliably. The following represent the classes of revenue from non-exchange transactions:

### *Skills development levy income*

In terms of Section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies (employers) of the FoodBev SETA pay a skills development levy (SDL) of 1% of the total payroll cost to the South African Revenue Service (SARS). Companies with an annual payroll of less than R500 000 are exempted in accordance with section 4(b) of the Skills Development Levy Act, as amended, effective 1 August 2005.

Skills development levy transfers are recognised when it is probable that the future economic benefits will flow to the FoodBev SETA and these benefits can be measured reliably. This occurs when the Department of Higher Education and Training (DHET) either makes an allocation or a payment, whichever comes first, to the FoodBev SETA.

## Accounting Policies (continued)

Revenue is adjusted for inter-SETA transfers due to employers changing SETAs. Such adjustments are separately disclosed as inter-SETA transfers. The amount of the inter-SETA adjustment is calculated according to the Standard Operating Procedure issued by DHET.

When a new employer is transferred to the FoodBev SETA, the levies transferred by the former SETA are recognised as revenue and allocated to the respective category to maintain its original identity.

A net receivable/payable is recognised for SARS adjustments. An estimate as a result of retrospective adjustments by SARS due at year-end is based on historical trends and actual data where these amounts are available subsequent to year-end.

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

Levy exempt income is monies received from employers who are exempt from paying SDL, as per the Skills Development Circular 09/2013. The FoodBev SETA recognises a payable in respect of SDL refunds due to levy exempt employers. This payable is a provision based on the levies received from possible levy exempt entities. The FoodBev SETA transfers all monies received from levy exempt employers to discretionary grant income after the expiry date of five years from date of receipt of the funds, if not refunded to the respective employer through the SARS system.

Eighty percent (80%) of skills development levies are paid over to the FoodBev SETA (net of the 20% contribution to the National Skills Fund).

Employer's levy payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act for the purpose:

	2019/20	2018/19
Administration costs of the SETA	10.50%	10.50%
Employer grant fund levy*	20.00%	20.00%
Discretionary grant and projects	49.50%	49.50%
	<b>80.00%</b>	<b>80.00%</b>

\* The FoodBev SETA acknowledges that the above regulations were set aside by the Labour Appeal Court (LAC) during October 2019, however, in the absence of DHET gazetting new regulations, the SETA has used the current regulations for reporting purposes in the current year. We draw attention to Note 20.4 for further details.

## Accounting Policies (continued)

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### *Skills development levy interest and penalties*

SDL interest and penalties are recognised when it is probable that the future economic benefits will flow to the FoodBev SETA and these benefits can be measured reliably. This occurs when the DHET either makes an allocation or a payment, whichever comes first, to the FoodBev SETA. SDL interest and penalties received from SARS as well as the interest received on investments are utilised for discretionary grants and projects.

### *Government grants and other donor funding*

Funds transferred by the government and other donor funding are accounted for in the Financial Statements of the FoodBev SETA as a liability until the related eligible expenses are incurred, when the liability is utilised the revenue is recognised as other income in the Statement of Financial Performance.

Conditional government grants and other conditional donor funds received are recorded as deferred income when they are receivable and then recognised as income when the conditions attached to the grant are met. Unconditional grants are recognised as other income when the amounts have been received. Other revenue such as grant recoveries, bad debts recovered, insurance payouts, etc.

## **1.5 Revenue from exchange transactions**

Revenue from exchange transactions is the revenue in which one entity receives an inflow of benefits or has liabilities extinguished after giving approximately equal value of goods, services or use of assets to another entity in exchange. Revenue is measured at fair value of the consideration received or receivable.

### *Investment income*

Investment income is accrued on a time proportion basis, taking into account the principal outstanding, the effective interest rate over the period to maturity, comprises interest income on funds invested and is accrued using the effective interest method. Interest from investments is recognised when the bank has credited the investment with interest due in line with the maturity date of the investment.

## **1.6 Grants and project expenditure**

### *Mandatory grants*

Mandatory grant expenditure and the related payable is recognised when the employer has submitted an application within the stipulated deadline, and is approved by the Board after the evaluation process. The FoodBev SETA accrues for mandatory grants on a monthly basis and payments are made on a quarterly basis. A mandatory grant payable is recognised when quarterly payments to employers fail to go through due to submission of incorrect banking details by employers.

## Accounting Policies (continued)

### *Discretionary grants and project expenditure*

Discretionary grant expenditure and the related payable are recognised when the grant application has been approved and the conditions for grant payment, as set out in the Grant Funding Policy have been met, such as a signed contract with the employers, signed enrolment forms, signed grant claim form, and other relevant documents are submitted and signed by the employer and the FoodBev SETA.

Project expenditure comprises:

- a) Costs that relate directly to the specific contract;
- b) Costs that are attributable to contract activity in general and can be allocated to the project; and
- c) Such other costs as are specifically chargeable to the FoodBev SETA under the terms of the contract.

Discretionary grants and project expenditure are recognised as expenses in the period in which they are incurred.

Discretionary grant and projects that are approved by the Board but not contracted are disclosed as commitments approved but not contracted.

### *Projects*

Projects grant expenditure and the related payable is recognised when the employer has submitted an application within the stipulated deadline, is approved by the Board after the evaluation process, has submitted the required grant claim forms and other relevant documents for registration, interval and exit processes.

An accrual is made for projects approved at year-end when the service in terms of the contract has been delivered but the required documentation has not been submitted to FoodBev SETA at the end of the reporting period.

### *Commitments*

Discretionary grant commitments are recorded when the grant application has been approved and contracted through an approval letter and a signed contract by the employer and FoodBev SETA.

Commitments are included in the disclosure note to the Financial Statements.

Commitments are derecognised when:

- a) Employers/grant recipients fail to register enrolments within the stipulated time lines or cancel before registration;
- b) The grant programmes are terminated through a signed termination agreement; or
- c) When employers/grant recipients submit grant claim forms together with all the supporting documents as required by the Grant Funding Policy.



## Accounting Policies (continued)

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### **1.7 Irregular, fruitless and wasteful expenditure**

Irregular expenditure means the occurrence of a financial transaction by the SETA that is incurred in contravention of or not in accordance with the requirements of the legislation.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Where instances of possible fruitless and wasteful expenditure are identified, the incident is immediately reported to the Accounting Authority, investigated and recorded, and where appropriately recovered from the party involved. The FoodBev SETA takes disciplinary steps against any employee who makes or permits fruitless and wasteful expenditure.

Irregular expenditure or fruitless and wasteful expenditure is incurred when the resulting transaction is recognised in the accounting records. It is disclosed in a note in the Financial Statements when it has been identified and confirmed as irregular expenditure or fruitless and wasteful expenditure.

Where an instance of irregular expenditure or fruitless expenditure has been identified, the incident is investigated and confirmed by a Loss Control Unit, recorded in the register, reported to the Board, recovery process implemented, and if irrecoverable, condonation and write-off in terms of the National Treasury Irregular Expenditure Framework.

Irregular expenditure or fruitless and wasteful expenditure is derecognised when it is either recovered, condoned by National Treasury, removed or written off by the Accounting Authority in line with the framework issued by National Treasury:

- a) Treasury Instruction Note No.3 of 2019/2020: Fruitless and wasteful expenditure.
- b) Treasury Instruction Note No.2 of 2019/2020: Irregular expenditure.

