

ANNUAL REPORT

2020/2021



FoodBev SETA

Food & Beverages Manufacturing
Sector Education and Training Authority

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



Dr Blade Nzimande

Minister of Higher Education, Science, and Innovation



Mr Buti Manamela

Deputy Minister of Higher Education, Science and Innovation



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

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PART A

GENERAL INFORMATION

1 GENERAL INFORMATION

Registered name	Food and Beverages Manufacturing Sector Education and Training Authority (FoodBev SETA)
Registration number	09/FOODBEV1104111
Physical address	7 Wessels Road Rivonia 2128
Telephone number/s	011 253 7300
Fax number	011 253 7333
Email address	info@foodbev.co.za
Website address	www.foodbev.co.za
Internal auditors	Entsika Consulting 262 Rose Ave Doringkloof Centurion
External auditor	Auditor General South Africa 4 Daventry Street Lynnwood Bridge Office Park Lynnwood Manor Pretoria
Bankers	First National Bank

2 LIST OF ABBREVIATIONS/ACRONYMS

Term	Description
AA	Accounting Authority / Board of Directors
AET	Adult Education and Training
AGSA	Auditor General of South Africa
AFS	Annual Financial Statements
APP	Annual Performance Plan
ARC	Audit and Risk Committee
ATR	Annual Training Report
B-BBEE	Broad-Based Black Economic Empowerment
BRICS	Brazil, Russia, India, China, South Africa
BUSA	Business Unit South Africa
CEO	Chief Executive Officer
CEP	Community of Expert Practitioners
CET	Community Education and Training
CFO	Chief Financial Officer
COVID-19	Coronavirus Disease of 2019
CPD	Corporation for Public Deposits (Reserve Bank of South Africa)
CR	Commitment Register
CRM	Client Relations Management
DG	Discretionary Grant
DHET	Department of Higher Education and Training
DPME	Department of Monitoring and Evaluation
EA	Executive Authority / Minister of Higher Education, Science and Technology
EXCO	Executive Committee
EWP	Employee Wellness Programme
FEDCRAW	Federal Council for Retail and Allied Workers
FoodBev / FBS	Food and Beverages Manufacturing Sector Education and Training Authority ("SETA")
FW	Funding window
GRAP	Generally Recognised Accounting Practices
HACCP	Hazard Analysis Critical Control Points
HET	Higher Education and Training
HIV	Human Immunodeficiency Virus
HR	Human Resources
ICT	Information Communication Technology
IIA	Institute for Internal Auditors
IT	Information Technology
MD	Mandatory Grant

Term	Description
M&E	Monitoring and Evaluation
NAMB	National Artisan Moderation Body
NEC	Not elsewhere classified
NED	Non-executive director
NGO	Non-governmental organisation
NQF	National Qualifications Framework
NSA	National Skills Authority
NSFAS	National Student Financial Aid Scheme
OHS	Occupational Health and Safety
PFMA	Public Finance Management Act
PIVOTAL	Professional, Internship, Vocational, Technical and Academic Learning
PSET	Post School Education and Training
PwDs	Persons with disabilities
QCTO	Quality Council for Trades and Occupations
QDF	Quality Development Facilitators
RPL	Recognition of Prior Learning
SACDA	South African Career Development Association
SAQA	South African Qualification Authority
SARS	South African Revenue Services
SCM	Supply Chain Management
SDA	Skills Development Act
SDL	Skills Development Levy
SETA	Sector Education and Training Authority
SETMIS	SETA Management Information System
SIC	Standard Industrial Classification
SLA	Service Level Agreement
SME	Small and Micro Enterprises
SP	Strategic Plan
SSP	Sector Skills Plan
TR	Treasury Regulations
TVET	Technical and Vocational Education Training
UIF	Unemployment Insurance Fund
UJ	University of Johannesburg
VAT	Value-added tax
WSP	Workplace Skills Plan





3 FOREWORD

BY THE CHAIRPERSON

It is my pleasure to present the FoodBev SETA Annual Report for 2020/21. The Annual Report documents the performance of the Food & Beverages Manufacturing Sector Education and Training Authority (FoodBev SETA) during the financial year.

The FoodBev SETA is tasked with driving the development of quality skills in the food and beverage manufacturing sector of South Africa. This is incredibly important work since it impacts on the food and beverages that are served in homes across South Africa.

The year 2020 and the COVID-19 pandemic presented challenges that we could never have anticipated. With the introduction of the National State of Disaster and the associated lockdowns, the economy was inevitably impacted. The significance of FoodBev SETA's training and development work that enables more people to access work in the sector is now accentuated.

Despite the formidable challenges that the pandemic presented, we remained focused and resolute in our commitment to excellence, transformation and ensuring that South Africa has the relevant skills base to compete internationally.

Skills planning is a core element of our work and in this space our focus is two-fold. Firstly, we are responsible for generating reliable and credible

research to support planning and secondly, we are responsible for providing continuous training to improve productivity and performance in the sector.

Monitoring and evaluation is another key part of our work. The SETA's learning programmes and various projects are designed to support both employed and unemployed learners to gain access to scarce and critical skills in the sector. This training aims to improve their employability as well as improve the competitiveness of the sector.

Adult education and training is a gateway for learners with low-level numeracy and literacy skills to participate in higher levels of occupationally based programmes. 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 as well as community and non-profit organisations by contributing to their sustainability through skills development.

The SETA's efforts in developing a pipeline of talented future employees and employers in the food and beverages manufacturing sector is critical for the sustainability of the sector

and through awareness campaigns and career guidance the SETA is growing the profile of the sector and awareness of job opportunities within the sector.

Strategic Relationships

The COVID-19 pandemic has wreaked havoc on the South African economy and communities across the country have been hit hard by job losses. The pandemic has disrupted every aspect of life and government and private sector organisations have not been spared. As a country we have stood together to tackle the pandemic and as vaccine rollout begins, we are hopeful that the economy will begin to recover.

Government cannot win this battle alone and President Cyril Ramaphosa's Economic Reconstruction and Recovery Plan (ERRP) has provided a clear framework for how the SETA can contribute to reviving the economy of South Africa. The SETA has initiated 14 special projects to support and bolster existing strategic partnerships. Many of these strategic partnerships are with small, medium and micro enterprises in South Africa as well as with NGOs and other public institutions. Amongst the 14 partnerships, 12 were formed to support the most vulnerable in our society namely, women, youth, people with disabilities and rural communities.



The SETA has also supported the Minister of Higher Education, Science and Innovation's call to focus on interventions to support the core skills strategy. The SETA has aligned with interventions focusing on:

- a)** Improving access to targeted skills programmes: amending funding and quality assurance mechanisms linked to ERRP sectors to allow for immediate and short-term interventions that are both accredited and not accredited.
- b)** Existing Technical and Vocational Education Programmes were updated or amended to ensure programmes meet demand in key sectors within the ERRP.
- c)** Access to workplace-based experience: WIL and internships.
- d)** Retraining/up-skilling to preserve jobs: building on TERS, funding short programmes and qualifications.

- e) Increased access to programmes resulting in qualifications in priority sectors: increasing enrolments to meet medium term skills needs; and
- f) Meeting demand in list of critical occupations: importing skills.

Furthermore, we continue to align with health and safety protocols to ensure compliance across the board. The FoodBev SETA has established relationships with reputable providers to spearhead food safety, occupational health and safety learning programmes within our sector. This work ensures that we are contributing as best we can to implementing the norms and standards that promote safe communities.

I am pleased to report that our partnership with the University of Johannesburg (UJ) has proven to be very effective in facilitating a well-researched Sector Skills Plan (SSP) ensuring that it is responsive to global needs, accurately reflects the sector and is taking into account the skills needs of the Fourth Industrial Revolution.

Strategic focus over the medium to long term period

The past year was financially challenging due to the impact of COVID-19. Due to the passing of the Disaster Management Tax Relief Bill of 2020 employers received much needed tax relief and exemption from liability for and payment of the skills development levy for a period of four months, which commenced on 01 May 2020 and ended on 31 August 2020. As a result of this and sector-wide retrenchments, the SETA revenue for 2020/21 inevitably contracted. The SETA saw a revenue reduction of R132 million for 2020/21. FoodBev anticipates a reduction in the next financial year too.

Despite the fact that the context has shifted dramatically, 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, 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 the prioritisation of 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, Science and Innovation has been in discussions with Business Unity South Africa and the National Skills Authority, a clear way forward is yet to be finalised on how the SETA should operationally handle this issue. The FoodBev SETA, like other SETAs continues to pay mandatory grants at 20% to all qualifying employers.

Finally, the most critical partnership is the one with our employers. They are central to the implementation of 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 it has been an incredibly difficult year, we have seen our people rise to the demands of the 'new normal' by working together and bringing innovative and strategic solutions to the table. Now it is more important than ever that we invest in skills development to ensure that South Africans are well positioned to benefit from a growing economy in the future.

Challenges faced by Board

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

Acknowledgements/Appreciation

The SETA's work is not possible without strong and effective leadership, reliable support services and effective quality assurance services. While the SETA faced extraordinary challenges during the year under review, its commitment to achieve its goals remained undiminished. On behalf of the Board, I give my heartfelt thanks to the entire FoodBev SETA management and staff for all the incredible work that they did to ensure that the SETA's work continued. It is this commitment that will help the SETA to weather the storm of the current socio-economic challenges.

I also must thank all the FoodBev SETA partners who contributed to helping us to realise our vision despite the many obstacles we faced.



Conclusion

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

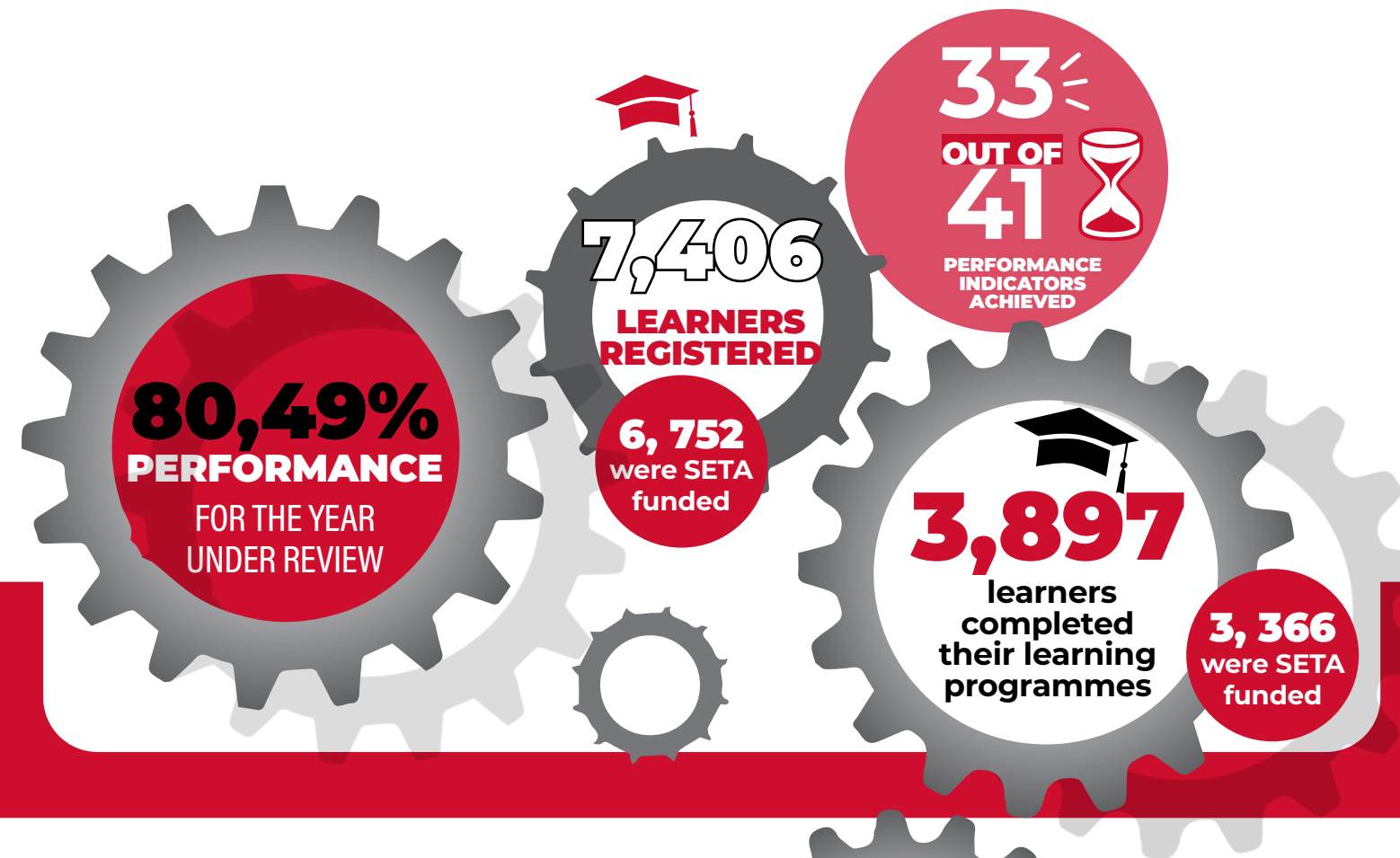
Mr Alan Campbell
Chairperson of the Accounting Authority

31 July 2021



4 OVERVIEW

BY THE CHIEF
EXECUTIVE
OFFICER



I am proud to present the 2020/21 Annual Report. This report reflects the achievements and challenges that FoodBev SETA experienced over the last year, as a result of the COVID-19 pandemic but it is also an opportunity to celebrate our successes.

Highlights

I am pleased to report an **80,49%** performance for this year under review, having achieved **33** of **41** performance indicators. I am also delighted to report that the FBS registered a total of **7,406** learners (employed and unemployed) on various learning programmes, of which **6,752** were SETA funded. In addition, **3,897** learners completed their learning programmes of which **3,366** were SETA funded. A total of **654** learners were registered into learning programme funded by the sector of which **531** learners have completed.

Financial review and spending trends

The FoodBev SETA's total budgeted revenue decreased from the approved amount of **R432 million** to **R305 million** during the year under review, this was due to the four-month skill development levy holiday and other COVID-19 related financial impacts. This resulted in a

R118 million downward budget adjustment and reduction of performance targets from 52 to 47.

Addressing the challenges and constraints

Internal Capacity

In March 2020 the Board approved an organisational structure enhancement process. This process was necessitated by the need to address many of the capacity constraints the SETA faces as well as implementation of government priorities, changes in legislation such as the Quality Council for Trades and Occupations (QCTO) Landscape, and the high demand for service delivery.

The enhanced organisational structure aimed 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 previously outsourced services which will be implemented over a period of three (3) years.

Placement of Learners

The FoodBev SETA historically used graduate placement agencies to place learners with companies to gain work experience. This approach proved to be ineffective and resulted in the delay in placement of learners. This year FBS entered into agreements with TVET colleges and universities to place learners in various workplaces directly. This ensured timeous placement of learners and stipend payments.

Performance reporting and business efficiency

The reporting of performance information continued to be a challenge due to data conflicts and discrepancies on the centralised SETA Management Information System (SETMIS). These issues are being dealt with by continuous engagement with DHET. In addition, we are recruiting a data analyst to evaluate data loaded onto the system to reduce errors.

In order to improve operational efficiency, the SETA has revised and updated its business processes, this will help to streamline procedures and enable more effective service delivery. Work on this is ongoing and we anticipate that the SETA will see the benefits of this process in the coming year.

Discontinued activities

Due to the COVID-19 response plan, the SETA discontinued five (5) reporting targets as a result of the budget deficit, namely:

1. Number of SETA-funded unemployed learners registered on a Candidacy Programme with a registered professional body.
2. Number of SETA-funded employed learners registered on Learnership programmes.
3. Number of SETA-funded employed students enrolled and registered on bursaries in higher education institutions and Management Development Programmes.
4. Number of lecturers who have entered the workplace exposure programme.
5. Number of SETA-funded apprentices registered on an apprenticeship programmes (RPL and Centres of Specialisation programmes).

New or proposed activities

Due to the impact of COVID-19 and the reduced revenue, no new or proposed activities were developed in 2020/2021.

Requests for roll over of funds

FoodBev SETA has submitted a detailed request to the DHET and National Treasury for the retention of surplus funds and is awaiting approval. The SETA has at year-end approved, contracted and committed funds as disclosed in note 22.

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 fees paid to Accounting Authority members appointed by the executive authority (DHET) amounting to R653 000 (refer to Note 24 in the Annual Financial Statements for details). Prior year irregular expenditure (related to mandatory and discretionary grants transactions with employers) was not condoned in the reporting year as the disciplinary proceedings were not finalised.

Project partnerships and collaborations

During the year under review, FoodBev SETA committed an amount of **R102million** to partnerships and collaborations to support **14** new strategic projects in both the private and public sector. These partnerships and collaborations are committed to developing critical skills in order to implement the National Skills Development Plan 2030 Agenda. An emphasis was placed on SMEs development in rural areas and unemployed learners particularly, youth, women and persons with disabilities.

Audit report matters and irregular expenditure

The control environment at the SETA has improved significantly. The SETA aims to continue this trend by maintaining internal controls, policies, and compliance of the financial statements. We are confident that the SETA has the correct skills, knowledge and expertise within the finance department to ensure that the SETA continues to perform well in this regard.

Future outlook/plans to address financial challenges

In response to the funding gap created by the socio-economic impact of the COVID-19 pandemic, the SETA will adopt the following approach:

1. Revise the approved budgets for 2021/22 to recognise the reduced revenue and reprioritised planned activities to achieve budgets savings.
2. Submit a motivation for retention of surplus funds to cover the funding gap.
3. Implement various austerity and cost-containment measures.
4. Automate the approved business processes and develop standard operating procedures with the assistance of an external service provider.