### **1.8 Property, plant and equipment**

Property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Property, plant and equipment are subsequently measured at cost less any subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line method of each item for property, plant and equipment, to allocate the cost of each item of asset to estimate residual value over the estimated useful lives.

## Accounting Policies (continued)

The estimated useful lives for the current and comparative periods are as follows:

Item	Depreciation method	Average useful life
Office furniture and fixtures	Straight-line	8–11 years
Office equipment	Straight-line	7–11 years
Computer equipment	Straight-line	5–9 years
Leasehold improvements	Straight-line	1–3 years

The useful lives and residual values of items of property, plant and equipment are reviewed annually and adjusted prospectively at the end of each reporting period. The depreciation charge is recognised in surplus or deficit.

### *Derecognition*

The FoodBev SETA derecognises its items of property, plant equipment and/or significant parts of an asset upon disposal or when no future economic benefits or service potential can be derived from the asset.

### **1.9 Intangible assets**

Intangible assets that are separately acquired are initially measured at cost and subsequently carried at cost less any accumulated amortisation and impairment losses. Amortisation is recognised in surplus or deficit on a straight-line method over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life for the current and comparative periods is as follows:

Item	Depreciation method	Average useful life
Licenses	Straight-line	12 months
Computer software and other	Straight-line	5–12 years

The amortisation method and the useful life of intangible assets are reviewed annually. The carrying amount of the intangible asset is reviewed regularly to assess whether there is an indication that the carrying amount exceeds the recoverable amount.

Gains and losses on disposal of intangible assets are determined by comparing the proceeds from disposal with the carrying amount of intangible assets and are recognised in surplus or deficit.

## Accounting Policies (continued)

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### **1.10 Impairment of non-cash generating assets**

At initial recognition of an asset, an asset is designated as either:

- a) Non-cash generating; or
- b) Cash generating.

The designation is made on the basis of the SETA's objective of using the asset.

Impairment is the loss in the future economic benefits or service potential of an asset over and above the systematic recognition of the loss through depreciation or amortisation. All the FoodBev SETA assets are designated as non-cash generating because all are used for service delivery only.

The FoodBev SETA assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the SETA estimates the recoverable service amount of the asset. Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. An impairment loss is recognised immediately in surplus or deficit unless the asset is carried at a revalued amount. The SETA does not have any assets that are carried at revaluation amount.

In assessing value in use, the FoodBev SETA has adopted the depreciation replacement cost approach. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciation replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired service potential of the asset.

In determining fair value less cost to sell, the price of the assets in a binding agreement in an arm's-length transaction, adjusted for incremental costs that would be directly attributed to the disposal of the asset is used. If there is no binding agreement, but the asset is traded on an active market, fair value less cost to sell is the assets market price less cost of disposal. If there is no binding sale agreement or active market for an asset, the FoodBev SETA determines fair value less cost to sell based on the best available information.

For each asset, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist, the FoodBev SETA estimates the asset's recoverable service amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable service amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

## Accounting Policies (continued)

### 1.11 Leases

#### *Operating leases – lessee*

An operating lease is a lease other than a finance lease. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the FoodBev SETA.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

### 1.12 Provisions and contingencies

Provisions are recognised when the FoodBev SETA has a present legal or constructive obligation as a result of a past event; and it is probable that an outflow of economic benefits or service potential will be required or can be made to settle the obligation.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the amount of the provision is material.

Contingent liabilities are possible obligations whose existence will be confirmed by the occurrence or non-occurrence of an uncertain future event not wholly within the control of the FoodBev SETA. Contingent liabilities are not recognised but are disclosed in the notes to the Annual Financial Statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

### 1.13 Employee benefits

The cost of employee benefits is recognised as an expense during the period in which the employee renders the related service. If the benefit is unpaid, a liability is recognised.

#### *Leave*

The FoodBev SETA recognises a liability and an expense for accumulating leave as and when employees render services that entitle them to leave days. The amount of the liability and expense is determined as the additional amount payable as a result of unused leave days owed to employees at the end of the period.

#### *Medical benefits*

The FoodBev SETA provides medical benefits as part of the cost-to-company package given to its employees. Payments are charged as a salary expense as they fall due.

## Accounting Policies (continued)

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### *Provident fund benefits*

The FoodBev SETA provides for a provident fund for all its employees through a defined contribution plan. Payments to the fund are charged as part of salary expense as they fall due.

### *Performance bonus*

The performance bonus is recognised when the entity has a constructive obligation to pay bonuses and when a reliable estimate can be made. The FoodBev SETA provides for the upcoming year's bonus payments, which is amortised in the following year for usage and write-off residual balance.

## **1.14 Financial instruments**

### *Initial recognition*

Financial instruments are contractual arrangements that give rise to a financial asset in one entity and a financial liability or residual interest of another.

The FoodBev SETA recognises the financial instruments using trade date accounting when the FoodBev SETA becomes a party to the contractual provision of the instrument.

### *Initial measurement*

Financial assets and financial liabilities are measured at fair value plus, in the case of a financial asset or financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of a financial instrument.

### *Subsequent measurement*

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

- a) Financial instruments at fair value;
- b) Financial instruments at amortised cost; and
- c) Financial instruments at cost.

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

### *Financial assets*

The FoodBev SETA's principal financial assets are trade receivables and other receivables, and cash and cash equivalents.

### *Trade and other receivables*

Trade and other receivables are measured at amortised cost using the effective interest method less provision of impairment. A provision for impairment of receivables is recognised when there is objective evidence that the FoodBev SETA will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the receivable carrying amount and the present value of future cash flows discounted at the effective interest rate. Movement in the provision is recognised in the Statement of Financial Performance.



## Accounting Policies (continued)

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, investments and deposits held by the FoodBev SETA at the South African Reserve Bank, the Corporation for Public Deposits (CPD) and domestic banks. Cash and cash equivalents are measured at amortised costs. Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are held with registered banking institutions with a period maturity of three months or less and that are subject to insignificant risk of change.

### Derecognition of financial assets

The SETA derecognises financial assets using trade date accounting, only when:

- a) The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- b) The SETA transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- c) The SETA, 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 SETA derecognises the asset, and recognises separately any rights and obligations created or retained in the transfer.

On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds received shall be recognised in surplus or deficit.

### Financial liabilities

The FoodBev SETA's principal financial liabilities are trade and other payables. All financial liabilities are subsequently measured at amortised cost, using the effective rate method comprising original debts less principle payments and amortisations.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability and the amount paid is included in the surplus or deficit.

### Fair value considerations

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

### Offsetting financial instruments

Financial assets and financial liabilities are offset if there is any intention to either settle on a net basis, or realise the asset and settle the liability simultaneously and a legally enforceable right to set off exists.

## Accounting Policies (continued)

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### **1.15 Reserves (Net assets)**

The FoodBev SETA sub-classifies reserves into various categories based on the restrictions on the usage of skills development funds received in accordance with the Skills Development Act, 1998 (Act No. 97 of 1998). The FoodBev SETA measures reserves using accrual basis accounting, and thus reserves are not an indication of cash used or available at the end of the year.

#### *Administration reserve*

This reserve represents the carrying amount of the non-current assets and inventory of the FoodBev SETA.

#### *Employer grant reserve*

This reserve represents funds maintained for paying back to employers as a percentage of the contributed levies (mandatory grants). The residual balance of this reserve is transferred to discretionary grant reserve in line with the Grant Regulations.

#### *Discretionary grant reserve*

This reserve represents discretionary grant funds set aside to fund learning programmes of the SETA in order to address the scarce and critical skills needed in the food and manufacturing sector. The reserve is supported by retained surplus for the year, net current assets, and commitments disclosed in the notes to the Annual Financial Statements.

#### *Accumulated surplus/deficit*

This reserve represents surplus or deficit for the year which is reallocated respective reserves at year-end. The amount of the transfer payment received and not used (that is the retained surplus for the year) is recognised as a contingent liability. An application is made in the new financial year to retain the unused amount. When consent is obtained to use the funds, it is derecognised as a contingent liability and utilised to fund special projects and discretionary grants.

### **1.16 Inventories**

Inventory consists of consumables on hand at the reporting date. Inventories are initially measured at cost, and subsequently measured at the lower cost and net replacement value. Cost is determined on a first in first out basis. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Current replacement cost is the cost that the entity would incur to acquire the asset at the reporting date.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- a) Distribution at no charge or for a nominal charge; or
- b) Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

## Accounting Policies (continued)

### 1.17 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third-parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third-parties on its behalf and for its own benefit.

A principal–agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third-parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether an entity is a principal or an agent

When the FoodBev SETA is party to a principal–agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third-parties undertaken in terms of the arrangement.

The assessment of whether the FoodBev SETA is a principal or an agent requires the SETA to assess whether the transactions it undertakes with third-parties are for the benefit of another entity or for its own benefit.

#### Recognition

The FoodBev SETA, as a principal, recognises revenue and expenses that arise from transactions with third-parties in a principal–agent arrangement in accordance with the requirements of GRAP 109.

The FoodBev SETA, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The FoodBev SETA recognises assets and liabilities arising from principal–agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.18 Related party transactions

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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

## Accounting Policies (continued)

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Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

A 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 FoodBev SETA, including those charged with the governance of the SETA in accordance with legislation, in instances where they are required to perform such functions.

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

The FoodBev SETA 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 SETA 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 SETA is exempt from the disclosures in accordance with the above, the SETA discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the SETA's Financial Statements to understand the effect of related party transactions on its Annual Financial Statements.

### **1.19 Events after the reporting date**

Events after the 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:

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

## Accounting Policies (continued)

The FoodBev SETA will adjust the amount recognised in the Financial Statements to reflect adjusting events after the reporting date once the event occurs.

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

### 1.20 Comparative figures

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

### 1.21 Budget information

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

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. Comparative information is not required.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the FoodBev SETA. As a result of the adoption of accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the Statement of Comparison of Budget and Actual Amounts. Explanatory comments are provided in the notes to the Annual Financial Statements, first, the reasons for overall growth or decline in the budget are stated, followed by the details of overspending or underspending on line items.

The approved budget covers the fiscal period from 1 April 2019 to 31 March 2020.

### 1.22 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position.

## Accounting Policies (continued)

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The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means. As per the gap assessment done, the SETA does not have statutory receivables.

### *Recognition*

The FoodBev SETA recognises statutory receivables as follows:

- a) If the transaction is an exchange transaction, using the policy on revenue from exchange transactions;
- b) If the transaction is a non-exchange transaction, using the policy on revenue from non-exchange transactions (taxes and transfers); or
- c) If the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the SETA and the transaction amount can be measured reliably.

### *Initial measurement*

The FoodBev SETA initially measures statutory receivables at their transaction amount.

### *Subsequent measurement*

The FoodBev SETA measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- a) Impairment losses; and
- b) Amounts derecognised.

### *Accrued interest*

The FoodBev SETA does not charge interest on mandatory receivables because the collecting agent (SARS) charges interest on late payments of levies.

### *Impairment losses*

The FoodBev SETA assesses, at each reporting date, whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.



## Accounting Policies (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the FoodBev SETA considers, as a minimum, the following indicators:

- a) Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- b) It is probable that the debtor will enter sequestration, liquidation or other financial reorganisation.
- c) A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- d) Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, changes in migration rates and patterns, or long outstanding receivables beyond 120 days and there has not been any recovery over a year.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the SETA measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, the FoodBev SETA considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

## Accounting Policies (continued)

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### *Derecognition*

The FoodBev SETA derecognises a statutory receivable, or a part thereof, when:

- a) The rights to the cash flows from the receivable are settled, expire or are waived;
- b) The FoodBev SETA transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- c) The FoodBev SETA, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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:
  - i) derecognises the receivable; and
  - ii) recognises separately, any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

# Notes to the Annual Financial Statements

for the year ended 31 March 2020

## 2. Allocation of surplus for the year to reserves (R'000)

	Total per Statement of Financial Performance	Administra- tion reserve	Employer grants reserve	Discretionary reserve
		Administra- tion	Mandatory skills planning grant	Total discretionary
<b>2019/20</b>				
<b>Skills development levy: Income</b>				
Admin levy income (10.5%)	51 581	51 581	-	-
Grant levy income (69.5%)	342 027	-	98 675	243 352
Skills development levy: Penalties and interest	6 429	-	-	6 429
Investment income	50 241	-	-	50 241
Other income	5 577	13	-	5 564
<b>Total revenue</b>	<b>455 855</b>	<b>51 594</b>	<b>98 675</b>	<b>305 586</b>
Administration expenses	(43 993)	(43 993)	-	-
Employer grants and project expenses	(302 366)	-	(78 872)	(223 494)
<b>Total expenses</b>	<b>(346 359)</b>	<b>(43 993)</b>	<b>(78 872)</b>	<b>(223 494)</b>
<b>Net surplus per Statement of Financial Performance (allocated)</b>	<b>109 496</b>	<b>7 601</b>	<b>19 803</b>	<b>82 092</b>

## 2018/19

<b>Skills development levy: Income</b>				
Admin levy income (10.5%)	48 772	48 772	-	-
Grant levy income (69.5%)	321 640	-	91 769	229 871
Skills development levy: Penalties and interest	13 686	-	-	13 686
Investment income	46 652	-	-	46 652
Other income	174	76	-	98
<b>Total revenue</b>	<b>430 924</b>	<b>48 848</b>	<b>91 769</b>	<b>290 307</b>
Administration expenses	(37 262)	(37 262)	-	-
Employer grants and project expenses	(320 195)	-	(74 911)	(245 284)
<b>Total expenses</b>	<b>(357 457)</b>	<b>(37 262)</b>	<b>(74 911)</b>	<b>(245 284)</b>
<b>Net surplus per Statement of Financial Performance (allocated)</b>	<b>73 467</b>	<b>11 586</b>	<b>16 858</b>	<b>45 023</b>

## Notes to the Annual Financial Statements (continued)

### 3. Skills development levy income

The total levy income per the Statement of Financial Performance is as follows:

	2019/20 R'000	2018/19 R'000
<b>Levy income: Administration</b>		
Levies received from SARS	51 581	48 772
<b>Levy income transfer: Employer grants</b>		
Levies received	98 675	91 769
<b>Levy income transfer: Discretionary grants</b>		
Levies received*	243 985	229 984
Exempt employer: Transfer to/from discretionary	(633)	(113)
<b>Total levy income transfer: Discretionary grants</b>	<b>243 352</b>	<b>229 871</b>
	<b>393 608</b>	<b>370 412</b>

\* The amount of levy income transfer for discretionary grants was incorrectly disclosed in the prior year, however the correction does not have any effect on the overall total of levy income transfer.