Acknowledgements and appreciation

This past year has been a year marked by uncertainty and adversity, as a result of the COVID-19 pandemic and this uncertainty is likely to continue for the foreseeable future. This has demanded a new way of working and indeed a new way of life. We again applaud the healthcare workers, working tirelessly to keep citizens safe and to the essential service staff in the sector that have worked hard in trying circumstances to ensure that South Africans are fed during this difficult year.

To our stakeholders, we thank you for your ongoing support, participation and engagement. We commit to keeping the avenues of communication open and sharing our product and service offerings. We look forward to continuing our fruitful relationship in the new financial year.

I would also like to thank the SETA management team and staff who have shown their mettle over the past year, rising to the challenges that the pandemic has presented and continuing to work tirelessly to ensure that our mandate is fulfilled. I thank you for your commitment and dedication.

Lastly, on behalf of the SETA, I would like to thank the Board, led by Mr Alan Campbell as the Chairperson, for their continued strategic leadership and guidance.



Ms Nokuthula Selamolela
Chief Executive Officer
31 July 2021




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

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

1. All information and amounts disclosed in the annual report are consistent with the Annual Financial Statements audited by the Auditor General.
2. The annual report is complete, accurate and is free from any omissions.
3. The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
4. The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the FoodBev SETA.
5. The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.
6. 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.
7. 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 SETA for the financial year ended 31 March 2021.

Yours faithfully



Chief Executive Officer
Nokuthula Selamolela
31 May 2021



Chairperson of the Board
Alan Campbell
31 May 2021

6 STRATEGIC OVERVIEW



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.



mission

Supporting the drive to:

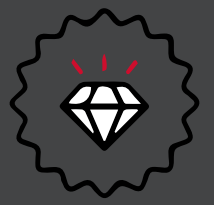
- Increase employability of workforce entrants
- Enhance greater entrepreneurship
- Improve the competitiveness of the industry
- Maintain relevance of the SETA skills interventions to the sector.

By

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

Through

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



values

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

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

LEGISLATIVE AND OTHER 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: *Legislative and Policy Mandates*

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

Scope of coverage

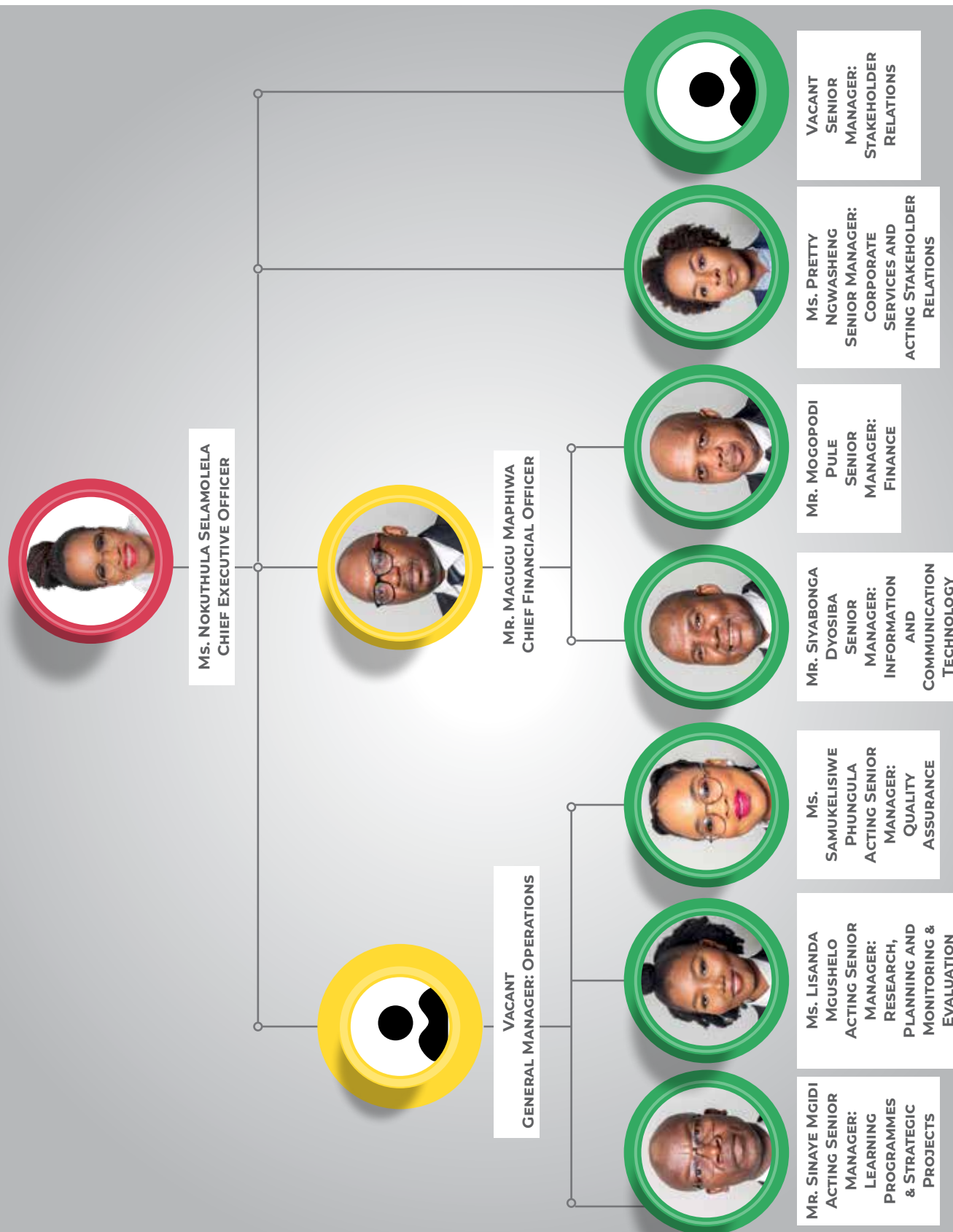
TABLE 2: *Standard industrial classification codes and description*

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

SIC Code	Main Business Description
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	Manufacture of other 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

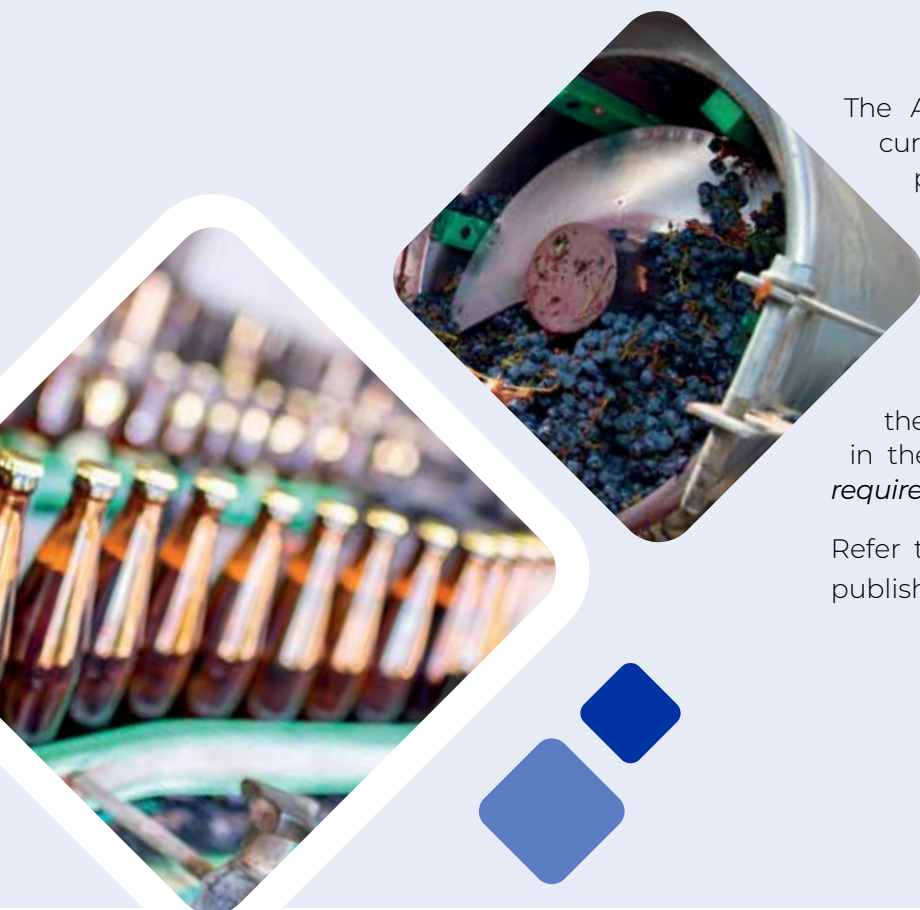




PART B

PERFORMANCE INFORMATION

1 AUDITOR-GENERAL'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 **89-92** of the Auditor's Report, published as Part E: Financial Information.

2 SITUATIONAL ANALYSIS

2.1 Service delivery environment

During the year under review, the Department of Planning, Monitoring and Evaluation issued a revised framework for strategic plans and annual performance plans. To ensure alignment with the framework, the SETA underwent a process of reviewing its indicators to align with the new requirements. As a result, there were a few indicators that were reviewed and/or renamed which would have an impact on reporting; considering that the current year is the first time the SETA will be reporting over a three (3) year actual period.

FBS has increased its performance from 54,4% reported in the previous year, to **80,49%** having achieved 33 of 41 performance indicators. During the year under review, FBS registered a total of **7,406** learners (both employed and unemployed) on various learning programmes.

The SETA funded **6,752** while the food and beverages manufacturing sector funded **654** learners. During the same period, a total of **3,897** learners completed their learning programmes, broken down into 3,366 SETA funded and 531 sector funded.

The improvement in performance by the SETA can be attributed to good working relationships fostered with stakeholders, continuous capacity development and engagement with our stakeholders and improved processes within the organisation. The improved engagement with stakeholders resulted in them understanding the critical and important role they play in timeous submission of compliant documents for registrations, effective implementation of learning programmes at workplaces and training institutions and submission of required documents to facilitate payment processes. It should however be noted that COVID-19

lockdown restrictions impacted on submissions of some of these documents especially the moderations to facilitate payments. This was however mitigated to some extent, by virtual and desktop moderations.

Going forward, FBS will strive to allocate discretionary grants to beneficiaries earlier, in order to contribute to more effective learning programme implementation and effective reporting. The separation of monitoring and evaluation processes from the Quality Assurance Unit (QAU), will assist the SETA with improved monitoring and evaluation of projects which will enable SETA staff to identify pockets of excellence and high-performing project beneficiaries. This will also enable FBS to identify the projects that require additional assistance from the team, to ensure they remain on track in order to deliver on agreed performance deliverables.

The four-month payment holiday impacted on the revenues of the SETA. However there was an overwhelming response to the call by the SETA, to our stakeholders, to continue with training interventions, which was evidenced by a high number of applications received for most of the learning programmes. Small businesses and non-profit organisations continue to experience challenges in submitting compliant applications for learning programmes which resulted in their applications not being successful. FBS embarked on a series of stakeholder capacity workshops with all its stakeholders before the closure of the first funding window and will continue to target capacitation of small businesses and non-profit organisations so they can fully understand the requirements when they apply.

The SETA embarked on an assessment that led to the estimate that the overall impact of the four-month skill development levy holiday and other COVID-19 related financial impacts which resulted in a downward budget adjustment of **R118 million**. The implications of the latter necessitated a reduction of the SETA budget from the approved amount of **R432 million** to **R305 million**, which resulted in a total budget reduction of **R127 million**. The reduced budget necessitated the revision of performance indicators from 45 to 41, which led to the reduction of the performance targets from 52 to 47.

The QCTO approved the SLA with the SETA in implementation of agreed deliverables (as per the new QCTO landscape) in quarter three (3). This however resulted in the delays in the appointment of the qualification development

facilitator for the development and registration of part qualifications and other qualifications required by the sector. These will be prioritised in the new financial year.

The reporting of performance information through the centralised SETA Management Information System (SETMIS) continues to be a challenge due to data conflicts and discrepancies. The challenges faced by the organisation due to SETMIS reporting are addressed by continuous engagement with DHET. FBS will also recruit and appoint a data analyst who will analyse and evaluate data that is loaded onto the system which will assist with the reduction of errors.

2.2 Organisational environment

The SETA embarked on the revision of its business processes in order to improve its operational procedures that will lead to a streamlined organisation and enable timeous delivery of services at acceptable standards. The revised and improved business processes will result in staff carrying out duties diligently in line with approved policies and procedures and performance agreements.

Moreover, to aid the above, the SETA Board approved the enhanced organisational structure to improve the implementation of the SETA mandate. The implementation of the structure was however, delayed due to the COVID-19 restrictions which resulted in DHET issuing a directive and placing the SETA under a moratorium on the recruitment process until the end of quarter three (3). This resulted in the recruitment of phase one (1) of the structure only being implemented in quarter four (4) and phase two (2) will resume in the new financial year.

FBS has efficient governance structures in place to ensure good corporate governance, implementation of approved policies and procedures and sound financial management. The Board provides strategic direction to FBS and an independent Audit and Risk Committee plays an oversight role and provides assurance to the Board regarding the implementation of good internal controls and promotes a good control environment.

2.3 Key policy developments and legislative changes

During the year under review, no key policy developments and legislative changes were reported on.

PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACT AND OUTCOMES

3.1 FoodBev SETA Impact

3.1.1 A capable workforce that contributes to self-employment, economic growth, and quality of life. The FoodBev SETA is well on its way to delivering on the impact statement stated in the Strategic Plan (SP). Based on the first-year progress, the SETA has registered **7,406** learners on learning programmes and **3,897** learners completed these programmes resulting in an actual performance of **80,49%** against the planned performance targets which are linked to the outcomes and impact of the SETA. The latter therefore indicates progress made towards the outcomes of the SP which are directly linked to the desired impact.

3.2 FoodBev SETA Outcomes

3.2.1 FoodBev SETA Outcome 1: Identified occupations in high demand are addressed through relevant and accessible programmes. The SETA is well on its way to delivering on the planned outcomes implemented through performance indicators and targets set in the APP. The ten (10) occupations in high demand indicated in chapter three (3) of the SSP are the organisations priority occupations and are thus prioritised in the implementation of interventions. FBS funded **4,427** learners in learning programmes including work experience, bursaries, learnerships and apprenticeships targeting occupations in high demand to address the skills deficit. A total of **2,097** learners completed their learning programmes.

3.2.2 FoodBev SETA Outcome 2: Relevant programmes facilitated to respond to the Post School Education and Training (PSET) education, skills development, and training in public institutions. The SETA continued to support programmes that respond to the PSET education (universities, TVETs and community colleges), skills development, and training in public institutions. This was achieved through occupational programmes: learnerships, apprenticeships, internships, work experience and bursaries. A total of **5,928** learners were registered on occupational directed programmes and **2,829** completed the afore mentioned programmes.

3.2.3 FoodBev SETA Outcome 3: Increased offering designed to address national imperatives. The organisation has prioritised the implementation of national imperatives through the formation of partnerships/strategic projects. During the year under review FBS approved 14 partnerships. Of the 14, two (2) support rural development, two (2) address trade skill competitions, challenges, expositions and conferences, three (3) support NGOs who are upskilling women, youth, PwDs and small businesses. The remaining seven (7) are partnerships with private and public institutions.

3.2.4 FoodBev SETA Outcome 4: Efficient & effective disbursement of funds. The SETA was directly impacted by the lockdown restrictions which resulted in the delays in moderations and receipt of grant claim forms. This therefore reduced the expenditure on discretionary grants from **R223 million** in the previous year to **R147 million** in the current year, indicating a 67% (2019/20: 74%) discretionary grant pay-out ratio. Mandatory grants were also affected by the four-month levy payment holiday hence reduced from **R79 million** to **R53 million** in the current year resulting in a 74% (2019/20: 79%) pay-out ratio.

3.2.5 FoodBev SETA Outcome 5: Increased awareness of FoodBev SETA offerings. The SETA conducted 20 career exhibition events (mostly virtually) in both urban and rural areas and distributed **3,729** career guides in order to reach most of our learners and improve on the career guidance system. The SETA entered into a partnership with the South African Career Development Association (SACDA) in order to improve on the career guidance initiatives and maximise reach. Over and above this, FBS has capacitated **42** career practitioners on the careers available in the sector and learning pathways to assist with dissemination and provision of advice to youth, mainly in grades 8 to 12.

3.2.6 FoodBev SETA Outcome 6: Improved skills planning through research. There has been great improvement in the quality and credibility of research conducted by

the organisation through the Research Chair partnership with the UJ. The research conducted has focused on strategic areas that provide guidance to skills planning.

3.2.7 FoodBev SETA Outcome 7: Established partnerships with stakeholders (e.g., learning institutions, foundations, NGO's and public sector institutions) to make the industry more competitive. In the current financial year, the organisation has approved **14** special projects which are an addition to the already established partnerships with learning institutions, NGO's as well as public sector institutions. These partnerships responded to key strategic and/or skills needs areas identified by stakeholders and contribute to their competitiveness.

3.2.8 FoodBev SETA Outcome 8: Supported and transformed sector with a focus on: youth/women/people with disabilities/ TVET and community colleges/rural/townships. The SETA has formed **14** partnerships that respond to the training of the youth, PwD, women, people from disadvantaged areas and the unemployed with bursaries, learnerships, skills and lecture capacitation and industry exposure programmes.