### 4. Skills development levy: Interest and penalties

Interest	2 785	6 407
Penalties	3 644	7 279
	<b>6 429</b>	<b>13 686</b>

Penalties are levied by SARS on employers who pay levies after due date. Interest accrues at the prescribed rate of 10% per annum.

### 5. Investment income

#### Interest revenue

Interest received	<b>50 241</b>	<b>46 652</b>
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### 6. Other income

Discretionary grant recoveries – (non-exchange)	5 564	98
Profit on disposal of assets – (exchange)	13	-
Rent recoverable – (exchange)	-	76
	<b>5 577</b>	<b>174</b>

## Notes to the Annual Financial Statements (continued)

**7. Employer grant and project expenses**

	2019/20 R'000	2018/19 R'000
<b>Mandatory grants</b>		
Disbursed	78 872	74 911
<b>Discretionary grants</b>		
Disbursed*	203 348	229 807
<b>Project administration expenditure</b>		
Disbursed	20 146	15 477
	<b>302 366</b>	<b>320 195</b>

\* The discretionary grant disbursements were reduced in the current year due to delays in the finalisation of discretionary grants.

***Project administration expenditure consists of:***

Direct salaries and wages	13 306	7 911
<b>Direct project administration expenses:</b>		
SSP research	-	2 306
Scarce skills guide	765	384
Advertising, promotions and publicity material	389	289
Catering and event hosting	53	15
Legal fees	-	45
External moderation	2 996	2 332
Travel and accommodation	1 176	1 219
Partnerships	20	-
Courier and postage	181	258
TVET capacity building	143	120
World Skills Conference	985	-
QCTO qualifications	-	127
Printing	44	56
China project	-	318
Chambers	88	97
	<b>20 146</b>	<b>15 477</b>

## Notes to the Annual Financial Statements (continued)

### 8. Other administration expenses

	2019/20 R'000	2018/19 R'000
Advertising	335	112
Assessment rates and municipal charges	165	191
External audit fees	2 205	1 825
Bank charges	61	60
Cleaning	45	41
Catering and refreshments	81	90
Consulting and professional fees	485	658
Consumables	271	218
Conferences and seminars	430	412
IT expenses	4 372	3 928
Insurance	131	119
Legal fees	22	1 463
Marketing*	3 146	223
Postage and courier	52	110
Printing and stationery	303	174
Repairs and maintenance	145	59
License fees	15	16
Security	336	362
Staff welfare	126	72
Telephone and fax	201	90
Training	888	531
Travel – local	1 060	1 479
Travel – overseas	358	-
Electricity and water	304	233
Board remuneration	1 868	2 113
Audit Committee remuneration	281	284
Internal Audit fees	1 746	1 268
Quality Control for Trade and Occupation mandatory expense	2 427	2 513
Recruitment costs	143	380
Ministerial support	58	399
Whistleblowing	36	18
Loss on disposal of fixed assets	-	46
	<b>22 096</b>	<b>19 487</b>

\* The high increase in the marketing expenditure was as a result of the re-branding of the organisation. A public relations management company was appointed to assist the FoodBev SETA with re-branding and fulfilling the stakeholder relations function.



## Notes to the Annual Financial Statements (continued)

**8. Other administration expenses (continued)**

	2019/20 R'000	2018/19 R'000
<b>Cost of employment</b>		
<b>Salaries and wages</b>		
Basic salaries*	28 876	20 192
<b>Social contributions</b>		
Pension contributions: Defined contribution plans	2 099	1 383
	<b>30 975</b>	<b>21 575</b>
<b>Allocation of cost of employment</b>		
Administrative expenses	17 669	13 664
Project expenses	13 306	7 911
	<b>30 975</b>	<b>21 575</b>
 Average number of employees	 51	 41

\* The cost of employment increase was as a result of salary adjustments after a formal job grading, benchmarking exercise and additional employees.

**9. Lease rentals on operating lease****Leases**

Operating lease – building	1 885	1 995
Operating lease – equipments	684	526
	<b>2 569</b>	<b>2 521</b>

## 10. Property, plant and equipment

	Cost / Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000
<b>2019/20</b>			
Office furniture and fixtures	2 130	(561)	1 569
Office equipment	871	(637)	234
Computer equipment	2 580	(2 017)	564
Leasehold improvements	1 562	(1 469)	93
<b>Total</b>	<b>7 143</b>	<b>(4 684)</b>	<b>2 460</b>

### 2018/19

Office furniture and fixtures	2 130	(348)	1 782
Office equipment	819	(496)	323
Computer equipment	2 418	(1 684)	734
Leasehold improvements	1 562	(1 311)	251
<b>Total</b>	<b>6 929</b>	<b>(3 839)</b>	<b>3 089</b>

### Reconciliation of property, plant and equipment

	Opening balance R'000	Additions R'000	Disposals R'000	Depre- ciation R'000	Total R'000
<b>2019/20</b>					
Furniture and fixtures	1 782	-	-	(213)	1 569
Office equipment	323	51	-	(140)	234
Computer equipment	734	200	(21)	(349)	564
Leasehold improvements	251	-	-	(158)	93
	<b>3 089</b>	<b>252</b>	<b>(21)</b>	<b>(860)</b>	<b>2 460</b>

	Opening balance R'000	Additions R'000	Disposals R'000	Depre- ciation R'000	Impair- ment loss R'000	Total R'000
<b>2018/19</b>						
Furniture and fixtures	1 902	110	(155)	(206)	131	1 782
Office furniture and fixtures	263	212	(224)	(129)	201	323
IT equipment	273	671	-	(210)	-	734
Leasehold improvements	724	276	-	(750)	-	250
	<b>3 162</b>	<b>1 269</b>	<b>(379)</b>	<b>(1 295)</b>	<b>332</b>	<b>3 089</b>

## Notes to the Annual Financial Statements (continued)

**11. Intangible assets**

	<b>Cost / Valuation R'000</b>	<b>Accumulated amortisation and accumulated impairment R'000</b>	<b>Carrying value R'000</b>
<b>2019/20</b>			
Licenses	1 179	(787)	391
Computer software	2 010	(2 010)	-
<b>Total</b>	<b>3 189</b>	<b>(2 797)</b>	<b>391</b>

**2018/19**

Licenses	718	(296)	421
Computer software	2 010	(1 927)	82
<b>Total</b>	<b>2 728</b>	<b>(2 223)</b>	<b>504</b>

**Reconciliation of intangible assets**

	<b>Opening balance R'000</b>	<b>Additions R'000</b>	<b>Amorti- sation R'000</b>	<b>Total R'000</b>
<b>2019/20</b>				
Licenses	421	461	(491)	391
Computer software	82	-	(82)	-
	<b>504</b>	<b>461</b>	<b>(573)</b>	<b>391</b>

**2018/19**

Licenses	98	438	(114)	422
Computer software, other	146	16	(80)	82
	<b>244</b>	<b>455</b>	<b>(194)</b>	<b>504</b>

**12. Trade and other receivables from non-exchange transactions**

	<b>2019/20 R'000</b>	<b>2018/19 R'000</b>
Mandatory grant receivables (levies)	928	324
Discretionary grant recoveries – gross	5 166	156
Less debt impairment*	(326)	(100)
	<b>5 768</b>	<b>380</b>

\* Prior year impairment was subsequently recovered after year-end (refer to note 21.1).