3.2.9 FoodBev SETA Outcome 9: Relevant and focused interventions that respond to the challenges of unemployment which include: entrepreneurship skills, learnerships, skills programmes, training on localisation and optimisation etc. The SETA has responded to this outcome through its skills programmes that has included unemployed learners and special projects that seek to upskill or train the unemployed. The SETA has also established programmes to support the SMMEs.

3.2.10 FoodBev SETA Outcome 10: Established and improved customer services which include a Client Relations Management (CRM) system and a communication strategy. The SETA is in the second year of implementing its five (5) year communication strategy. The strategy has been supplemented by a communication plan which is reviewed annually. Stakeholder capacitation workshops were conducted to open communication with stakeholders through various established media platforms. The SETA CRM system is still in the development stage and will be fully rolled out in the new financial within the organisational wide ERP project.



4

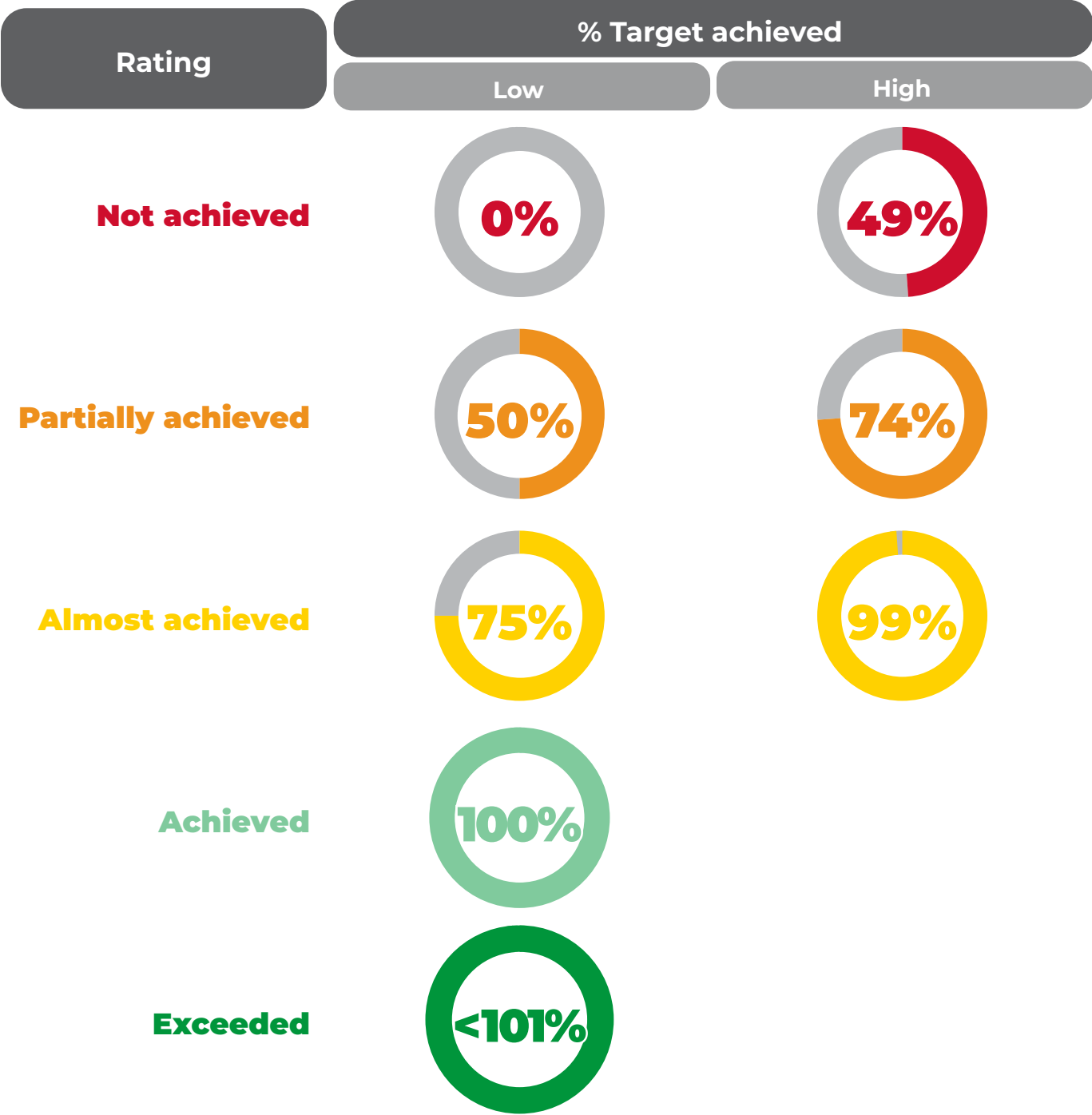
INSTITUTIONAL PROGRAMME
 PERFORMANCE INFORMATION

FoodBev SETA planned to deliver on four (4) programmes during the year under review, namely:

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

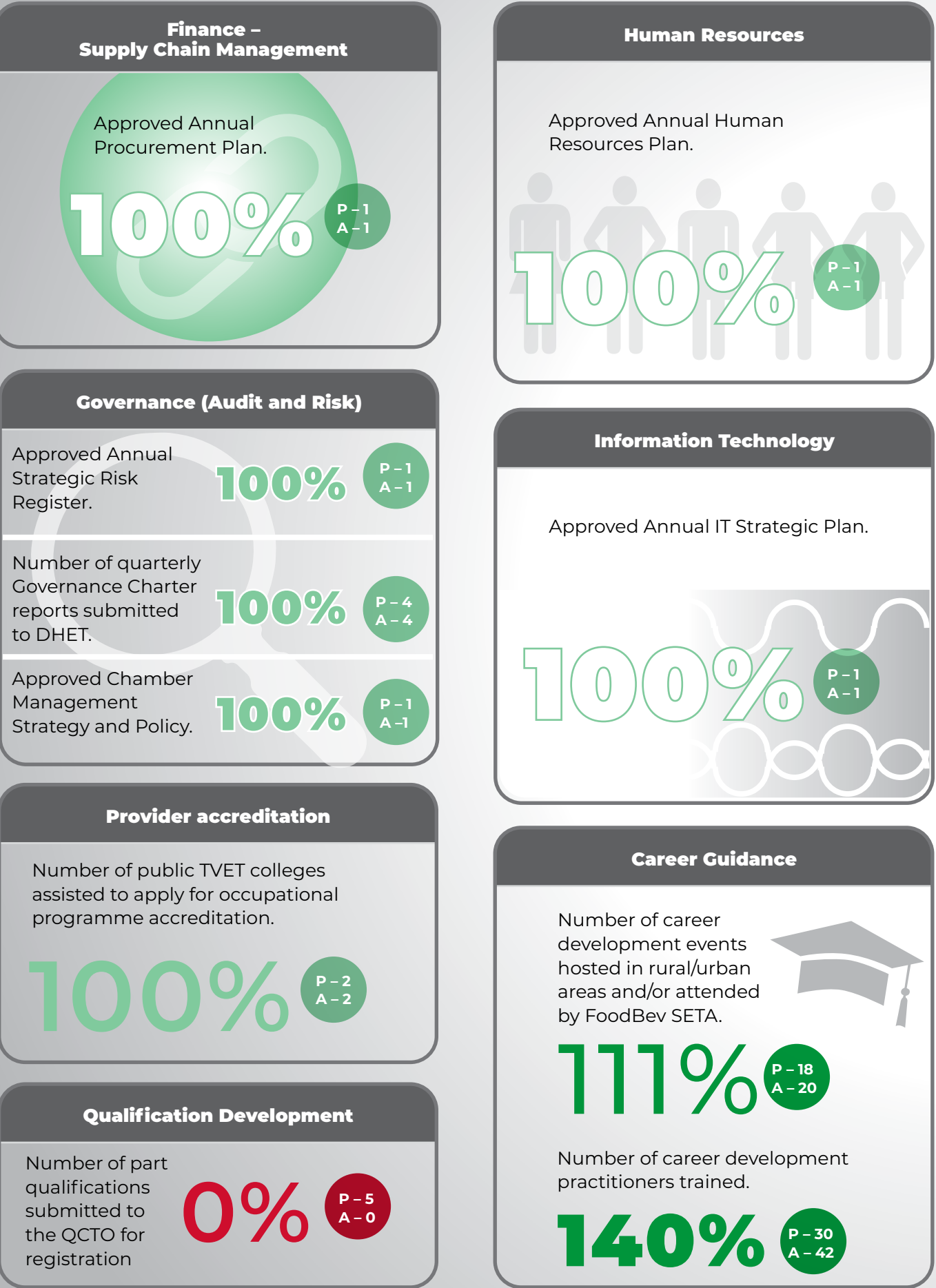
The assessment of programme performance is done against achievements of the planned annual targets. Achievement is categorised according to the below performance ratings against all indicators for each of the four (4) programmes.

FIGURE 2: Performance ratings



Performance dashboard

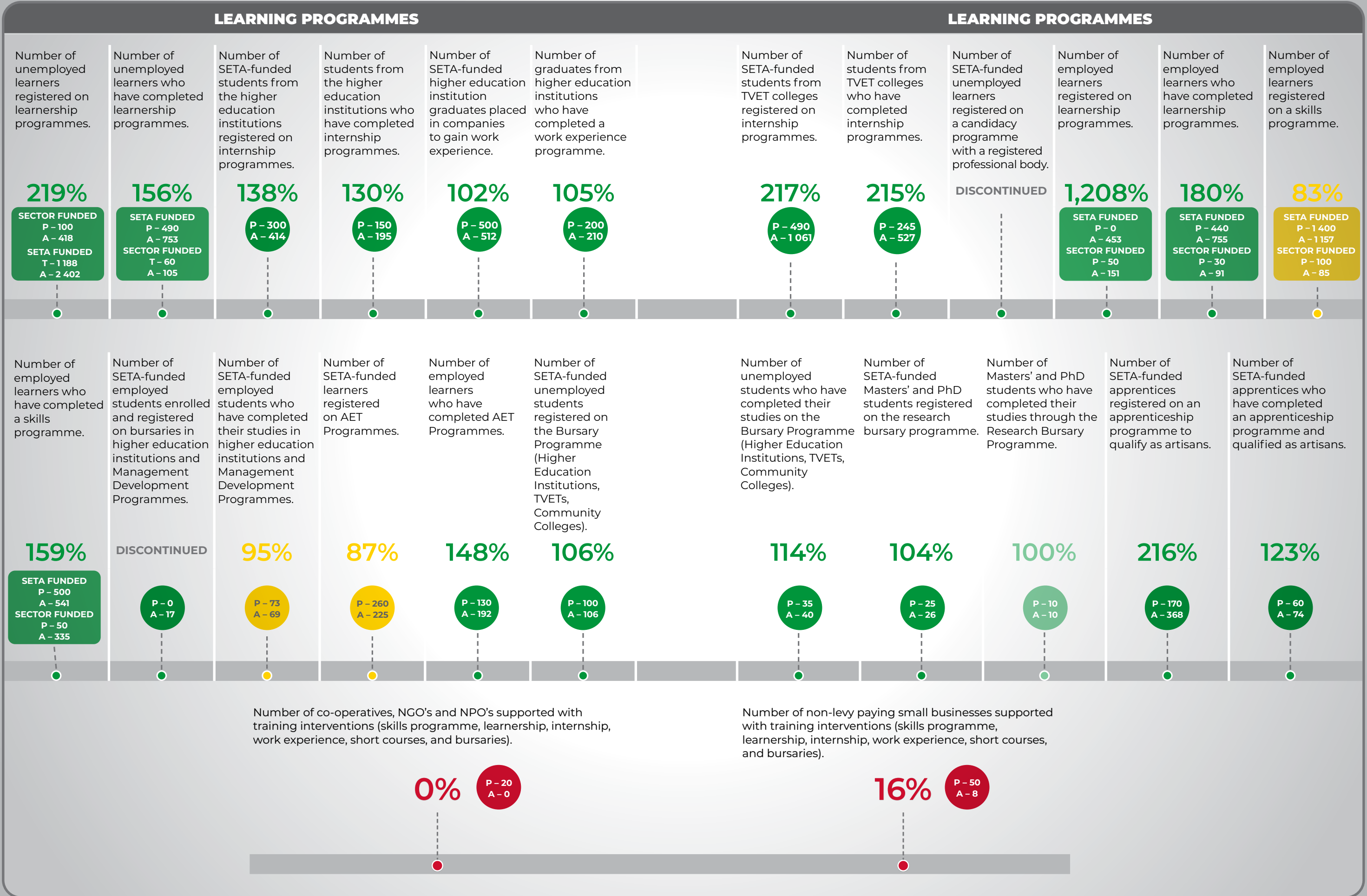
FIGURE 3



Performance dashboard

P = Planned Target
A = Achievement

FIGURE 3 (continued)



4.1 Programme 1: administration and support

The purpose of this programme is to enable the FoodBev SETA to deliver on its mandate by providing strategic management, sound financial and supply chain management capacity and 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 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 the aim of cultivating and fostering good relations through sharing of information, events, media, and public relations.
- f) **Information and 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.

4.1.1. Sub-programme: Finance, Supply Chain Management and Assets

Purpose: To provide strategic leadership, management, and support services to the SETA

TABLE 3: Finance, Supply Chain Management Indicators, Targets and Actual Achievement

Programme / Sub-programme: Finance, Supply Chain Management and Assets	
Outcome	Performing system support functions and managed budgets and expenditure linked to the SETA mandate.
Output	Established sound and effective financial management of the affairs of the organisation through application of good internal control systems that include risk, budget, financial, supply chain management and business processes.
Output Indicator	1. Approved Annual Procurement Plan.
Audited Actual Performance 2018/2019	1
Audited Actual Performance 2019/2020	1
Planned Annual Target 2020/2021 before re-tabling	1
Planned Annual Target 2020/2021 after re-tabling	1
Actual Achievement 2020/2021	1
Deviation from planned target to Actual Achievement 2020/2021	0
Reasons for deviations	100% of target achieved.

4.1.2 Sub-programme: Governance (Audit and Risk)

Purpose: To provide strategic leadership, management, and support services to the SETA

TABLE 4: Governance (Audit and Risk) Indicators, Targets and Actual Achievement

Programme / Sub-programme: Governance (Audit and Risk)			
Outcome	Performing system support functions and managed budgets and expenditure linked to the SETA mandate.		
Output	Established sound and effective governance and financial management of the affairs of the organisation through application of good internal control systems including risk, budget, and business processes.		Well managed and coordinated FoodBev SETA Chambers.
Output Indicator	2. Approved Annual Strategic Risk Register.	3. Number of quarterly Governance Charter reports submitted to DHET.	4. Approved Chamber Management Strategy and Policy.
Audited Actual Performance 2018/2019	1	4	New Indicator
Audited Actual Performance 2019/2020	1	4	New Indicator
Planned Annual Target 2020/2021 before re-tabling	1	4	4
Planned Annual Target 2020/2021 after re-tabling	1	4	4
Actual Achievement 2020/2021	1	4	1
Deviation from planned target to Actual Achievement 2020/2021	0	0	0
Reasons for deviations	100% of target achieved.	100% of target achieved.	100% of target achieved.

4.1.3 Sub-programme: Human Resources

Purpose: To provide strategic leadership, management, and support services to the SETA

TABLE 5: Human Resources Indicators, Targets and Actual Achievement

Programme / Sub-programme: Human Resources	
Outcome	Performing system support functions and managed budgets and expenditure linked to the SETA mandate.
Output	An effective human resources management system.
Output Indicator	5. Approved Annual Human Resources Plan.
Audited Actual Performance 2018/2019	1
Audited Actual Performance 2019/2020	1
Planned Annual Target 2020/2021 before re-tabling	1
Planned Annual Target 2020/2021 after re-tabling	1
Actual Achievement 2020/2021	1
Deviation from planned target to Actual Achievement 2020/2021	0
Reasons for deviations	100% of target achieved

4.1.4 Sub-programme: Information Technology

Purpose: To provide strategic leadership, management, and support services to the SETA

TABLE 6: Information Technology Indicators, Targets and Actual Achievement

Programme / Sub-programme: Information Technology	
Outcome	Performing system support functions and managed budgets and expenditure linked to the SETA mandate.
Output	Improved efficiency through the development of ICT policies, frameworks and/or standards.
Output Indicator	6. Approved Annual IT Strategic Plan.
Audited Actual Performance 2018/2019	1
Audited Actual Performance 2019/2020	1
Planned Annual Target 2020/2021 before re-tabling	1
Planned Annual Target 2020/2021 after re-tabling	1
Actual Achievement 2020/2021	1
Deviation from planned target to Actual Achievement 2020/2021	0
Reasons for deviations	100% of target achieved.

4.2 PROGRAMME 2: SKILLS PLANNING

The purpose of this programme is to conduct compelling research that identifies 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.

4.2.1 Sub-programme: Sector Skills Plan and Research

Purpose: To conduct compelling research that demands credible institutional mechanisms for skills planning.

TABLE 7: Sector Skills Plan and Research Indicators, Targets and Actual Achievement

Programme / Sub-programme: Sector Skills Plan and Research		
Outcome	Identified and increased production of occupations in high demand.	
Output	Evaluated and analysed WSP/ ATR's and actual training reports complemented by labour market research to identify scarce and critical skills needs in the sector.	Evidence-based research to inform sector planning (SSP, SP and business planning).
Output Indicator	7. Approved Sector Skills Plan.	8. Number of research reports developed and approved that inform the update of the Sector Skills Plan.
Audited Actual Performance 2018/2019	1	5
Audited Actual Performance 2019/2020	1	5
Planned Annual Target 2020/2021 after re-tabling	1	4
Actual Achievement 2020/2021	1	6
Deviation from planned target to Actual Achievement 2020/2021	0	2
Reason for deviations	100% of target achieved.	150% of target achieved and exceeded. This was achieved due to additional capacity provided by the partnership with the UJ research chair which led to the research department completing two (2) additional research reports.