## Notes to the Annual Financial Statements (continued)

### 13. Trade and other receivables from exchange transactions

	2019/20 R'000	2018/19 R'000
Deposits – Growthpoint	467	467

### 14. Inventories

Consumable stores	20	42
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### 15. Cash and cash equivalents

#### Cash and cash equivalents consist of:

Cash on hand	1	2
Short-term deposits	10 616	8 761
Investments	807 150	704 379
	<b>817 767</b>	<b>713 142</b>

As required by Treasury Regulations 31.3.3, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short-term bank deposits was 5% (2018/19: 6.4%). The weighted average interest rate on funds held at South African Reserve Bank, Corporation for Public Deposit was 6.1% (2018/19: 7.1%).

### 16. Trade and other payables from non-exchange transactions

Accrued expenses – discretionary	11 470	12 087
Skills development grants: Discretionary payable	458	9 076
Skills development grants: Mandatory payable	195	226
Skills development grants: Mandatory accruals	6 631	5 708
	<b>18 754</b>	<b>27 097</b>

### 17. Trade and other payables from exchange transactions

Accrued expenses	572	1 759
Trade creditors	7 926	1 445
Leave pay	1 471	1 080
Operating lease liability	42	30
Accounting Authority fees and PAYE	83	213
	<b>10 094</b>	<b>4 527</b>

## Notes to the Annual Financial Statements (continued)

**18. Provisions**

	2019/20 R'000	2018/19 R'000
Exempt employers provision	4 697	4 064
Bonus provision	3 715	1 822
	<b>8 413</b>	<b>5 886</b>

**Exempt employers provision**

The amount of R4.697 million (2018/19: R4.064 million) relates to levies contributed by employers who are exempted from contributing skills development levies.

In line with the skills development circular No. 09/2013, the FoodBev SETA must keep the levies received from exempted levy payers for a period of five years. After the five years have lapsed, the unclaimed levies will be transferred to discretionary grant income to be utilised discretionary grants.

**Bonus provision**

Employees sign performance contracts as part of their conditions of service at the beginning of each financial year. Employees are assessed bi-annually and the bonus is paid in the month of December and the amount is dependant on the outcome of individual performance evaluations.

**Reconciliation of provisions**

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
<b>2019/20</b>					
Exempt employers provision	4 064	1 276	-	(643)	4 697
Bonus provision	1 822	3 715	(1 720)	(102)	3 715
	<b>5 886</b>	<b>4 991</b>	<b>(1 720)</b>	<b>(745)</b>	<b>8 412</b>

**2018/19**

Exempt employers provision	3 951	1 400	-	(1 287)	4 064
Bonus provision	1 695	1 822	(1 355)	(340)	1 822
	<b>5 646</b>	<b>3 222</b>	<b>(1 355)</b>	<b>(1 627)</b>	<b>5 886</b>

### 19. Reconciliation of net cash flow from operating activities to net surplus

	2019/20 R'000	2018/19 R'000
Surplus	109 496	73 467
<b>Adjustments for:</b>		
Depreciation	861	1 295
Amortisation	574	194
Profit/loss on disposal of assets and debt impairment	(13)	148
Movements in provisions	2 526	240
<b>Changes in working capital:</b>		
Inventories	22	(2)
Receivables from exchange transactions	-	(23)
Trade and other receivables from non-exchange transactions	(5 388)	1 243
Payables from exchange transactions	5 567	13 230
Payable from non-exchange transactions	(8 341)	6 839
	<b>105 304</b>	<b>96 631</b>

### 20. Contingent assets and liabilities

#### *Contingent liabilities*

20.1 In terms of SETA Grant Regulations, SETAs must allocate the mandatory grant to a levy-paying employer who has registered for the first time in terms of Section 5 of the Skills Development Levies Act, who has submitted an application for a mandatory grant within six months of registration. Due to this requirement, the FoodBev SETA has a contingent liability to set aside funds for all employers that registered as from 1 April 2019 to 31 March 2020. Consequently the total potential mandatory grant pay-out is R307 790 (2018/19: R141 345).

20.2 The former Chairperson of the Board sued the FoodBev SETA for Board fees not paid during his suspension period. On 2 August 2018, the FoodBev SETA's legal team filed a Notice of Intention to Defend. Since the filing thereof, there has been no communication on this matter from the former Board Chairperson. The estimated amount he would have earned in fees for that period is about R350 000. This amount is based on the actual meetings he would have attended had he not been removed. There has been no movement in this matter since 2018.



## Notes to the Annual Financial Statements (continued)

20.3 In terms of Section 53(3) of the PFMA, public entities listed in Schedule 3A and 3C to the PFMA may not retain cash surpluses that were realised in the previous financial year without obtaining the prior written approval of National Treasury. During May 2017, National Treasury issued Instruction No.12 of 2020/21 which gave a revised definition of a surplus. According to this instruction, a surplus is based on cash and cash equivalents, plus receivables, less current liabilities at the end of the financial year.

The accumulated surplus as at year-end is therefore disclosed as a contingent liability until approval has been obtained. An application is made in the new financial year to retain the unused amount. When consent is obtained to use the funds, it is derecognised as a contingent liability and utilised to fund special projects as approved by the Accounting Authority.

On 30 November 2017, DHET issued Skills Development Circular No. 15/2017 which requires SETAs to continue to apply for the retention of surpluses in terms of Section 53(3) of the PFMA and should observe National Treasury Instruction No.12 of 2020/21.

As of 31 March 2020, the calculated accumulated surplus funds as per National Treasury Instruction No. 12 of 2020/21 is as follows:

Description	2019/20 R'000	2018/19 R'000
Cash and cash equivalents	817 767	-
Add: Receivables	6 235	-
Less: Current liabilities	(37 261)	-
Less: Admin commitments	-	-
Calculated surplus funds for the year	<b>786 741</b>	<b>-</b>

Notwithstanding the accumulated surplus funds calculated above, The SETA has at year end approved and contracted commitments as disclosed in note 22, the below reflects the accumulated surplus funds after considering the impact of these commitments:

Calculated retained surplus as above	786 741	-
Approved and contracted - Project commitments	(498 804)	-
Approved and contracted - Admin commitments	(10 011)	-
Net surplus after considering commitments	<b>277 926</b>	<b>-</b>

## Notes to the Annual Financial Statements (continued)

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

In December 2012, the Minister promulgated Regulation 4(4) of the 2012 Grant Regulations which reduced the mandatory grant payable to employers from 50% to 20%. This led to BUSA challenging the reduction of grants (amongst other things) in the Labour Court.

The litigation between the parties began in 2015 and was finally settled by the Labour Appeal Court (LAC) during October 2019, which held that Regulation 4(4) was “irrational and lacking in any legal justification” and was consequently set aside. Despite the said regulation being set aside, the LAC ruling is silent on the percentage quantum that must be paid back to employers, which creates uncertainty as to what percentage quantum must be paid back to employers, which creates uncertainty as to what percentage of mandatory grants should be paid or accrued by the SETA during the reported year. This may create further uncertainty which may give rise to potential litigation by employers disputing the 20% payment currently paid by the SETA.

The effect of the ruling is that the Minister, in consultation with employers and BUSA, would have to decide on the percentage for mandatory grants in consultation with the sector.

To date, no communication has been received from the Minister regarding the approved mandatory grant percentage that SETAs should pay, however, post the ruling DHET continues to split the mandatory grant levy income portion at 20% in the levy download information. Consequently, the SETA continued to pay and accrue mandatory grants at 20% in the 2019/20 financial year which is aligned to the approved Annual Performance Plan. The mandatory grant expenditure in Note 7, as well as the mandatory grant liability in Note 16 were calculated at a rate of 20%.

This may give rise to a potential dispute by employers disputing the basis of the 20% mandatory grant payments made by the SETA post the ruling.

Pending the final agreement between the Minister and the employers (through BUSA) on the approved rate, there is therefore a possible liability or asset due to additional or reduced grant payments over or under the amounts already paid and accrued in the current year based on a payment rate of 20%. Due to the uncertainty of the approved rate and effective date application of the approved rate, the amount of the possible liability or asset cannot be reliably estimated.

## Notes to the Annual Financial Statements (continued)

### **Contingent asset**

20.5 NEHAWU launched an urgent application with regards to an employee whose employment was terminated. This was defended by the FoodBev SETA attorneys. The matter was struck from the roll for lack of urgency. Upon taxation, the taxing master only taxed the bill insofar as it related to the urgency portion of the judgement. The SETA attorneys are trying to recoup costs in respect of the application in its entirety, thus they have launched a rule 13 application in the Labour Court to recover the entire cost of the application as NEHAWU withdrew the application without a tender for costs. The application is to recover an amount over R300 000. The taxed bill for the urgency application is approximately R47 617. The FoodBev SETA attorneys further estimate future costs to be R30 000. All proceedings have been filed at the Labour Court. The parties are now waiting to receive a court date on the normal roll from the registrar of the Labour Court.

## **21. Events after the reporting date**

### **Non-adjusting events**

- 21.1 The provision for bad debt amounting to R100 000 will be reversed subsequent to the payment of a long overdue amount after year-end.
- 21.2 On 27 March 2020, South Africa went into a National Lockdown due to the COVID-19 pandemic which has resulted in a negative impact on the economy and is expected to result in many companies closing and retrenchments. Furthermore, the President of the Republic of South Africa announced a four-month payment window for levy paying companies. This cast doubt on SETAs going concern ability and recoverability of accounts receivables (both amounts and timing of receipt). The FoodBev SETA is comfortable that it will not be affected significantly if its retention of surplus application is approved although the SETA will have to reprioritise certain programmes.
- 21.3 The term for the FoodBev SETA Accounting Authority expired on 31 March 2020. The new Accounting Authority was appointed with effect from 1 April 2020.

## Notes to the Annual Financial Statements (continued)

### 22. Commitments

#### *Discretionary Grant Reserve*

Description of grant	Opening balance 2018/19 R'000	Terminations / Adjustments R'000	Approved by Accounting Authority and contracted R'000	Utilised prior years projects R'000	Utilised current year projects R'000	Closing balance 2019/20 R'000
Unemployed learnerships	154 847	(45 307)	126 730	(39 454)	(37 027)	159 789
Employed learnerships	87 632	(34 007)	45 650	(12 266)	(6 635)	80 373
Recognition of prior learning (RPL)	980	(1 040)	1 550	(365)	(528)	597
Learnership for PWD	1 216	(46)	-	(638)	-	532
Skills programme	15 433	(9 297)	7 727	(2 379)	(924)	10 560
Work experience/ internship	103 048	(53 909)	68 936	(38 986)	(1 416)	77 673
Candidacy programme	1 380	(120)	180	(630)	-	810
Unemployed bursaries	18 241	(12 472)	-	(3 394)	-	2 375
Research and development	4 542	271	3 960	(1 617)	(1 103)	6 053
Employed and MDP bursaries	23 431	(18 727)	19 800	(4 299)	(1 555)	18 651
Adult education training	5 258	(2 465)	2 268	(597)	(353)	4 111
Apprenticeship S13	6 088	(4 669)	-	(1 419)	-	-
Apprenticeship S28	700	(319)	-	(381)	-	-
Artisans	97 314	(32 600)	33 880	(13 605)	(248)	84 741
Centre of specialisation	1 155	-	-	(289)	-	866
SMEs (LP, NLP, NGOs, CBOs)	2 221	(1 618)	632	(13)	-	1 222

## Notes to the Annual Financial Statements (continued)

Description of grant	Opening balance 2018/19 R'000	Terminations / Adjustments R'000	Approved by Accounting Authority and contracted R'000	Utilised prior years projects R'000	Utilised current year projects R'000	Closing balance 2019/20 R'000
TVET placements	42 247	(22 392)	26 640	(13 949)	(4 104)	28 443
TVET bursary	1 740	(1 232)	2 829	(433)	-	2 904
TVET GCRA bursaries	3 460	(3 460)	-	-	-	-
Special project 2017/18	16 219	(7 179)	-	(2 174)	-	6 866
Special project 2018/19	6 980	(1 328)	-	(4 942)	-	710
Special project 2019/20	-	-	18 205	-	(7 540)	10 665
Maluti, Tshwane South and Ekurhuleni SETA offices	408	(132)	-	-	-	276
TVET lecture capacity	1 071	(840)	440	(85)	-	586
<b>Total</b>	<b>595 611</b>	<b>(252 885)</b>	<b>359 427</b>	<b>(141 916)</b>	<b>(61 433)</b>	<b>498 804</b>

## Notes to the Annual Financial Statements (continued)

	2019/20 R'000	2018/19 R'000
Total discretionary grants approved and contracted	498 804	595 611
Total discretionary grants approved but not contracted	33 713	29 045
Total discretionary grants approved but out of contract	55 620	12 770
Total special projects approved but not contracted	22 218	-
	<b>610 355</b>	<b>637 426</b>

Notice No. 35940 of the Grant Regulations of 2012 defines a commitment as a contractual obligation\* that will obligate the SETA to make a payment in the ensuing year. Furthermore, FoodBev SETA monitoring and evaluation unit terminated prior year programmes to the value of R253 million due to programmes not being commenced and/or completed.

\* An agreement (written) with specific terms between the SETA and a third party whereby the third party undertakes to perform something in relation to a discretionary project for which a SETA will be obliged to make a payment against the discretionary grant.

### Operating commitments

Approved and contracted	10 011	476
Special projects approved but not contracted	6 500	-
	<b>16 511</b>	<b>476</b>
Total commitments	626 866	637 902
<b>Percentage of reserves</b>	<b>80%</b>	<b>94%</b>

The FoodBev SETA have committed 80% (R627 million) of the available discretionary funds (R786 million).