4.2.2 Sub-programme: Workplace Skills Plans and Annual Training Reports

Purpose: To provide reliable information on supply and demand for skills in the Food and Beverages Manufacturing Sector

TABLE 8: Workplace Skills Plans and Annual Training Reports Indicators, Targets and Actual Achievement

Programme / Sub-programme: Workplace Skills Plans and Annual Training Reports			
Outcome	Identified and increased production of occupations in high demand.		
Output	Employers participating in the workplace training.		
Output Indicator	9. Number of Annexure 2 applications approved.		
Audited Actual Performance 2018/2019	Large companies: 219	Medium companies: 204	Small companies: 330
Audited Actual Performance 2019/2020	Large companies: 221	Medium companies: 211	Small companies: 313
Planned Annual Target 2020/2021 before re-tabling	735 levy-paying	31 non-levy paying	n/a
Planned Annual Target 2020/2021 after re-tabling	735 levy-paying	10 non-levy paying	n/a
Actual Achievement 2020/2021	665 levy-paying	7 non-levy paying	n/a
Deviation from planned target to Actual Achievement 2020/2021	70 levy-paying	3 non-levy paying	n/a
Reasons for deviations	90% of target achieved. This is due to non-compliance (large and medium companies failed to submit some of the required documents for the approval of their applications and/or failed to provide valid reasons for the non-implementation of previously planned training interventions).		



4.3 PROGRAMME 3: LEARNING PROGRAMME AND PROJECTS

4.3.1 Sub Programme: Implementation of Learning Programmes

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

4.3.1.1. 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 7,406 learners and a total of 3,987 learners completed programmes. The following programmes were provided:

- a) Learnership programmes (employed and unemployed)
- b) Learnership Programme for Persons with Disabilities
- c) Skills programmes
- d) Internships
- e) Work experience
- f) TVET student placements and TVET Bursary Programme
- g) Apprenticeship Programme
- h) Undergraduate Bursary Programme
- i) Research and Innovation Bursary Programme.

4.3.1.2 Strategic Partnerships and TVET Lecturer Capacitation Programme

The purpose of this programme is to grow a capable public TVET sector. FoodBev SETA planned to place TVET lecturers within companies in the food and beverages manufacturing sector for exposure to the latest technological advancements and the development of industry skills, which will contribute to the development of their lecturing skills. In the year under review, FoodBev SETA did not enter into any partnerships to place lecturers in the industry as the programme was discontinued due to the four (4) months skills development levy payment holiday on Discretionary Grant Funding.

4.3.1.3 Adult Education and Training (AET)

The purpose of this grant is to capacitate sector employees with adult foundational programmes (numeracy and literacy) in order to improve employee's basic skills that will result in them taking up higher levels of learning programmes. During the year under review, FoodBev SETA registered a total of 225 AET learners.



TABLE 9: Learning Programmes Indicators, Targets and Actual Achievement before and after adjustment

Programme / Sub-programme: Implementation of Learning Programmes				
Outcome	Linked education and workplace skills.			
Output	Middle and high-level skills need addressed in the sector to address scarce and critical skills.		Students obtain qualifications and work experience.	
Output Indicator	10. Number of unemployed learners registered on learnerships.	11. Number of unemployed learners who have completed learnership programmes.	12. Number of SETA-funded students from the higher education institutions registered on internship programmes.	13. Number of students from the higher education institutions who have completed internship programmes.
Audited Actual Performance 2018/2019	2,399	858	556	282
Audited Actual Performance 2019/2020	1,816 SETA funded & 390 sector funded	1,641 SETA funded & 99 sector funded	224	487
Planned Annual Target 2020/2021 before re-tabling	1,700 SETA funded & 100 sector funded	850 SETA funded & 60 sector funded	521	260
Planned Annual Target 2020/2021 after re-tabling	1,188 SETA funded & 100 sector funded	490 SETA funded & 60 sector funded	300	150
Actual Achievement 2020/2021	2, 820 2,402 SETA funded & 418 sector funded	858 753 SETA funded & 105 sector funded	414	195
Deviation from planned target to Actual Achievement 2020/2021	+1,532 +1,214 SETA funded & +318 sector funded	+308 +263 SETA funded & +45 Sector funded	+114	+45
Reasons for deviations	219% of target achieved and exceeded. This is due to a high number of applications received and approved. Over and above the current year's applications, SETA could only register and report some of the learner agreements that related to the prior year (2019/20) in the current year (2020/21) as these were never registered and reported in the prior year. The additional funding was funded through additional funding released from terminations, cancellations, and reallocation of funding from retained funds. In addition, the sector funded more learners than anticipated.	156% of target achieved and exceeded. This is due to accelerated moderation processes and direct intervention for programmes certified by other SETAs. This led to higher completion and certification numbers. The sector also completed more learners than anticipated.	138% of target achieved and exceeded. This is due to a high number of applications received and approved. Over and above the current year applications, SETA could only register and report some of the learner agreements that related to the prior year (2019/20) in the current year (2020/21) as these were never registered and reported in the prior year. The additional funding came from terminations, cancellations, and reallocation of funding from retained funds.	130% of target achieved and exceeded. This is due to the higher number of learners who successfully completed the learning programme. This was mostly due to a letter sent to stakeholders requesting the submission of all outstanding learner documents for learners behind schedule.

Programme / Sub-programme: Implementation of Learning Programmes				
Students obtain qualifications and work experience.				
14. Number of SETA-funded higher education institution graduates placed in companies to gain work experience.	15. Number of graduates from higher education institutions who have completed work experience programme.	16. Number of SETA-funded students from TVET colleges registered on internship programmes.	17. Number of students from TVET colleges who have completed internship programmes.	18. Number of SETA-funded unemployed learners registered on a candidacy programme with a registered professional body.
543	285	1,280	199	7
159	273	351	589	1
500	250	490	245	5
500	200	490	245	0
512	210	1,061	527	n/a
+12	+10	+571	+282	n/a
102% of target achieved and exceeded. This is due to the number of learners registered who were linked to 2019/20 financial year but not reported in 2019/20 Annual Report.	105% of target achieved and exceeded. This is due to a higher number of learners successfully completing the learning programme. This was mostly due to the commitment Register (CR) project implemented by FBS where stakeholders were requested to submit all outstanding learner documents.	217% of target achieved and exceeded. This is due to a high number of applications received and approved. Over and above the current year applications, SETA could only register and report some of the learner agreements that related to the prior year (2019/20) in the current year (2020/21) as these were never registered and reported in the prior year. The additional funding came from terminations, cancellations, and reallocation of funding from retained funds.	215% of target achieved and exceeded. This is due to a higher number of learners successfully completing the learning programme. This was mostly due to the CR project implemented by FBS where stakeholders were requested to submit all outstanding learner documents.	Target discontinued as per revised 2021 APP.

TABLE 9 (continued): Learning Programmes Indicators, Targets and Actual Achievement before and after adjustment

Programme / Sub-programme: Implementation of Learning Programmes			
Outcome	Improved level of skills in the South African workforce.		
Output	Middle and high-level skills need addressed in the sector to address scarce and critical skills.		
Output Indicator	19. Number of employed learners registered on Learnership programmes.	20. Number of employed learners who have completed learnership programmes.	21. Number of employed learners registered on a skills programme.
Audited Actual Performance 2018/2019	1,768	802 SETA funded	1,392
Audited Actual Performance 2019/2020	1,600 SETA funded & 100 sector funded,	1,297 SETA funded & 87 sector funded.	810 SETA funded & 75 sector funded
Planned Annual Target 2020/2021 before re-tabling	1,600 SETA funded & 100 sector funded.	800 SETA funded & 60 sector funded.	1,400 SETA funded & 100 sector funded
Planned Annual Target 2020/2021 after re-tabling	0 SETA funded & 50 sector funded.	440 SETA funded & 30 sector funded.	1,400 SETA funded & 100 sector funded
Actual Achievement 2020/2021	604 453 SETA funded & 151 sector funded	846 755 SETA funded & 91 sector funded	1,242 1,157 SETA funded & 85 sector funded
Deviation from planned target to Actual Achievement 2020/2021	+554 +453 SETA funded +101 sector funded	+376 +315 SETA funded & +61 sector funded	(258) (243) SETA funded & (15) sector funded
Reasons for deviations	1,208% of target achieved and exceeded. This is due to companies self-funding and registering more learners than anticipated. This was also attributed to the cancellation of this target from SETA funding when the payment holiday was announced as SETA had to prioritise the funding of the unemployed.	180% of target achieved and exceeded. This is due to the accelerated moderation process and appointment of additional moderators and direct intervention for programmes certified by other SETAs. This led to higher completion and certification numbers.	83% of target achieved. Target not achieved because of a delayed implementation by entities following the DG Skills Programme Award. Due to COVID-19, there were lower levels of implementation within industry, funded by entities.

Programme / Sub-programme: Implementation of Learning Programmes				
	Employed and unemployed learners supported through provision of bursaries to address the scarce and critical skills.		Employed and unemployed learners capacitated with numeracy and literacy.	
22. Number of employed learners who have completed a skills programme.	23. Number of SETA-funded employed students enrolled and registered on bursaries in higher education institutions and Management Development Programmes.	24. Number of SETA-funded employed students who have completed their studies in higher education institutions and Management Development Programmes.	25. Number of SETA-funded learners registered on AET Programmes.	26. Number of employed learners who have completed AET Programmes.
541 SETA funded & 425 sector funded	230	158	298	159 SETA funded
904 SETA funded & 334 sector funded	153	117	191	190
600 SETA funded & 400 sector funded	145	73	260	130
500 SETA funded & 50 sector funded	0	73	260	130
876 541 SETA funded & 335 sector funded	17	69	225	192
+326 +41 SETA funded & +285 sector funded	+17	(4)	(35)	+62
159% of target achieved and exceeded. This is due to additional external moderators appointed to deal with the previous year's backlog.	Target discontinued as per the revised 2020/21 APP however there were learners registered and reported from the learner agreements that related to the prior year (2019/20) in the current year (2020/21) as these were never registered and reported in the prior year.	95% of the target achieved. This is due to insufficient learner documents being received to successfully document learners as complete.	87% of target achieved. This is due to insufficient learner documents being received to successfully register learners.	148% of target achieved and exceeded. This is due to a higher number of learners successfully completing the learning programme than expected. This was mostly due to the letter sent to stakeholders requesting the submission of all outstanding learner documents.

TABLE 9 (continued): Learning Programmes Indicators, Targets and Actual Achievement before and after adjustment

Programme / Sub-programme: Implementation of Learning Programmes				
Outcome	Improved skills level in the South African workforce.			
Output	Employed and unemployed learners supported through provision of bursaries to address the scarce and critical skills.		Enhanced research and development in human capital for a growing body of knowledge.	
Output Indicator	27. Number of SETA-funded unemployed students registered on the Bursary Programme (higher education institutions, TVETs, community colleges).	28. Number of unemployed students who have completed their studies on the Bursary Programme (higher education institutions, TVETs, community colleges).	29. Number of SETA-funded Masters' and PhD students registered on the Research Bursary Programme.	30. Number of Masters' and PhD students who have completed their studies through the Research Bursary Programme.
Audited Actual Performance 2018/2019	New indicator	New indicator	30	18
Audited Actual Performance 2019/2020	65	New indicator	31	18
Planned Annual Target 2020/2021 before re-tabling	100	50	30	15
Planned Annual Target 2020/2021 after re-tabling	100	35	25	10
Actual Achievement 2020/2021	106	40	26	10
Deviation from planned target to Actual Achievement 2020/2021	+6	+5	+1	0
Reasons for deviations	106% of target achieved and exceeded. This is due to the number of learners registered who were linked to the 2019/20 extended financial year but not reported in 2019/20 Annual Report.	114% of target achieved. This is due to the number of learners who have completed which includes learners for 2018/19 which were not completed in the prior year.	104% of target achieved and exceeded. This is due to the number of learners registered who were linked to the 2019/20 extended financial year but not reported in 2019/20 Annual Report.	100% of target achieved.

Programme / Sub-programme: Implementation of Learning Programmes			
Entrepreneurs and cooperatives supported with the skills development needed for their growth.			
Apprentices qualified to become artisans.		Small enterprises, NGOs, and co-operatives, CBOs supported through the provision of accredited skills training programmes.	
31. Number of SETA-funded apprentices registered on an apprenticeship programmes to qualify as artisans.	32. Number of SETA-funded apprentices who have completed an apprenticeship programme and qualified as artisans.	33. Number of co-operatives, NGO's and NPO's supported with training interventions (skills programme, learnership, internship, work experience, short courses, and bursaries).	34. Number of non-levy paying small businesses supported with training interventions (skills programme, learnership, internship, work experience, short courses, and bursaries).
229	90	New indicator	100
139	New indicator	New indicator	65
260	130	20	50
170	60	20	50
368	74	0	8
+198	+14	(20)	(42)
216% of target achieved and exceeded. This is due to a high number of applications received and approved. Over and above the current year applications, SETA could only register and report some of the learner agreements that related to the prior year (2019/20) in the current year (2020/21) as these were never registered and reported in the prior year. The additional funding came from terminations, cancellations, and reallocation of funding from retained funds. This is due to the revised APP indicators where all targets in relation to apprenticeships (RPL, CoS, employed and unemployed) were consolidate into one (1) target.	123% of target achieved and exceeded. This is due to a higher number of learners who successfully completed the learning programme. This was mostly due to the letter sent to stakeholders requesting the submission of all outstanding learner documents for learners behind schedule.	0% of target achieved. This is due to non-compliant applications submitted by co-operatives and non-profit-making entities.	16% of target achieved. This is due to non-compliant applications received from the targeted entities.

Sub Programme: Special Projects and Partnerships

Purpose: To align the TVET curriculum with industry needs and ensure the lecturers and learners are equipped with knowledge of the current industry trends and technology.

TABLE 10: Special Projects and Partnerships Indicators, Targets and Actual Achievement after adjustment

Programme / Sub-programme: Special Projects and Partnerships			
Outcome	Supported growth of the public college system. Linked education and the workplace: improved skills level in the South African workforce. Encouraged and supported worker-initiated training.		
Output	Established partnerships with public Technical and Vocational Education and Training (TVET) Colleges, universities, Community Education and Training (CET) Colleges, training providers and employers.		
Output Indicator	35. Number of partnerships entered into with public and private sector entities to support the sector with skills development interventions.	36. Number of lecturers who have entered the workplace exposure programme.	37. Number of lecturers who have completed the workplace exposure programme
Audited Actual Performance 2018/2019	13	14	8
Audited Actual Performance 2019/2020	9	5	5
Planned Annual Target 2020/2021 before re-tabling	20	10	7
Planned Annual Target 2020/2021 after re-tabling	5	0	0
Actual Achievement 2020/2021	10	n/a	n/a
Deviation from planned target to Actual Achievement 2020/2021	+5	n/a	n/a
Reasons for deviations	200% of target achieved and exceeded. This is due to FBS receiving more compliant applications for partnerships than anticipated. These partnerships were funded through retained funds.	Target discontinued as per the revised 2020/21 APP.	Target discontinued as per the revised 2020/21 APP.

Programme / Sub-programme: Implementation of Learning Programmes		
Established partnerships with rural communities to support women, youth and people with disabilities.	Collaboration formed with World Skills South Africa, BRICS, NAMB to create awareness on future skills, as well as to train and prepare competitors for the International Competition.	Trade unions supported through the provision of skills training programmes.
38. Number of rural development projects initiated.	39. Number of partnerships signed to support the trade skills competitions, challenges, and conferences.	40. Number of trade unions supported with training interventions (skills programme, learnership, internship, work experience, short courses, and bursaries).
New indicator	New indicator	New indicator
New indicator	New indicator	New indicator
2	3	3
2	3	3
2	2	3
0	(1)	0
100% of target achieved.	67% of target achieved due to COVID-19 restrictions ensuing postponement of international skills conferences and competitions.	100% of target achieved.

Sub-programme: Monitoring, Evaluation, and Reporting

Purpose: Monitoring, evaluation and reporting activities result in increased performance and enhanced service delivery.

TABLE 11: Monitoring, Evaluation, and Reporting Indicators, Targets and Actual Achievement

Programme / Sub-programme: Monitoring, Evaluation, and Reporting	
Outcome	Performing system support functions and managed budgets and expenditure linked to the SETA mandate.
Output	An effective M&E system.
Output Indicator	41. Approved Annual M&E Plan.
Audited Actual Performance 2018/2019	New indicator
Audited Actual Performance 2019/2020	New indicator
Planned Annual Target 2020/2021 before re-tabling	1
Planned Annual Target 2020/2021 after re-tabling	1
Actual Achievement 2020/2021	1
Deviation from planned target to Actual Achievement 2020/2021	0
Reasons for deviations	100% of target achieved.



Sub- programme: Career Guidance

Purpose: To assist with the implementation of skills interventions through sharing knowledge, skills, and the information necessary with the sector.

Career and vocational guidance remain an important activity in advocating for broad-base career plans/ paths, that focus on increasing the knowledge of learners and students of careers in the sector, thereby enabling them to make the right career choices. FoodBev SETA distributed 3,729 career and vocational guides to learners, students, and unemployed youth who participated in the 20 career events the FoodBev SETA hosted. Furthermore, 42 career development practitioners were trained.

TABLE 12: Career Guidance Indicators, Targets and Actual Achievement

Programme / Sub-programme: Career Guidance		
Outcome	Supported career development services.	
Output	Capacitated career development practitioners and learners through provision of career development services.	
Output Indicator	42. Number of career development events hosted in rural/urban areas and/or attended by FoodBev SETA.	43. Number of career development practitioners trained.
Audited Actual Performance 2018/2019	25	New indicator
Audited Actual Performance 2019/2020	36	New indicator
Planned Annual Target 2020/2021 before re-tabling	18 - Urban 22 - Rural	30
Planned Annual Target 2020/2021 after re-tabling	18	30
Actual Achievement 2020/2021	20	42
Deviation from planned target to Actual Achievement 2020/2021	+2	+12
Reasons for deviations	111% of target achieved and exceeded. FBS participated in more career guidance initiatives than anticipated due to demand after the reduction of COVID-19 alert levels. A total of 3,729 career guides were distributed at these events. All these activities were achieved within the allocated budget.	140% of target achieved and exceeded. FBS trained more career development practitioners than anticipated due to demand after the reduction of COVID-19 alert levels. All these activities were achieved within the allocated budget.

PROGRAMME 4: QUALITY ASSURANCE

Sub-programme: Provider Accreditation

Purpose: Increase availability of accredited public skills development providers.

TABLE 13: Provider Accreditation Indicators, Targets and Actual Achievement

Programme / Sub-programme: Provider Accreditation	
Outcome	Supported growth of the public college system.
Output	Public TVET Colleges capacitated to offer occupational programmes.
Output Indicator	44. Number of public TVET colleges assisted to apply for occupational programme accreditation.
Audited Actual Performance 2018/2019	New indicator
Audited Actual Performance 2019/2020	New indicator
Planned Annual Target 2020/2021 before re-tabling	2
Planned Annual Target 2020/2021 after re-tabling	2
Actual Achievement 2020/2021	2
Deviation from planned target to Actual Achievement 2020/2021	0
Reasons for deviations	100% of target achieved.

Sub-programme: Qualification Development

Purpose: Ensure programmes are available in response to sector needs.

TABLE 14: Qualification Development Indicators, Targets and Actual Achievement

Programme / Sub-programme: Qualification Development	
Outcome	Increased access to occupationally directed programmes.
Output	Part qualifications developed in response to sector needs.
Output Indicator	45. Number of part qualifications submitted to the QCTO for registration.
Audited Actual Performance 2018/2019	New indicator
Audited Actual Performance 2019/2020	New indicator
Planned Annual Target 2020/2021 before re-tabling	5
Planned Annual Target 2020/2021 after re-tabling	5
Actual Achievement 2020/2021	0
Deviation from planned target to Actual Achievement 2020/2021	(5)
Reasons for deviations	0% of target achieved. The signed copy of the QCTO SLA was received on 2 December 2020, this led to a delay in the implementation of the SLA. As a result, the implementation of the SLA commenced during Q4 of 2021. To aid the implementation a QDF and CEPs have been appointed and all activities relating to the development of qualifications will resume in Q1 of the 2021/22 financial year.

5 STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

FoodBev SETA has made an analysis of the reasons that led to underperformance. In an effort to overcome underperformance, FoodBev SETA will in the new financial year and as part of enhancing internal efficiencies, implement the new organisational structure to aid the following strategic interventions:

- 5.1** Strengthen the capacity of the Monitoring and Evaluation (M&E) function to ensure close monitoring of skills development intervention projects, as per the APP and the SLA with the Department of Higher Education and Training. This will be done through the alignment and implementation of the government-wide DPME framework for monitoring and evaluation. FBS will train the M&E team to increase internal capacity to implement the framework.
- 5.2** FBS will advertise grant funding windows during quarter four and the appointed service provider will evaluate Mandatory and Discretionary Grants applications to fast-track the process of awards for different learning interventions as per the APP. This will ensure that learning programmes implementation starts in quarter one to be able to implement the remedial plan (reallocations) for stakeholders who are failing to implement as agreed in the Memorandum of Agreement.
- 5.3** Deployment of the Enterprise Resource Planning Management System which will ensure that business processes are streamlined and integrated thus eliminating duplication and inefficiencies. The ERP system will ensure that the automated business processes across functions (Learning Programmes, Quality Assurance, Finance, SCM and HR) are integrated to improve productivity, data integrity, data security and overall business efficiency. The system will also provide improved reporting capabilities to provide real-time business insights to enable quick decision making on business operations
- 5.4** A Qualification Development Facilitator (QDF) and Community of Expert Practitioners (CEPs) have been appointed to resume with developing, registering and submitting part qualifications to the QCTO. The implementation plan has been shared amongst stakeholders and CEP meetings will resume in quarter one of the new financial year to develop the qualifications.
- 5.5** Lastly, in relation to supporting SME's, the SETA will embark on the stakeholder drive targeted at small businesses to create awareness of the SETA funding requirements.



6 REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

The impact of COVID-19 resulted in the reduction of the Discretionary Grant expenditure which led to the disruption on training progression which necessitated the revision of the approved SP and APP by revising the performance indicators and targets. One (1) of the priorities added to the SP to respond to COVID-19 challenges is addressing the needs of unemployed people. Due to a high number of employees that were retrenched in the sector, and in response to that and national priorities, the SETA included targets relating to unemployed learners in the revised APP. The SETA anticipated that the stakeholders might request more of their employees to be registered under hygiene and/or Health and Safety skills programmes to train/reinforce employees' knowledge on how to mitigate the effects of the COVID-19 pandemic. Furthermore, the SETA continued to support the sector through the necessary interventions requested by stakeholders.

TABLE 15: Progress on Institutional Response to the COVID-19 Pandemic

Programme/ Sub Programme	Learning Programmes and Strategic Projects										
Intervention	Skills Programme: Basic Food Safety.		Skills Programme: Basic Food Safety.		Skills Programme: Workplace Occupational Health and Safety (OHS) inspections.		Skills Programme: Generic Good Manufacturing Practices.		Skills Programme: Good Manufacturing Practices.		
Geographic location (province/ district/ local municipality)	Gauteng		Limpopo		Gauteng		Eastern Cape (1), Free State (24), Gauteng (62), Limpopo (55), Mpumalanga (1), Northern Cape (10), North West (1)		Western Cape		
No. of beneficiaries	25		5		18		154		4		
Disaggregation of beneficiaries	Women:	16	Women:	5	Women:	10	Women:	75	Women:	2	
	Men:	9	Men:	0	Men:	8	Men:	79	Men:	2	
	Youth:	11	Youth:	5	Youth:	18	Youth:	111	Youth:	0	
	PwD :	0	PwD:	0	PwD:	0	PwD:	0	PwD:	0	
Total budget allocation per intervention	R23 400.00		R10 800.00		R10 800.00		R78 1200.00		R12 240.00		
Budget spent per intervention	–		–		–		–		–		
Contribution to the outputs in the APP	The skills programmes and bursaries target were overachieved. Thus, contributing to the SETA output pertaining to training middle and high-level skills needed to address scarce and critical skills.										
Immediate outcomes	An immediate increase of unemployed and employed people with health and safety/ Food safety skills in the sector.										



TABLE 15 (continued): Progress on Institutional Response to the COVID-19 Pandemic

Programme/ Sub Programme	Learning Programmes and Strategic Projects		
Intervention	Skills Programme: Good Manufacturing Practices as a prerequisite for HACCP.	Skills Programme: Good Manufacturing Practices.	Skills Programme: HACCP and Occupational Health and Safety for Machine Operators on a Food and Beverage production line.
Geographic location (province/ district/local municipality)	Gauteng	Gauteng	Gauteng (58) KwaZulu-Natal (1)
No. of beneficiaries	22	97	59
Disaggregation of beneficiaries	Women: 18 Men: 4 Youth: 13 PwD: 0	Women: 60 Men: 37 Youth: 51 PwD: 0	Women: 22 Men: 37 Youth: 24 PwD: 0
Total budget allocation per intervention	R51 480.00	R349 200.00	R138 060.00
Budget spent per intervention	–	–	–
Contribution to the outputs in the APP	The skills programmes and bursaries target were overachieved. Thus, contributing to the SETA output pertaining to training middle and high-level skills needed to address scarce and critical skills.		
Immediate outcomes	An immediate increase of unemployed and employed people with health and safety/Food safety skills in the sector.		

The above table reports on the progress made on the implemented interventions. The SETA also observed an increase in change requests seeking to change approved interventions to health and safety/food safety skills programmes.

7 LINKING PERFORMANCE WITH BUDGETS

TABLE 16: Linking performance with budgets

Programme/ activity/ objective	2019/2020			2020/2021		
	Budget	Actual expenditure	(Over)/under expenditure	Budget	Actual expenditure	(Over)/under expenditure
	R'000	R'000	R'000			
Administration and support	47 470	43 993	3 477	56 906	59 840	(2 934)
Employer grants & research	75 080	78 872	(3 792)	50 571	52 599	(2 028)
Learning programmes and projects	351 023	203 348	147 675	359 022	129 982	229 040
Project administration	20 844	20 146	698	20 685	16 742	3 943
TOTAL	494 417	346 359	148 058	487 184	259 163	228 021

Learning Programmes and Strategic Projects			
Skills Programme: Health and Safety Skills Programme.	Skills Programme: The Basics for Food Handlers.	TVET bursaries.	Research and Innovation Bursaries (PhD and Masters).
Eastern Cape (2) Gauteng (146) KwaZulu-Natal (2) Mpumalanga (4)	Gauteng (5) Limpopo (3)	Western Cape (77) Eastern Cape (10) KwaZulu-Natal (1) Northern Cape (3) Free State (4) North West (1) Limpopo (1)	Western Cape (5) Eastern Cape (2) Gauteng (8) KwaZulu-Natal (6) Mpumalanga (1) Free State (1) North West (1) Limpopo (1)
154	8	97	25
Women: 74 Men: 80 Youth: 92 PwD: 0	Women: 2 Men: 6 Youth: 8 PwD: 0	Women: 73 Men: 24 Youth: 95 PwD: 0	Women: 13 Men: 12 Youth: 20 PwD: 0
R859 320.00	R18 720.00	R1 190 384.00	R3 300 000.00
–	–	–	–

8 REVENUE COLLECTION

TABLE 17: Sources of revenue and collections

Sources of revenue	2019/2020			2020/2021		
	Estimate	Actual amount collected	Over/(under) collection	Estimate	Actual amount collected	Over/(under) collection
	R'000	R'000	R'000	R'000	R'000	R'000
Fines and penalties	5 000	6 429	1 429	4 151	5 593	1 442
Skills Development Levy	360 548	393 608	33 060	252 853	283 850	30 997
Interest received – investment	48 000	50 241	2 241	31 577	31 500	(77)
Other income	-	5 577	5 577	-	2 696	2 696
Total revenue	413 548	455 855	42 307	288 581	323 639	35 058
Approved retained funds	80 869	80 869	-	198 604	198 604	-
Total funds available for spending	494 417	536 724	42 307	487 184	522 243	35 058

CAPITAL INVESTMENT

There were no infrastructure projects undertaken in the year under review. The capital investment consists of only the following:

- a) Fixed assets required for administration of the FoodBev SETA, and
- b) All excess funds not immediately required for operations are transferred to the CPD account held with the 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 and obsolete 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, however no impairments were noted for the other 5%. The SETA acquired fixed assets to the value of R831 000 and intangible assets of R385 000.





PART C

GOVERNANCE



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 regarding 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's Report on Corporate Governance.

While the Accounting Authority oversees the overall process and structure of corporate governance, each business unit and every FBS 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 2020/21 financial year.

3 EXECUTIVE AUTHORITY

The Minister of Higher Education, Science, and Innovation, in terms of the Act, is accountable to Parliament for skills development. The Executive Authority must exercise its powers and responsibilities in order to ensure that the implementation of the objectives and execution of the functions of the SETA comply with both the Act and the policies of the Executive Authority. In executing its accountability and responsibility functions, the Executive Authority must exercise its powers in terms of the Act, the PFMA, this constitution and any other relevant legislation.

Executive Authority in the SETA environment rests with the Minister of Higher Education, Science, and Innovation. It is the Minister that 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 DHET in accordance with the PFMA and compliance requirements. DHET conducted verification visits at FoodBev SETA, all issues raised during the visit 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 Board members were appointed on 1 April 2020 until 31 March 2025.

4.2 Board Induction

The Board members underwent an extensive induction programme before assuming office and this was conducted over two (2) days, on 22 and 23 May 2020. The following items were part

of the programme:

- a) Handover presentation by previous Acting Chairperson (Board member).
- b) FoodBev SETA Constitution.
- c) Organisational overview (SSP, SP and APP).
- d) FBS Organogram.
- e) SETA Risk Environment (strategic risk register).
- f) Material irregularity (AGSA).

The induction was followed by a Special Board Meeting where members were allocated to various committees.

A second induction was conducted through the Institute of Directors of South Africa (IoDSA) during September 2020, and the following areas were covered:

- a) Board effectiveness.
- b) Corporate governance.

- c) SETA Governance Frameworks.
- d) PFMA, SDA, SDL etc.
- e) King IV principles.
- f) Ethics and Declaration of Interest

A third induction, only attended by five (5) members due to limitations on the virtual platform, was conducted and facilitated by the Department of Higher Education and Training (DHET) and conducted by the Minister on 9 October 2020 covering the following:

- a) Key legislative and policy context
- b) Accounting authority member functions and responsibilities.
- c) The role of the National Skills Authority

4.3 Board Training

During the year under review, eight (8) Board members and one (1) Audit and Risk Committee member attended personal developmental training through IoDSA, in the following modules:

- a) Technology and Information Governance.
- b) Financial Insights for Non-financial Directors.
- c) Effective Remuneration Committees.
- d) Governance for NPO's.
- e) JSE AltX Director Induction Programme.
- f) Being a Director Part 1 to 5.

4.4 Board Charter

The Board is governed by the SETA Constitution which outlines 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 which is the members declaration on companies they are linked to through directorship, spousal, relatives or boards or committees they sit on. This declaration is conducted annually.

4.5 Composition of the Board

The Minister, after consultation with the NSA, must appoint a person as Chairperson of the Accounting Authority of the SETA. The Chairperson has no voting rights, but in the case of an equality of votes the Chairperson has a casting vote.

The Board consisted of 14 members, including the Chairperson, and constituted as follows:

- a) Levy Paying Employers / Organised Employer – six (6) representatives.

- b) Representative Trade Unions / Organised Labour – five (5) representatives.
- c) Small Business or Community Organisations – two (2) representatives.
- d) Independent Chairperson – one (1) representative.

The Board had a vacant post during the year under review, as a result of one (1) union which had not submitted a nomination according to the criteria laid out by the DHET. A nomination from the Federal Council for Retail and Allied Workers (FEDCRAW) is outstanding. Both the SETA and DHET are awaiting a nomination.

4.6 Accounting Authority Appointment Process

The Skills Development Act (Act No. 97 of 1998) as amended provides that: “The Minister must, at least three (3) months before the end of the period contemplated in section 9(1) (a), request the Chief Executive Officer of the relevant SETA contemplated in section 13(B) to invite nominations from organised labour, organised employers, government departments, professional bodies, bargaining councils and organisations contemplated in subsection (2) and listed in the constitution of the relevant SETA”.

The SETA issued a call for nominations advert which was posted in August 2019 in various newspapers, the website, social media platforms and on a stakeholder bulk email. A total of 55 Board nominations were received. Twenty Board nominations met the criteria and 14 were short listed and recommended to the Minister for approval. On 20 January 2020, the Minister issued a directive for SETAs 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 Accounting Authority members, which comprised of five (5) returning members and eight (8) new members as indicated in Figure 4.