### 23. Operating lease liability roll forward

Opening balance	30	105
Actual rent expense	(1 872)	(2 070)
Amortised rental over lease period	1 884	1 995
	<b>42</b>	<b>30</b>



## Notes to the Annual Financial Statements (continued)

### 23.1 Total future minimum rental payments due (Buildings)

	2019/20 R'000	2018/19 R'000
Not later than one year	1 142	1 872
Later than one year and not later than five years	-	1 142
	<b>1 142</b>	<b>3 014</b>

The rental relates to the office building leased from Growthpoint properties which was entered into on 1 November 2018 for a two-year period ending on 31 October 2020. The lease payments escalate at 8% per annum on 1 November of each year. The lease of the office premises was smoothed over the lease term to equalise the future escalations in the lease payments.

### 23.2 Total future minimum rental payments due (Equipment)

Not later than one year	128	433
Later than one year and not later than five years	-	145
	<b>128</b>	<b>578</b>

The rental relates to leasing of equipment which was entered into on 1 August 2018 for a two-year period ending 31 July 2020. The lease payments do not escalate, therefore there was no need to perform lease smoothing.

## 24. Material losses through criminal conduct, irregular, fruitless and wasteful expenditure

### Fruitless and wasteful expenditure

Add: Irregular expenditure – current	-	-
Add: Irregular expenditure – prior period	-	-
Less: Amounts recoverable – current	-	-
Less: Amounts recoverable – prior period	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

There was no fruitless and wasteful expenditure incurred in the current year.

## Notes to the Annual Financial Statements (continued)

	2019/20 R'000	2018/19 R'000
<b>Irregular expenditure</b>		
<b>Reconciliation of irregular expenditure</b>		
Irregular expenditure – identified in the current year	3 598	-
Irregular expenditure – identified in the current year relating to prior year	-	306
Less amount condoned	-	(306)
	<b>3 598</b>	<b>-</b>

Current year irregular expenditure relates to mandatory grant and discretionary grant transactions with employers with respect to the following:

- A payment was made without a duly signed contract with employer;
- A payment to employers who were not eligible to receive a mandatory grant due to failure to submit the required information;
- Processing of discretionary grants in contravention of SETA Grant Regulations and FoodBev SETA Grant Funding Policy.

The investigation of these irregular expenditures is still in progress.

## 25. Board and management remuneration

### Executive and management

	Basic R'000	Travel allowance R'000	Acting allowance R'000	Pension fund R'000	Bonus R'000	Total R'000
<b>2019/20</b>						
N Selamolela – CEO	1 725	302	18	253	204	2 502
M Maphiwa – CFO*	1 219	388	-	110	170	1 887
M Pule	1 042	145	-	99	131	1 417
P Ngwasheng	1 046	75	-	139	85	1 345
S Miya	963	120	-	90	119	1 292
H Makhubele	1 073	-	-	80	-	1 153
M Spencer**	835	-	-	107	-	942
	<b>7 903</b>	<b>1 030</b>	<b>18</b>	<b>878</b>	<b>709</b>	<b>10 538</b>

\* Appointed as the permanent CFO in June 2019

\*\* Appointed in June 2019

## Notes to the Annual Financial Statements (continued)

## 2018/19

N Selamolela – Acting CEO*	1 724	303	267	213	173	2 680
F Ngwendu****	402	-	-	-	-	402
C Khoza**	889	78	-	92	112	1 171
M Pule	1 015	120	-	99	111	1 345
S Miya	905	120	-	90	101	1 216
M Maphiwa – Acting CFO	1 189	388	-	-	13	1 590
P Ngwasheng***	646	25	-	78	-	749
	<b>6 770</b>	<b>1 034</b>	<b>267</b>	<b>572</b>	<b>510</b>	<b>9 153</b>

\* Appointed permanently in December 2018

\*\* Resigned in December 2018

\*\*\* Appointed in August 2018

\*\*\*\* Settlement agreement

## Non-executive

	Accounting Authority fees R'000	Reimbursed travel R'000	Total R'000
<b>2019/20</b>			
M Ncanywa (Acting Board Chairperson)	327	16	343
C De Wee	119	-	119
A Nkosibomvu	261	10	271
K Masemola	143	3	146
G Hamman	134	5	139
G Penny	148	5	153
M Harry	124	2	126
R Mnguni	147	10	157
N Maqungo	127	4	131
N Tshabangu	139	6	145
N Zondo	135	4	139
R Hutton	143	2	145
T van Wyk	35	1	36
	<b>1 982</b>	<b>68</b>	<b>2 050</b>

## Notes to the Annual Financial Statements (continued)

	Members' fees R'000	Reimbursed travel R'000	Total R'000
<b>Audit and Risk Committee</b>			
T Randall (Chairperson)	137	3	140
T Tshitangano	77	1	78
F Mkwanazi	67	1	68
	<b>281</b>	<b>5</b>	<b>286</b>

	Accounting Authority fees R'000	Reimbursed travel R'000	Total R'000
<b>2018/19</b>			
B Mkhwanazi (Chairperson)*	104	2	106
C De Wee	148	-	148
A Nkosibomvu	237	12	249
K Masemola	158	4	162
G Hamman	193	8	201
G Penny	175	6	181
T van Wyk	21	2	23
M Harry	106	2	108
M Ncanywa (Acting Chairperson)**	215	7	222
R Mnguni	220	16	236
N Maqungo	162	7	169
N Tshabangu	85	5	90
N Zondo	173	3	176
R Hutton	116	2	118
	<b>2 113</b>	<b>76</b>	<b>2 189</b>

\* Resigned in August 2018

\*\* Appointed Acting Chairperson in August 2018

<b>Audit and Risk Committee</b>	<b>Members' fees R'000</b>	<b>Reimbursed travel R'000</b>	<b>Total R'000</b>
P Semanya (Chairperson)*	57	1	58
T Tshitangano	68	-	68
T Randall (Chairperson)**	135	5	140
F Mkwanazi***	24	-	24
	<b>284</b>	<b>6</b>	<b>290</b>

\* Resigned in July 2018

\*\* Appointed Chairperson in February 2019

\*\*\* Appointed in December 2018

## 26. Financial instruments

The FoodBev SETA operations are exposed to interest rate, credit, liquidity and market risk. The risk management process relating to each of these risks is discussed under the headings below. Financial instruments were not discounted as they will be settled or recovered within a short period of time. The effect of discounting was not considered material.

### Interest rate risk

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

The FoodBev SETA exposure to interest rate risk and the effective interest rates on financial instruments at Statement of Financial Position date are as follows:

Cash flow interest rate risk	Floating rate		Fixed rate			Non-interest bearing		Total R'000
	Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate	Weighted average period for which the rate is fixed in years	Amount R'000	Weighted average period until maturity in years	
Year ended 31 March 2020								
Assets								
Cash	817 767	6%	-	-	-	-	-	817 767
Loans and accounts receivable	-	-	-	-	-	6 461	-	6 461
Total financial assets	817 767		-	-	-	6 461	-	824 228
Liabilities								
Borrowings	-	-	-	-	-	-	-	-
Loans and accounts payable	-	-	-	-	-	37 261	-	37 261
Total financial liabilities	-	-	-	-	-	37 261	-	37 261
Year ended 31 March 2019								
Total financial assets	713 142	7%	-	-	-	847	-	713 989
Total financial liabilities	-	-	-	-	-	(37 510)	-	(37 510)
	713 142		-	-	-	(36 663)	-	676 479



## Notes to the Annual Financial Statements (continued)

### Credit risk

Financial assets that would potentially subject the SETA to the risk of non-performance consist mainly of cash and cash equivalents and accounts receivable.