FIGURE 4: Details of Board members

Name of member	Alan Campbell	
Designation	Board Chairperson	
Date appointed:	01.04.2020	
Qualifications:	Master of Business Administration Bachelor of Arts Degree Diploma in Education Management	
Board directorships current and previous	Bread Baking Association of SA Cape Malting House Homegrown Investment Holdings Premier Foods	
Other committees or task teams	FoodBev SETA EXCO	
No. of Board meetings attended out of a total of 18 meetings held	18	

Name of member	Anna Pholoana	
Designation	Board member	
Date appointed:	01.04.2020	
Qualifications:	National Senior Certificate	
Board directorships current and previous	AgriSETA	
Other committees or task teams	FoodBev SETA EXCO	
No. of Board meetings attended out of a total of 18 meetings held	18	

Name of member	Atwell Nazo	
Designation	Board member	
Date appointed:	01.04.2020	
Qualifications:	National Certificate in Public Service Management	
Board directorships current and previous	Transvaal Region of FAWU Tiger Brands Workers Union Provident Fund and National Trustee of Tiger Brands National Educational Fund AgriSETA	
Other committees or task teams	FoodBev SETA EXCO	
No. of Board meetings attended out of a total of 18 meetings held	15	

Name of member	Gugulethu Xaba	
Designation	Board member	
Date appointed:	01.04.2020	
Qualifications:	Master of Management in Entrepreneurship & New Venture Creation Bachelor of Technology in Quality Management National Diploma in Electrical Engineering Diploma in Project Management	
Board directorships current and previous	Corwill (Pty) Ltd Dekra Company (Pty) Ltd Index Solutions (Pty) Ltd Young Women in Business Network (YWBN) CFI Bank	
Other committees or task teams	FoodBev SETA EXCO	
No. of Board meetings attended out of a total of 18 meetings held	18	

Name of member	Mapule Ncanywa	
Designation	Board member	
Date appointed:	01.04.2020	
Qualifications:	Bachelor of Arts in Education	
Board directorships current and previous	International Council of Beverages Associations SARS Beverage Industry Committee BEVSA EXCO Transformation and Technical Committee	
Other committees or task teams	FoodBev SETA Governance and Strategy Committee FoodBev SETA EXCO FoodBev SETA Finance and Remuneration Committee	
No. of Board meetings attended out of a total of 18 meetings held	16	

Name of member	Richard Hutton	
Designation	Board member	
Date appointed:	01.04.2020	
Qualifications:	Bachelor of Commerce Honours in Industrial Relations	
Board directorships current and previous	Woodlands Dairy (Pty) Ltd Executive Committee Milk South Africa Skills and Development Advisory Committee South African Milk Processors Secondary Industry Skills Development Sub Committee	
Other committees or task teams	FoodBev SETA Finance and Remuneration Committee	
No. of Board meetings attended out of a total of 18 meetings held	15	

FIGURE 4 (continued): Details of Board members



Name of member	Nthabe Zondo
Designation	Board member
Date appointed:	01.04.2020
Qualifications:	Master of Science in International Marketing Management Bachelor of Business Administration in International Tourism & Hospitality Management & International Relations and Diplomacy
Board directorships current and previous	Bumbles Babies (Pty) Ltd Msebe Foods (Pty) Ltd Msebe Energy Nthabe Maqache Holdings
Other committees or task teams	FoodBev SETA Audit and Risk Committee FoodBev SETA Finance and Remuneration Committee
No. of Board meetings attended out of a total of 18 meetings held	18



Name of member	Nqobile Tshabangu
Designation	Board member
Date appointed:	01.04.2020
Qualifications:	Master of Art in Industrial Psychology, Labour and Globalisation
Board directorships current and previous	None
Other committees or task teams	FoodBev SETA Governance and Strategy FoodBev SETA Finance and Remuneration Committee
No. of Board meetings attended out of a total of 18 meetings held	13



Name of member	Sthembile Mzizi
Designation	Board member
Date appointed:	01.04.2020
Qualifications:	National Senior Certificate
Board directorships current and previous	None
Other committees or task teams	FoodBev SETA Finance and Remuneration Committee
No. of Board meetings attended out of a total of 18 meetings held	17



Name of member	Trevor van Wyk
Designation	Board member
Date appointed:	01.04.2020
Qualifications:	Bachelor of Commerce Honours
Board directorships current and previous	Institute for People Management Board
Other committees or task teams	FoodBev SETA Governance and Strategy Committee
No. of Board meetings attended out of a total of 18 meetings held	10



Name of member	Ezra Ndwandwe
Designation	Board member
Date appointed:	01.04.2020
Qualifications:	PhD: Model for effective small business funding Master of Business Administration Master of Science in Chemistry and Microbiology Bachelor of Technology in Analytical Chemistry Bachelor of Science in Chemistry
Board directorships current and previous	None
Other committees or task teams	FoodBev SETA Governance and Strategy Committee
No. of Board meetings attended out of a total of 18 meetings held	17



Name of member	Funeka Khumalo
Designation	Board member
Date appointed:	01.04.2020
Qualifications:	Master of Business Administration Bachelor of Technology in Analytical Chemistry Bachelor of Science in Chemistry
Board directorships current and previous	Historic Schools Restoration Project Yenzani Children's Home
Other committees or task teams	FoodBev SETA Governance and Strategy Committee
No. of Board meetings attended out of a total of 18 meetings held	16

FIGURE 4 (continued): Details of Board members

Name of member	Mark Oliver
Designation	Board member
Date appointed:	01.04.2020
Qualifications:	Bachelor of Commerce in Business Management Diploma in Warehouse Management
Board directorships current and previous	None
Other committees or task teams	FoodBev SETA Governance and Strategy Committee FoodBev SETA Audit and Risk Committee
No. of Board meetings attended out of a total of 18 meetings held	17

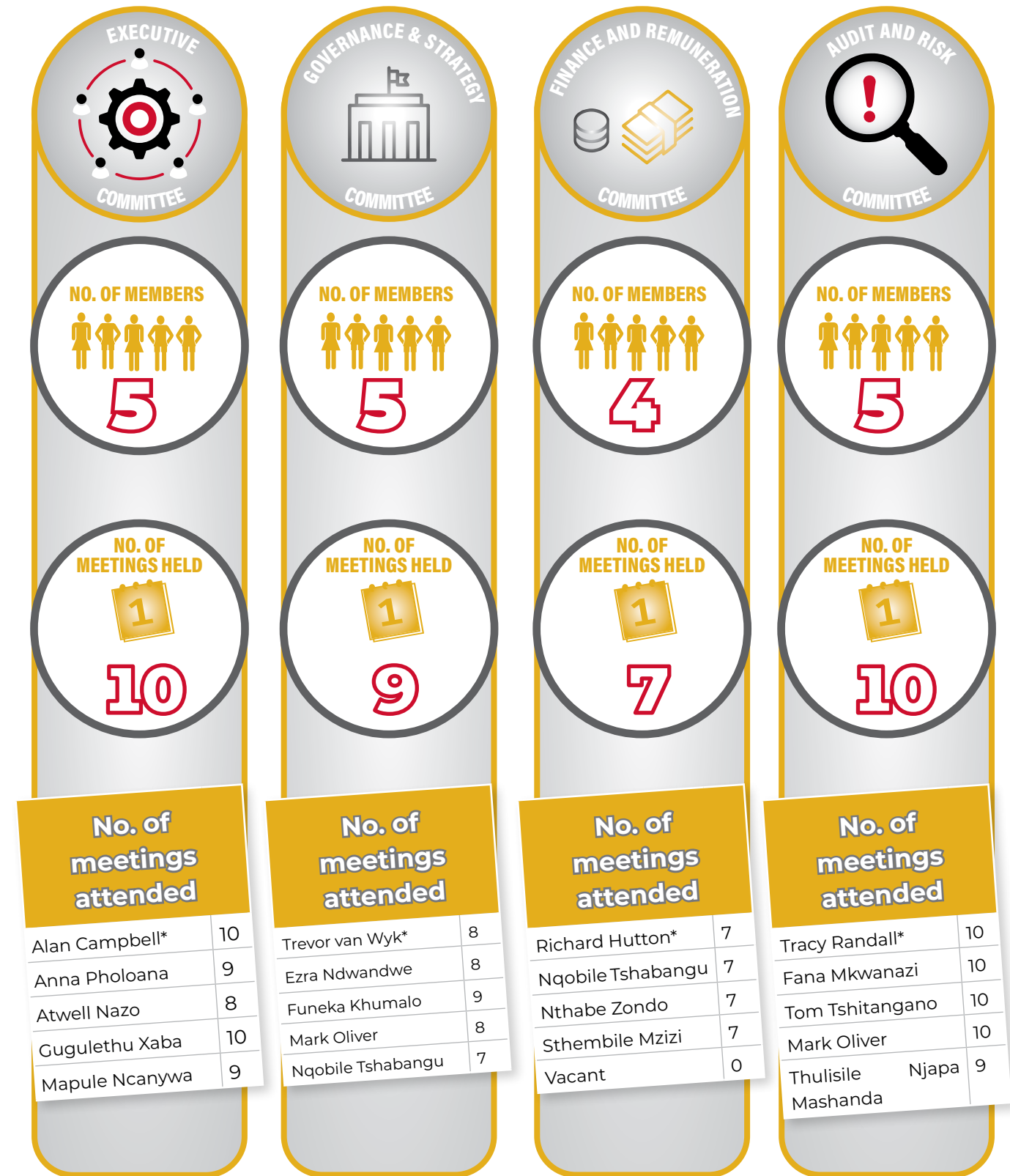


Name of member	Thulisile Njapa Mashanda
Designation	Board member
Date appointed:	01.04.2020
Qualifications:	Chartered Accountant (SA) Certificate in Theory of Accounting Bachelor of Arts in Honours Accounting Studies
Board directorships current and previous	National Nuclear Regulator (NNR) PIKITUP City Parks Johannesburg Zoo Sebata Flour -Igoda project (Pty) Ltd
Other committees or task teams	FoodBev SETA Audit and Risk Committee
No. of Board meetings attended out of a total of 18 meetings held	17



4.7 Board Sub-Committees

FIGURE 5: Details of Board sub-committees



* Chairperson

** The SETA Constitution regulates that EXCO meetings are to be held monthly, however where there are no agenda items to warrant a meeting, the Board decided that EXCO would

meet quarterly and as and when required to do so. Meeting calendars and a schedule was approved by the Board on an annual basis in line with the Compliance Calendar from the Department of Higher Education and Training (DHET) and the above meetings were constituted as such.

4.8 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.

TABLE 18: Board members' remuneration

No	Name	Remuneration	Other allowances	Other reimbursements	Total
1	A Campbell	317 161,67	-	-	317 161,67
2	A Pholoana	178 615,91	-	-	178 615,91
3	A Nazo	167 283,80	-	-	167 283,80
4	E Ndwandwe	172 140,41	-	-	172 140,41
5	G Xaba	193 725,42	-	-	193 725,42
6	F Khumalo	168 902,66	-	-	168 902,66
7	S Mzizi	162 427,16	-	-	162 427,16
8	T Mashanda	164 046,03	-	-	164 046,03
9	M Oliver	225 563,28	-	-	225 563,28
10	M Ncanywa	192 106,54	-	-	192 106,54
11	N Tshabangu	197 502,78	-	-	197 502,78
12	N Zondo	171 061,16	-	-	171 061,16
13	R Hutton	176 696,79	-	-	176 696,79
14	T van Wyk	131 367,66	-	-	131 367,66
15	G Hamman*	8 634,00	-	-	8 634,00
Audit and Risk Committee					
1	T Randall	207 450,00	-	-	207 450,00
2	T Tshitangano	109 350,00	-	-	109 350,00
3	F Mkwanazi	75 330,00	-	-	75 330,00
Total		3 019 365,27			3 019 365,27

*A payment was made in the 2020/21 financial year, relating to a Chamber meeting attended by an outgoing Board member in the prior year.

4.9 Figure 6 below discloses relevant information about the Audit and Risk Committee (ARC) members.

Name	Tracy Randall
Designation	ARC Chairperson
Qualifications	Bachelor in Accounting Science
Internal or external	External
If internal, position in the SETA	n/a
Date appointed	01.09.2016
Date resigned	n/a
No. of meetings attended out of total of 10	10



Name	Fana Mkwanazi
Designation	Committee Member
Qualifications	Chartered Accountant (SA)
Internal or external	External
If internal, position in the SETA	n/a
Date appointed	11.12.2018
Date resigned	n/a
No. of meetings attended out of total of 10	10




Name	Tom Tshitangano
Designation	Committee Member
Qualifications	Master of Commerce in Development Finance
Internal or external	External
If internal, position in the SETA	n/a
Date appointed	01.09.2016
Date resigned	n/a
No. of meetings attended out of total of 10	10



FIGURE 6: (continued) Audit and Risk Committee members (continued)

		
Name	Mark Oliver	
Designation	Committee Member	
Qualifications	Bachelor of Commerce in Business Management	
Internal or external	External (Board Member)	
If internal, position in the SETA	n/a	
Date appointed	01.04.2020	
Date resigned	n/a	
No. of meetings attended out of total of 10	10	

		
Name	Thulisile Njapa Mashanda	
Designation	Committee Member	
Qualifications	Chartered Accountant (SA)	
Internal or external	External (Board Member)	
If internal, position in the SETA	n/a	
Date appointed	01.04.2020	
Date resigned	n/a	
No. of meetings attended out of total of 10	9	

5 RISK MANAGEMENT

FoodBev SETA developed its 2020/21 Strategic Risk Register which identified eight strategic risks and 20 control improvement plans to manage the strategic risks. As at 31 March 2021, 60% of the control improvement plans for the strategic risks were fully implemented and 40% were reported as partially implemented. The remaining control improvement plans will be rolled over to the new financial year.

TABLE 19: Illustrates the eight strategic risks identified in 2020/21:

No.	Risk Description (high level definition)	Residual Rating	Assessment Level
1	Misalignment of Sector Skills Plan (SSP)/ organisational strategy versus sector needs/ government priorities	13	High
2	Grant administration inefficiencies	13	High
3	Inadequate and/or irrelevant career and vocational guidance in the sector	6	Medium
4	Supply chain management inefficiencies	8	Medium
5	Inadequate Information and Communication Technology (ICT) governance and infrastructure	20	Very High
6	Ineffective corporate and risk governance	6	Medium
7	Shortage/non-retention of critical skills within the organisation	6	Medium
8	Threat to sustainability and business continuity	8	Medium

6 INTERNAL AUDIT FUNCTION

FoodBev SETA has outsourced the internal audit function to Entsika Consulting who has contributed immensely to the improvement of the control environment of the SETA. Entsika performed the internal audit for the year ended 31 March 2021 in accordance with the Internal Audit Plan 2020/21 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.

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:

7.1 Key activities and objectives of the internal audit (continued)

- 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.

7.2 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.

7.3 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.

8 COMPLIANCE WITH LAWS AND REGULATIONS

FBS is committed to ensuring that the organisation is compliant 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, FBS has developed a revised legislative checklist setting out the legislation that it has identified as applicable to the SETA. The newly reviewed checklist now allows for compliance matters to be tracked on a quarterly basis.

As at 31 March 2021, 14 pieces of legislation and three framework and guideline documents were reviewed and reported against the Compliance Universe. FBS is fully compliant with 11 out of the 14 pieces of legislation (79%) that were reviewed. The remaining 21% are areas where FBS is partially compliant and not necessarily fully non-compliant such as the Employment Equity Act and the B-BBEE Act.

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 honest work culture. 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.

The Board, Committees and Management continue to subscribe to good corporate governance in leading ethically, effectively and setting a tone for an ethical organisational culture. Management further continues to subscribe to the Prevention and Combating of Corruption Activities and the Protected Disclosure Act.

FoodBev SETA has an Ethics and Anti-Fraud policy that was approved by the Board on 30 March 2021. The Corruption and Fraud Prevention Strategy and Policy are still under review to assist the SETA in managing fraud risk and raising the level of fraud awareness among the internal and external stakeholders. The Corruption and Fraud Prevention framework intends to reduce the risk of fraud and provide mitigating measures that will protect the interests of the organisation.

FoodBev SETA also arranged for anti-fraud, corruption and ethics awareness training for all its employees. The purpose of the training was to reiterate the SETA's stance on zero tolerance towards fraud and corruption.



10 MINIMISING CONFLICT OF INTEREST

At the beginning of each financial year, FBS requires all employees to declare their interests through the declarations of interest forms. This process is also extended to new employees who are required to declare their interests at the beginning of their employment. Human Resources facilitated the recording of any interest that might have a potential impact to FBS. Furthermore, at each Management, Supply Chain Bid Evaluation Committee and Bid Adjudication Committee, Grants Evaluation and Adjudication Committee, Recruitment and Selection Panels/Committee meetings, a declaration of interest form on agenda items is completed and signed by each participant/member. Where an interest is declared, the participant/member is requested to recuse him/herself when the item is discussed. As at 31 March 2021, the overall submission of Declaration of Interest forms is 100%.

11 CODE OF CONDUCT

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 and the Compliance Officer 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

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.

During the year under review, FoodBev SETA appointed a fully functional Occupational Health and Safety Committee. This Committee is responsible for ensuring that FoodBev SETA is fully compliant with the OHS Act and other relevant regulations. The Committee will also be responsible for maintaining overall health and safety of employees in the office environment.



13 AUDIT AND RISK COMMITTEE REPORT

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

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 adopted appropriate formal 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, except that it has not reviewed changes in accounting policies and practices.

The Effectiveness of Internal Control

Our review of the findings of the internal audit work, which was based on the risk assessments conducted in the public entity, revealed certain weaknesses. These were raised with the public entity. During the 2020/2021 financial year, the Audit and Risk Committee:

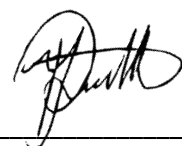
- Reviewed the effectiveness of internal control systems by approving the Internal Audit Plan and Internal Audit Charter and reviewed internal audit reports on a quarterly basis.
- Assessed the adequacy, reliability and accuracy of financial information provided by management.
- Reviewed the effectiveness of the internal audit function, through assessment of the quality of reports submitted to the committee.
- Reviewed the SETA's processes for compliance, legal and regulatory provisions.
- Reviewed the SETA's processes for risk management and ethics management.
- Reviewed the expertise, resources, and experience of the organisation's finance function.
- Reviewed, and where appropriate, recommended changes to the Annual Financial Statements as presented by the SETA for the year ended 31 March 2021.
- Reviewed the accounting policies and practices, as reported in the Annual Financial Statements, and confirmed that these were appropriate.
- Reviewed the information of the predetermined objectives as reported in the Annual Report.
- Reviewed the AGSA's Management Report and management's response thereto.
- Reviewed adjustments resulting from the audit of the SETA.
- Provided a channel of communication between the Accounting Authority and management, internal auditors, and external auditors.

- 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.

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 information provided by management, internal audit, external auditors and the risk committee of management, the Audit and Risk Committee confirms that:

- The internal controls of the organisation were effective in most material aspects throughout the period under review.
- Appropriate policies supported by reasonable and prudent judgement and statements were applied.
- Adequate and effective controls are in place to safeguard assets.
- The financial statements comply, in all material respects, with the relevant provisions of the PFMA of 1999 and GRAP.
- The skills, independence, audit plan, reporting, and overall performance of the external auditors were acceptable.
- 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 Statement. The committee further notes the report relating to material misstatements of the performance information. The committee has emphasised that management must review the performance information every quarter. 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.



Ms Tracy Randall
Chairperson of the Audit and Risk Committee
31 July 2021

14 B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with compliance to the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade and Industry.