### The ageing of trade and other receivable from non-exchange transactions

	2019/20		2018/19	
	Gross R'000	Impairment R'000	Gross R'000	Impairment R'000
Past due 0–30 days	3 176	-	54	-
Past due 31–120 days	2 592	-	2	-
Past due >120 days	326	(326)	101	(101)
<b>Total</b>	<b>6 094</b>	<b>(326)</b>	<b>157</b>	<b>(101)</b>

### Cash and cash equivalents

Not past due	817 767	-	713 142	-
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### Liquidity risk

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

	Carrying amount R'000	Contractual cash flows R'000	6 months or less R'000	6–12 months R'000	1–2 years R'000	More than 2 years R'000
<b>2019/20</b>						
Trade and other payables from exchange transactions	10 094	10 094	10 094	-	-	-
<b>2018/19</b>						
Trade and other payables from exchange transactions	4 527	4 527	4 527	-	-	-

## Notes to the Annual Financial Statements (continued)

### 27. Related parties

The FoodBev SETA as a Schedule 3A public entity is related to all entities in the national government sphere. However, as per GRAP 20 we only disclose transactions and balances undertaken not at arm's length. Related parties of the FoodBev SETA are:

- a) Accounting Authority (refer to Note 25 for disclosure);
- b) Audit and Risk Committee (refer to Note 25 for disclosure);
- c) Executive and senior managers (refer to Note 25 for disclosure);
- d) Relatives of the above (no transactions);
- e) Employers of Accounting Authority members; and
- f) Entities under common control are entities operating under the auspices of the DHET, which are the QCTO, NSFAS, NSA, TVETs, universities and other SETAs.

The related party transactions with these entities relate to the FoodBev SETA funded learning programmes which are consistent with normal grant funding processes (terms and conditions) as directed by the Grant Funding Policy. This will include any transaction that may occur during the period under review recognised in the Statement of Financial Performance, any balance outstanding at the reporting period recorded in the Statement of Financial Position as well as any committed balance for learning programmes which are not completed at the end of the reporting date. Included in trade and other payables are related parties totalling R400 543 and in the commitments totalling R83 million.

#### *Transactions with employers of the members of Board*

The transactions below arise due to the nature of the Board members' employment and the fact that the employers contribute skills development levies to the FoodBev SETA. The transactions listed below are for the payment of mandatory and discretionary grants. These transactions are done at fair market value/arm's length.

Employer	Board member	Mandatory grant R'000	Discretionary grant R'000	Total R'000	Levies received R'000
<b>2019/20</b>					
Rhodes Food Group	Gerhardus Hamman	1 484	3 075	4 559	5 991
Sea Harvest Corporation	Mary-Lou Harry	1 124	6 016	7 140	4 815
Pioneer Foods	Trevor van Wyk	1 207	8 065	9 272	12 007
Woodlands Dairy	Richard Hutton	552	2 410	2 962	2 229
<b>Total</b>		<b>4 367</b>	<b>19 566</b>	<b>23 933</b>	<b>25 042</b>

#### *Transactions with other national public entities*

	2019/20 R'000	2018/19 R'000
QCTO	2 427	2 513
DHET	58	399
	<b>2 485</b>	<b>2 912</b>

## Notes to the Annual Financial Statements (continued)

### 28. Going concern

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

Reserves are made up of administrative reserves and discretionary reserves and will be used to pay for all outstanding commitments for the FoodBev SETA. The FoodBev SETA will submit the request to retain surplus funds to National Treasury for the 2019/20 financial year. Management has identified projects in the sector that need to be funded and surplus funds will be used to fund those projects.

### 29. Budget differences

Material differences between budget and actual amounts:

#### 29.1 Other income

Other income is made up of mostly grant recoveries from employers who did not implement learning programmes and other recoveries such as insurance payments for lost assets. No budget is set for grant recoveries as these have not been material, historically.

#### 29.2 Fines and penalties

Actual income received from fines and penalties are above budgeted amounts due to conservative budgeting on this line as it is not a main source of revenue and it is difficult to estimate future revenues with certainty.

#### 29.3 Skills development levy: Income

The levies received were higher than the budget amount due to changes in labour broking regulations which were not taken into account during the budgeting process.

#### 29.4 Interest received – investments

Interest income is higher than the budgeted amount due to the high cash reserves held at approved banking institutions, coupled with conservative budgeting on this line.

#### 29.5 Administration expenses

The administration expenditure was lower than budgeted. This was mainly due to savings in employment costs, legal fees, consulting budget, ministerial budget, and other expenditure lines due to cost containment measures.

#### 29.6 Employer grants and project expenses

The underspending in grant expenses was as a result of late approvals for the second funding window and employers not submitting both registration and completion documents due to the National Lockdown limitations.

### **29.7 Retention of surplus funds**

The FoodBev SETA submitted the request to retain surplus to National Treasury for the 2018/19 financial year based on Board-approved special projects and this request was approved. The SETA has implemented most of these projects and the related cost is included under employer grant and project expenditure.

### **30. New accounting pronouncements**

#### ***Standards issued but not yet effected***

The SETA has not applied the following standards and interpretations, as the effective dates have not yet been gazetted by the Minister:

- a) GRAP 18: Segment reporting  
Impact: No impact on the FoodBev SETA as changes only apply to municipality and municipal entities and have been applicable to SETAs for a very long time.
- b) GRAP 104 : Financial instruments  
Impact: No impact.
- c) GRAP 110: Living and non-living resources  
Impact: No impact on the FoodBev SETA as the SETA has no biological or living assets.
- d) IGRAP 1 : Applying the probability test on initial revenue recognition (amendments)  
Impact: No impact.
- e) IGRAP 20: Accounting for adjustments to revenue  
Impact: No impact – Any adjustments to revenue are in line with the GRAP Standard and other relevant legislations.
- f ) GRAP 17: Property, plant and equipment  
Impact: No impact – Changes on land and buildings do not have any effect on FoodBev SETA.
- g) GRAP 20: Related party disclosures  
Impact: No impact – Not applicable to the SETA as it is not in a management services arrangement.
- h) GRAP 24: Presentation of budget information in financial statements  
Impact: No impact – The FoodBev SETA is already presenting the budget information separately on the face of financials.
- i ) GRAP 31: Intangible assets  
Impact: No impact – Amendments have not changed the message but just a re-phrase.
- j ) GRAP 32: Service concession  
Impact: No impact – The FoodBev SETA does not have service concessions.
- k) GRAP 37: Joint arrangements  
Impact: No impact – The FoodBev SETA does not have joint arrangements.

## Notes





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 FoodBevSETAza  
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ISBN: 978-0-621-48407-6  
RP NO: 189/2020



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