TABLE 20: 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	A service provider has been appointed to assist FoodBev SETA with developing a B-BBEE strategic plan and policy.
Determining qualification criteria for the sale of state-owned enterprises.	No	N/A
Developing criteria for entering into partnerships with the private sector.	Yes	Partnerships or special projects with public and private sector is governed by a grant funding policy.
Determining criteria for the awarding of incentives, grants, and investment schemes in support of B-BBEE.	Yes	FoodBev SETA considers equity imperatives when evaluating and awarding discretionary grants, strategic partnerships, and supplier bids.



HUMAN RESOURCE MANAGEMENT



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 HR matters at the public entity

The HR department has implemented several HR activities as per the approved HR Plan namely:

- i. Development and fostering of a talent pool through attracting high skilled employees.
- ii. Creating a pool of suitably competent and high performing employees that can be eligible to fill vacant positions which may require specific scarce, critical, and high-risk skills including leadership positions.
- iii. Development of compliant policies and procedures in line with relevant prescripts.
- iv. Implementation of the organisational structure.
- v. Promotion and fostering of a healthy, conducive employee relations climate.

1.2 HR priorities for the year under review and the impact of these priorities

1.2.1 Implementation of the newly enhanced organisational structure

The Board approved a three-year rollout plan for the implementation of the new organisational structure during the period under review. However, the SETA could not fully implement the newly approved organisational structure due to the COVID-19 moratorium that was placed on HR functions by DHET. As a result, only key positions identified during the risk assessment process could be implemented as the recruitment process had already begun before the moratorium was placed, namely:

- i. Senior Manager: Information and Communication Technology
- ii. Manager: Legal, Risk and Compliance
- iii. Manager: Office of CEO
- iv. Board Secretary
- v. Coordinator: Supply Chain
- vi. Coordinator: Chambers

1.2.2 Implementation and roll-out of the Employee Wellness Programme

Human Resources has for the first time implemented and fully rolled out the Employee Wellness Programme (EWP) through ICASA. The SETA reported a high utilisation rate of 50,4%. The high utilisation rate was expected especially since this was the first time that FoodBev SETA established an EWP. The most prevalent issues identified in the bi-annual report related to relationship issues, stress and queries about general information and resources. Human Resources is confident that employees will continue utilising the EWP and has overall received positive feedback on the programme.

Human Resources conducted a Wellness Day for employees where nurses came to the SETA to conduct medical screening tests and health check. This programme afforded employees an opportunity to conduct various health checks including HIV Counselling and Testing, and COVID-19 screenings. Due to the COVID-19 pandemic, the Wellness Day was implemented in phases to adhere to social distancing measures. Overall, the Wellness Days were well attended which is a positive indication that FoodBev SETA employees understand the importance of healthy-living and proactively screening to identify health risks.

1.3 Migration and automation of the HR processes

Human Resources prioritised the automation of the manual leave management process. The manual leave system was identified as one of HR's highest risk which was subsequently addressed during the year under review. The leave management process is now fully automated, and the SETA no longer utilises manual leave forms.

The remaining HR processes will be implemented in line with the organisational wide ERP rollout which is underway.

1.4 Policy development

Four (4) Human Resources policies and procedures were reviewed, developed, and approved in line with the Policy Register. These policies are listed below:

- 1.4.1 Employee Performance and Development Policy.
- 1.4.2 Talent Management and Succession Policy.
- 1.4.3 Telephone and Cellphone Policy.
- 1.4.4 Ethics and Anti-Fraud Policy.



Ongoing staff training and workshops were facilitated on all approved policies to familiarise employees with the salient provisions of the policies.

1.5 Highlights

The highlights experienced by the Human Resources department were the following:

1.5.1 Employee Satisfaction Survey

The SETA undertook its first employee satisfaction survey. Overall, 80% of the employees participated in the survey. A 64% positive rating was achieved where the SETA was highly rated on aspects such as job satisfaction, leadership, growth and development, company policies and procedures, culture, values and strategy, collaboration and teamwork, customer focus and stakeholder engagement. Although, the outcome of the survey was positive, a few areas which require improvement were also identified. These areas will be prioritised as future HR plans and goals.

1.5.2 Implementation of the training plans

Human Resources engaged in a robust exercise of implementing personal development plans for its employees through the development and implementation of an Annual Training Plan informed by the Skills Audit recommendations. The plan identified a number of training initiatives for individual employees to assist in

addressing any identified gaps or shortcomings. This was an achievement for the HR department especially since all the training initiatives were conducted despite the disruptions that were caused by COVID-19. A lot of positive feedback was also received from employees who felt that FoodBev SETA prioritised their professional development.

1.5.3 Full rollout of the performance management system

The performance management system was fully rolled out and employees now fully understand the practical implementation of performance management and all its phases. Employees completed Performance Management Plans, conducted mid-year reviews and are currently in the process of finalising their annual performance reviews. Employees now fully understand the performance management system and are no longer adverse towards it as it has resulted in the overall improvement of their performance.

1.5.4 Establishment of an Occupational Health and Safety (OHS) Committee

Human Resources facilitated the establishment and appointment of a fully functional Occupational Health and Safety Committee. Employees were afforded an opportunity to nominate and vote for the committee members. This committee will be responsible for ensuring that FoodBev SETA is fully compliant with

the OHS Act and other relevant regulations. The committee will also be responsible for maintaining overall health and safety of employees in the office environment. The committee has begun its work and arranged for staff OHS training to be conducted in the new financial year.

1.6 Challenges

The challenges experienced by the Human Resources department were the following:

1.6.1 COVID-19 and DHET moratorium on HR activities

The COVID-19 pandemic presented a number of challenges which required the SETA to quickly adapt to the new normal. One of the significant challenges was the DHET moratorium that was issued on important HR activities. This moratorium resulted in several HR activities such as recruitment and the institution of disciplinary action being delayed. The moratorium also resulted in the delayed implementation of the newly enhanced FoodBev SETA organisational structure which was primarily developed to address capacity shortcomings and bottlenecks that had been identified.

1.6.2 Employment Equity

FoodBev SETA's Employment Equity is profiled according to gender, disability, race, salary grade and by occupational levels. The employment equity targets were aligned to the country's Economically Active Population (EAP) percentage distribution within the Gauteng region.

Over the last two (2) financial years, FBS has not done well in ensuring that it has a well-presented employee profile. However, efforts have been made to ensure that other racial groups are represented. HR is committed to addressing the under-representation of other racial groups within the staff establishment and regards its employment equity as both a strategic and business imperative. This will be enforced through the implementation of a revised/targeted employment equity plan.

1.6.3 Corporate Social Responsibility

FoodBev SETA, through its Corporate Social Responsibility initiatives, seeks to improve the quality of life of South Africans by identifying socio-economic challenged schools, home-care centres, and community-based organisations, etc. FoodBev SETA focuses on education, youth and women development, persons with disabilities, environmental sustainability, and skills development.

Due to the impact of COVID-19, FoodBev SETA was not able to implement its 2020/21 Corporate Social Responsibility initiative. This process will be rolled over to the new financial year pending the relaxation of the lockdown restrictions.

1.7 Future HR plans /goals

Human Resources has identified the following future goals in line with its HR plan and outcome of the Employee Satisfaction Survey:

- 1.7.1** Implementation of the Talent, Succession Management and Employee Retention policy by identifying a talent pool comprising of high performing employees who will be developed to meet the skill and competency requirements of critical and strategic positions in the organisation.
- 1.7.2** Implementation of the second phase of the organisational structure through the provision and appointment of additional human capacity.
- 1.7.3** Implementation of the employee recognition incentives and rewards. The introduction of a non-financial and personal recognition reward system such as "employee of the month", departmental awards and the recognition of employee birthdays to motivate staff and boost morale.

2 HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 Personnel cost by salary band

TABLE 21: 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	4 523	14,1%	2 262
Senior management	2	6 487	20,2%	3 244
Professional qualified and middle management	8	7 508	23,4%	939
Skilled	13	7 389	23,0%	568
Semi-skilled	16	5 051	15,7%	316
Unskilled	2	346	1,1%	173
Total	43	31 304	97.6%	728
Temporary Employees	3	532	1,7%	177
Graduate Interns	1	245	0,8%	245
Grand Total	47	32 081	100%	683

2.2 Performance rewards

TABLE 22: Performance rewards per occupational level

Occupational level	No. of employees	Personnel expenditure 2019/20 (R'000)	Performance rewards 2019/20 (R'000)	% of performance rewards to total personnel expenditure	% of performance rewards per level to total performance rewards	Average performance rewards per employee (R'000)
Top management	2	4 390	415	9%	18%	207
Senior management	5	6 155	422	7%	19%	84
Professional qualified and middle management	9	6 697	519	8%	23%	58
Skilled	13	6 474	548	8%	24%	42
Semi-skilled	16	4 456	351	8%	15%	22
Unskilled	2	298	28	9%	1%	14
Total	47	28 470	2 283	8%	100%	49

It should be noted the performance rewards were paid from the previous year financials and remuneration costs. Graduate interns are excluded from the performance rewards, they are not eligible for a performance bonus hence not reported.

2.3 Training costs

TABLE 23: Training costs per occupational level

Occupational level	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel expenditure	No. of employees trained	Average training cost per employee
Top management	4 523	23	1%	2	11 566
Senior management	6 487	74	1%	5	14 781
Professional qualified and middle management	7 508	341	5%	8	42 683
Skilled	7 389	162	2%	13	12 489
Semi-skilled	5 051	169	3%	17	9 932
Unskilled	346	7	2%	2	3 315
Total	31 304	776	2%	47	94 766

2.4 Employment and vacancies

TABLE 24: Employees, posts, and vacancies per occupational level

Occupational level	2019/2020 No. of employees as at 31 March 2020	2020/2021 Approved posts as at 31 March 2021	2020/2021 No. of employees as at 31 March 2021	2020/2021 No. of vacancies as at 31 March 2021	% of vacancies
Top management	2	2	2	0	0%
Senior management	4	5	2	3	6%
Professional qualified and middle management	9	11	8	3	6%
Skilled	13	13	13	0	0%
Semi-skilled	16	18	16	2	4%
Unskilled	2	2	2	0	0
Total	46	51	43	8	16%
Temporary employees	1	3	3	0	0%
Grand Total	47	54	46	8	16%

Graduate Interns were not accounted as employees hence not reported. FBS is operating at an 84% occupancy rate and a vacancy rate of 16%.

2.5 Employment changes

TABLE 25: Changes in employment

Salary band	Employment as at beginning of the period	External appointments	Internal appointments	Terminations / End of contract	Employment as at end of the period
Top management	2	0	0	0	2
Senior management	4	0	0	2	2
Professional qualified	9	0	0	1	8
Skilled	13	0	0	0	13
Semi-skilled	16	0	0	0	16
Unskilled	2	0	0	0	2
Total	46	0	0	3	43
Temporary employees	1	3	0	0	3
Grand Total	47	3	0	3	46

Graduate interns were not accounted as employees, hence not reported.

2.6 Reasons for staff leaving

TABLE 26: Staff leaving and reasons

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	3	100%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Other	0	0%
Total	3	100%

2.7 Labour Relations: Misconduct and disciplinary action

TABLE 27: Incidence of disciplinary action

Nature of disciplinary action	Number
Verbal recorded warning	1
Written warning	1
Final written warning	0
Dismissal	0
Grievances	2
Disciplinary Enquiry	**0
Total	4

**The SETA has commenced with the disciplinary action for the employees that were implicated in the non-compliance finding that was reported by the Auditor General in the previous financial year. The process will be finalised during the first quarter of the new financial year.

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 28: Employment equity profile for male

Occupational level	Male								
	African		Coloured		Indian		White		Foreign national
	Current	Target	Current	Target	Current	Target	Current	Target	Current
Top management	0	0	0	1	0	0	0	0	1
Senior management	1	2	0	0	0	1	0	0	0
Professional qualified and middle management	2	3	0	2	0	2	1	1	0
Skilled	6	7	0	2	0	2	0	1	0
Semi-skilled	8	8	0	1	0	2	0	1	0
Unskilled	0	1	0	1	0	0	0	0	0
Total	17	21	0	7	0	7	1	3	1
Temporary employees	3	2	0	1	0	1	0	1	0
Graduate interns	0	0	0	0	0	0	0	0	1
Grand Total	20	23	0	8	0	8	1	4	2

TABLE 29: Employment equity profile for female

Occupational level	Female								
	African		Coloured		Indian		White		Foreign National
	Current	Target	Current	Target	Current	Target	Current	Target	Current
Top management	1	1	0	0	0	0	0	0	0
Senior management	1	2	0	0	0	0	0	1	0
Professional qualified and middle management	5	6	0	1	0	0	0	1	0
Skilled	6	8	0	2	0	2	0	1	1
Semi-skilled	8	9	0	2	0	2	0	1	0
Unskilled	1	1	0	0	0	0	0	0	1
Total	22	27	0	5	0	4	0	4	2
Temporary employees	0	1	0	0	0	0	0	0	0
Graduate interns	0	0	0	0	0	0	0	0	0
Grand Total	22	28	0	5	0	4	0	4	2

TABLE 30: Profile of persons with disabilities

Occupational level	Persons with disabilities			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified and middle management	0	0	1	1
Skilled	0	0	1	1
Semi-skilled	1	1	0	0
Unskilled	0	0	0	0
Temporary staff	0	0	0	0
Total	1	1	2	2
Temporary employees	0	0	0	0
Graduate interns	0	0	0	0
Grand Total	1	1	2	2

Report of the auditor-general to Parliament on the Food and Beverages 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 and Beverages Manufacturing Sector Education and Training Authority set out on pages 94 to 134, which comprise the statement of financial position as at 31 March 2021, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Food and Beverages Manufacturing Sector Education and Training Authority as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Skills Development Act 97 of 1998 (SDA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA and the SDA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. 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

8. 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.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.



PART E

FINANCIAL INFORMATION

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the annual performance report
Programme 3 – learning programme and projects	Pages 40 – 51

13. 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.
14. 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 matters

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the annual performance report on pages 26 to 52 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 3 - learning programmes and projects. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

18. 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.
19. The material finding on compliance with specific matters in key legislation is as follows:

Annual financial statements

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.
21. Material misstatements of financial instruments, commitments and cash flow statement identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

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 on it.
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.
26. I have nothing to report in this regard.

Internal control deficiencies

27. 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 finding on compliance with legislation included in this report.
28. Management did not ensure that effective preventative and detective controls were in place to ensure completeness and accuracy of the financial statements. This resulted in material misstatements in the annual financial statements being identified through the audit process.

Auditor-General

Pretoria
31 July 2021



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 programmes and on the public entity’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
- 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 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 and Beverages Manufacturing Sector Education Training and 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.

Communication with those charged with governance

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



Annual financial statements

INDEX

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 2021

	Note(s)	2020/21 R' 000	2019/20 R' 000
Revenue			
Non-Exchange Revenue			
Skills Development Levy: Income	3	283 850	393 608
Skills Development Levy: Interest and penalties	4	5 593	6 429
Other income	6	2 696	5 564
Total revenue from non-exchange transactions		292 139	405 601
Exchange Revenue			
Other income	6	-	13
Interest received - investment	5	31 500	50 241
Total revenue from exchange transactions		31 500	50 254
Total revenue		323 639	455 855
Expenditure			
Employee related costs	8	(18 389)	(17 669)
Depreciation and amortisation	10&11	(1 190)	(1 434)
Lease rentals on operating lease	9	(2 389)	(2 569)
Debt Impairment	12	(5 174)	(225)
Employer grant and project expenses	7	(199 323)	(302 366)
Other administration expenses	8	(32 698)	(22 096)
Total expenditure		(259 163)	(346 359)
Surplus for the year		64 476	109 496

Statement of Financial Position as at 31 March 2021

	Note(s)	2020/21 R' 000	2019/20 R' 000
Assets			
Current Assets			
Trade and other receivables from non-exchange transactions	12	80	5 768
Trade and other receivables from exchange transactions	13	487	467
Inventory	14	46	20
Cash and cash equivalents	15	871 952	817 767
		872 565	824 022
Non-Current Assets			
Property, plant and equipment	10	2 539	2 460
Intangible assets	11	337	391
		2 875	2 851
Total Assets		875 440	826 873
Liabilities			
Current Liabilities			
Trade and other payables from non-exchange transactions	16	7 000	18 754
Trade and other payables from exchange transactions	17	4 968	10 094
Provisions	18	9 384	8 413
Total Liabilities		21 353	37 261
Net Assets		854 087	789 612
Reserves			
Administration reserve		2 921	2 871
Discretionary grant reserve		850 202	786 433
Mandatory grant reserve		964	308
Total Net Assets		854 087	789 612

Statement of Changes in Net Assets for the year ended 31 March 2021

	Administration reserve	Discretionary grant reserve	Mandatory grant reserve	Accumulated surplus	Total net assets
	R' 000	R' 000	R' 000	R' 000	R' 000
Balance at 01 April 2019	3 636	676 338	141	-	680 115
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)	-	-
Balance at 31 March 2020	2 871	786 433	308	-	789 612
Surplus for the year	-	-	-	64 476	64 476
Allocation of unappropriated surplus	(22 567)	69 129	17 914	(64 476)	-
Excess reserves transferred to Discretionary reserve	22 618	(5 360)	(17 258)	-	-
Balance at 31 March 2021	2 921	850 202	964	-	854 087
Note(s)	2				

Cash Flow Statement for the year ended 31 March 2021

	Note(s)	2020/21 R' 000	2019/20 R' 000
Cash flows from operating activities			
Cash receipts from stakeholders			
Levies, interest and penalties received		292 634	400 213
Interest income		31 500	50 241
		324 134	450 454
Cash paid to stakeholders, suppliers and employees			
Grants and project payments		(195 161)	(299 154)
Compensation of employees		(32 081)	(28 691)
Payments to suppliers and other		(41 491)	(17 305)
		(268 733)	(345 150)
Net cash flows from operating activities	19	55 401	105 304
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(831)	(252)
Proceeds from disposal of assets		-	34
Purchase of intangible assets	11	(384)	(461)
Net cash flows from investing activities		(1 215)	(679)
Net increase/(decrease) in cash and cash equivalents		54 186	104 625
Cash and cash equivalents at the beginning of the year		817 767	713 142
Cash and cash equivalents at the end of the year	15	871 952	817 767

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R' 000	R' 000	R' 000	R' 000	R' 000	
Statement of Financial Performance						
Revenue						
Other income	-	-	-	2 696	2 696	29.1
Fines and penalties	5 000	(849)	4 151	5 593	1 442	29.2
Skills development levies - income	378 576	(125 724)	252 852	283 850	30 998	29.3
Interest received-investment	48 000	(16 423)	31 577	31 500	(77)	29.4
Retained funds	-	198 604	198 604	-	(198 604)	29.7
Total revenue including retained funds	431 576	55 608	487 184	323 639	(163 545)	
Expenses						
Administration expenses	(49 843)	(7 063)	(56 906)	(59 840)	(2 934)	29.5
Employer grant and project expenses	(381 733)	(48 545)	(430 278)	(199 323)	230 955	29.6
Total expenditure	(431 576)	(55 608)	(487 184)	(259 163)	228 021	
Surplus for the year	-	-	-	64 476	64 476	



Accounting policies

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 judgement, 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 balance sheet

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, the condition of the asset 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 asset will be sold or will be used to the end of their useful lives and at 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, 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.

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 statements. 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 report

FoodBev SETA does not have an activity or unit that meets the definition of a 'segment' as defined, as FoodBev SETA administrative units and functional department do not undertake activities that generate economic benefits or services potential separately from the SETA as a whole. Management have assessed that 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 Note 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 Commitments

Operating commitments

Transactions are classified as commitments when the SETA has committed itself to future transactions that will normally result in the outflow of cash. Operating commitments are disclosed in a note to the financial statements in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Discretionary grant 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:

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

To achieve a fair presentation the SETA also discloses grant commitments that are out of contract as the SETA usually receives claims for these programmes after year end due to delays in the submission of completion reports and grant claim forms.

1.5 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 Services (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 (1999) as amended, effective 1 August 2005.

Skills development levies 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 FoodBev SETA.

Adjustment of revenue

Adjustments to revenue already recognised, arise from the completion of a South African Revenue Services (SARS) internal review process, and/or the outcome of an external appeal or objection process undertaken by employer companies. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. Refunds are recovered directly from monthly revenues by SARS, and FoodBev SETA recognises revenue on net basis as and when it becomes receivable. The SETA has no access to or control to the appeal or review process carried on by SARS, and hence could not reasonably be expected to have access to reliable information at the initial stage of recognition. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process are therefore accounted for as a change in accounting estimate, and not as a correction of an error.

In instances where SARS has made adjustments to revenue and FoodBev SETA has made payments to employer companies with regards

to mandatory grants and the adjustments results in a recovery of mandatory grants paid, FoodBev SETA raises a receivable and revenue for the difference between the revised mandatory grant amount and amount paid.

Inter-SETA transfers

Furthermore, revenue is adjusted for inter-SETA transfers due to employers changing SETA's. 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.

Levy exempt income is monies received from employers who are exempt from paying SDL levies, as per the Skills Development Circular 09/2013. FoodBev SETA recognises a payable in respect of SDL levy refunds due to levy exempt employers. This payable is a provision based on the levies received from possible levy exempt entities. 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 of:

	2020/21	2019/20
Administration costs of the SETA	10.50%	10,50%
Mandatory grant fund levy*	20,00%	20,00%
Discretionary grant and projects	49,50%	49,50%
	80.00%	80.00%

*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.

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 DHET either makes an allocation or a payment, whichever comes first, to FoodBev SETA. SDL interest and penalties received from SARS as well as the interest received on investments are utilised for discretionary grants and projects.

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 and the relevant conditions of the grant are met, 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.

1.6 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 of 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.

1.7 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 evaluation process. 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.

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 signed contract with the employers, signed enrolment forms, signed grant claim form, and other relevant documents are submitted and signed by the employer and 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
- 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 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 year under review.



1.8 Irregular, fruitless and wasteful expenditure

Irregular expenditure means the incurrance 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, where appropriate recovered from the party involved. 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, a recovery process is 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.

1.9 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 estimated residual value over the estimated useful lives.

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 year under review. The depreciation charge is recognised in the surplus or deficit.

Derecognition

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

1.10 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	Straightline	12 months
Computer software, other	Straightline	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.

1.11 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 FoodBev SETA assets are designated as non-cash generating because all are used for service delivery only.

FoodBev SETA assess 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. FoodBev SETA does not have any assets that are carried at a 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 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.

1.12 Leases

Operating leases - lessee

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.

1.13 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 as 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 FoodBev SETA. Contingent liabilities are not recognised but are disclosed in the notes to the AFS, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

1.14 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

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 owing 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.

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. FoodBev SETA provides for upcoming year's bonus payments, which is amortised in the following year for usage and write off residual balance.

1.15 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.

FoodBev SETA recognises the financial instruments using trade date accounting when 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 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 financial instrument.

Subsequent measurement

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,
- 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 costs using the effective interest method less provision of impairment. A provision for impairment of receivables is recognised when there is objective evidence that FoodBev SETA will not be able to collect all amounts due according to the original terms. The amount of the provision is a 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.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, investments and deposits held by FoodBev SETA at South African Reserve Bank, 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 recognise 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 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.

1.16 Reserves (net assets)

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). 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 FoodBev SETA.

Mandatory grant reserve

This reserve represents funds maintained for paying back to employers a percentage of the contributed levies (mandatory grants). The residual balance of this reserve is transferred to the 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 to 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.

1.17 Inventories

Inventory consists of consumables on hand at reporting date. Inventories are initially measured at cost, and subsequently measured at the lower of 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 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.

1.18 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 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 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

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.

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.

FoodBev SETA recognises assets and liabilities

arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.19 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.

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).

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 entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.20 Events after reporting date

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

- 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).

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

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.

1.21 Comparative figures

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

1.22 Budget information

The approved budget is prepared on a 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 year under review 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. 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 AFS, 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 2020 to 31 March 2021.

1.21 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.

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. Mandatory grants receivables are regarded as statutory receivables. FoodBev SETA is compelled by legislation to pay registered employers in the sector that comply with the requirements of Annexure II of the Grant Regulations. Mandatory grants are then paid based on previous quarter levies received, however from time to time there are reversals processed by SARS resulting in mandatory grants paid by FoodBev SETA becoming receivable/recoverable. Receivables are recovered through future payments.

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

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

Impairment losses

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.

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 re-organisation
- 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 hasn't 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, 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.

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: derecognise the receivable; and recognise 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.



2. Allocation of surplus for the year to reserves (R'000) 2020/21

	Total per Statement of Financial Performance	Administration reserve	Mandatory grants reserve	Discretionary grants reserve
				Total discretionary
Skills development levy: income				
Admin levy income (10.5%)	37 272	37 272	-	-
Grant levy income (69.5%)	246 577	-	70 513	176 064
Skills development levy: penalties and interest	5 593	-	-	5 593
Investment income	31 500	-	-	31 500
Other income	2 696	-	-	2 696
Total revenue	323 638	37 272	70 513	215 853
Administration expenses	(59 840)	(59 840)	-	-
Employer grants and project expenses	(199 322)	-	(52 599)	(146 723)
Total expenses	(259 162)	(59 840)	(52 599)	(146 723)
Net surplus per Statement of Financial Performance (allocated)	64 476	(22 568)	17 914	69 129

2. Allocation of surplus for the year to reserves (R'000) (continued) 2019/20

	Total per Statement of Financial Performance	Administration reserve	Mandatory grants reserve	Discretionary reserve
				Total discretionary
Skills development levy: income				
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
Total revenue	455 855	51 594	98 675	305 586
Administration expenses	(43 993)	(43 993)	-	-
Employer grants and project expenses	(302 366)	-	(78 872)	(223 494)
Total expenses	(346 359)	(43 993)	(78 872)	(223 494)
Net surplus per Statement of Financial Performance (allocated)	109 496	7 601	19 803	82 092

3. Skills development levy income

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

Levy income: Administration		
Levies received - current	27 806	43 724
IGRAP20 adjustment*	9 466	7 857
Total Levy income: Administration	37 272	51 581
Levy income transfer: Mandatory grants		
Levies received - current	52 536	83 907
IGRAP20 adjustment*	17 977	14 768
Total Levy income transfer: Mandatory grants	70 513	98 675
Levy income transfer: Discretionary grants		
Levies received - current	177 323	206 762
IGRAP20 adjustment*	(707)	37 223
Exempt employer: Transfer to/from discretionary	(551)	(633)
Total Levy income transfer: Discretionary grants	176 065	243 352
	283 850	393 608

The significant decrease in revenue was as a result of the four-month levy payment holiday that was declared as a means of dealing with the effects of COVID-19 pandemic.

4. Skills Development Levy: Interest and penalties

Interest - current	(324)	46
IGRAP20 adjustment*	2 912	2 739
Penalties - current	126	715
IGRAP20 adjustment*	2 879	2 929
	5 593	6 429

*These adjustments are as a result of a review, appeal or objection process between levy paying employers and SARS, these adjustments are accounted for as a change in accounting estimate. Comparatives were updated for fair presentation purposes only.

5. Interest received – investment

Interest revenue

Interest received- Investment	31 500	50 241
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*There was a significant reduction of interest rates by the South African Reserve Bank since March 2020. This led to reduced interest from investments.

6. Other income

Discretionary grant recoveries - (non-exchange)	2 696	5 564
Profit on disposal of assets - (exchange)	-	13
	2 696	5 577

7. Employer grant and project expenses

Mandatory grants

Disbursed	52 599	78 872
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Discretionary grants

Disbursed*	129 982	203 348
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Project administration expenditure

Disbursed	16 742	20 146
	199 323	302 366

*The discretionary grant disbursements were reduced in the current year due to delays in the finalisation of discretionary grants, and the effects of the national lockdown.

Project administration expenditure consists of:

Direct salaries and wages	14 186	13 306
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Direct project administration expenses:

SSP research	6	-
Scarce skills guide	268	765
Advertising, promotions & publicity material	771	389
Catering & event hosting	13	53
External moderation	1 030	2 996
Travel & accommodation	63	1 176
Partnerships	-	20
TVET offices - interns	228	-
Courier and postage	68	181
TVET capacity building	68	143
World skills conference	-	985
Printing	41	44
Chambers	-	88
	16 742	20 146

8. Other administration expenses

Advertising	143	335
Assessment rates & municipal charges	168	165
External audit fees	2 497	2 205
Bank charges	55	61
Cleaning	129	45
Catering and refreshments	15	81
Consulting and professional fees	700	485
Consumables	172	271
Special Projects: administration	12 232	-
Conferences and seminars	229	430
IT expenses	4 933	4 372
Insurance	184	131
Legal fees	376	22
Marketing	299	3 146
Postage and courier	58	52
Printing and stationery	65	303
Repairs and maintenance	166	145
License fees	182	15
Security	348	336
Staff welfare	194	126
Telephone and fax	502	201
Training	776	888
Travel - local	17	1 060
Travel - overseas	-	358
Electricity & water	272	304
Board remuneration	2 627	1 868
Audit committee remuneration	392	281
Internal audit fees	1 943	1 746
Quality control for trade and occupation mandatory expense	2 681	2 427
Recruitment costs	310	143
Ministerial support	-	58
Whistleblowing	33	36
	32 698	22 096

*Special projects: Administration costs relate to the review of commitment register, business processes and office relocation costs, which were budgeted for under retained surplus funds.

FoodBev SETA received approval to exceed administration budget from DHET.

Cost of employment

Basic salaries	30 251	28 876
Pension contributions: defined contribution plans	2 324	2 099
	32 575	30 975

Allocation of cost of employment

Administrative expenses	18 389	17 669
Project expenses	14 186	13 306
	32 575	30 975

Average number of employees	47	51
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9. Lease rentals on operating lease**Leases**

Operating lease - building	1 915	1 885
Operating lease - equipment	475	684
	2 390	2 569



10. Property, plant and equipment - R'000

	2020/21			2019/20		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture and fixtures	2 143	(776)	1 366	2 130	(561)	1 569
Office equipment	1 053	(723)	330	871	(637)	234
Computer equipment	3 216	(2 373)	843	2 580	(2 017)	564
Leasehold improvements	1 562	(1 562)	-	1 562	(1 469)	93
Total	7 974	(5 434)	2 539	7 143	(4 684)	2 460

Reconciliation of property, plant and equipment 2020/21 (R'000)

	Opening balance	Additions	Depreciation	Total
Office furniture and fixtures	1 568	13	(215)	1 366
Office equipment	234	183	(87)	330
Computer equipment	564	636	(357)	843
Leasehold improvements	93	-	(93)	-
	2 459	831	(751)	2 539

The increase in computer equipment was due to the replacement of out of warrant equipment for officials and accounting authority and replacement of desktops with laptops.

10. Property, plant and equipment - R'000 (continued)

Reconciliation of property, plant and equipment 2019/20 - R'000

	Opening balance	Additions	Disposals	Depreciation	Total
Office 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
	3 089	252	(21)	(860)	2 460

11. Intangible assets R'000

	2020/21			2019/20		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses	1 549	(1 222)	327	1 179	(787)	391
Computer software	2 023	(2 014)	9	2 010	(2 010)	-
Total	3 572	(3 236)	337	3 189	(2 797)	391

11. Intangible assets R'000 (continued)**Reconciliation of intangible assets 2020/21 - R'000**

	Opening balance	Additions	Amortisation	Total
Licenses	391	371	(435)	327
Computer software	-	13	(4)	9
	391	384	(439)	337

Reconciliation of intangible assets 2019/20 - R'000

	Opening balance	Additions	Amortisation	Total
Licenses	421	461	(491)	391
Computer Software	82	-	(82)	-
	504	461	(573)	391

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

Mandatory Grant receivables (levies)	307	928
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Contractual receivables

Discretionary Grant recoveries - gross*	5 172	5 166
Less Debt impairment**	(5 399)	(326)
	80	5 768

Debt impairment reconciliation

Opening balance	326	101
Debt impairment addition	5 174	225
Bad debt recovered	(101)	-
	5 399	326

*Discretionary grant receivables are recoveries from employers who were not able to complete learning programmes for which FoodBev SETA has paid a tranche or more.

**The significant increase in debt impairment was due to high grant recoveries from placement companies where learners failed to complete the programme.

13. Trade and other receivables from exchange transactions

Deposits - Growthpoint	467	467
Staff loan - study assistance*	20	-
	487	467

*A FoodBev SETA employee was assisted to settle her long outstanding debt with UKZN. FoodBev is recovering this debt through payroll. The total staff loan was R35 000. The current balance is R20 000. This is not a taxable benefit in terms of the Seventh Schedule of the Income Tax Act.

14. Inventories

Consumable stores	46	20
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15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	1
Short-term deposits	4 896	10 616
Investments	867 056	807 150
	871 952	817 767

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 3% (2019/20: 5%). The weighted average interest rate on funds held at South African Reserve Bank, Corporation for Public Deposit was 3.75% (2019/20: 6.1%).

16. Trade and other payables from non-exchange transactions

Accrued expenses - Discretionary	395	11 470
Skills Development Grants: Discretionary payable	771	458
Skills Development Grants: Mandatory payable	156	195
Skills Development Grants: Mandatory accruals	5 678	6 631
	7 000	18 754

17. Trade and other payables from exchange transactions

Accrued expenses	1 586	572
Trade creditors	1 689	7 926
Leave pay	1 501	1 471
Operating lease payables	-	42
Accounting Authority fees and PAYE	192	83
	4 968	10 094

18. Provisions

Exempt employers provision	5 248	4 697
Bonus provision	4 136	3 715
	9 384	8 413

Exempt Employers Provision

The amount of R5m (2019/20:R5m) relates to levies contributed by employers who are exempt from contributing skills development levies.

In line with the skills development circular no. 09/2013, FoodBev SETA must keep the levies received from exempted levy payers for a period of five years. After five years have lapsed, the unclaimed levies will be transferred to discretionary grant income to be utilised for 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 December. The amount is dependent on the outcome of individual performance evaluation.

18. Provisions (continued)

Reconciliation of provisions 2020/21 - R'000

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Exempt employers provision	4 697	1 093	-	(542)	5 248
Bonus provision	3 715	4 136	(2 283)	(1 432)	4 136
	8 413	5 229	(2 283)	(1 974)	9 384

Reconciliation of provisions 2019/20 - R'000

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Exempt employers provision	4 064	1 276	-	(643)	4 697
Bonus provision	1 822	3 715	(1 720)	(102)	3 715
	5 886	4 991	(1 720)	(745)	8 413

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

Surplus	64 476	109 496
Adjustments for:		
Depreciation	751	861
Amortisation	439	574
Profit/loss on disposal of assets and debt impairment	5 174	(13)
Movements in provisions	972	2 526
Changes in working capital:		
Inventories	(26)	22
Receivables from exchange transactions	(20)	-
Trade and other receivables from non-exchange transactions	515	(5 388)
Payables from exchange transactions	(5 125)	5 567
Payable from non-exchange transactions	(11 754)	(8 341)
	55 401	105 304

20. Contingent assets and liabilities

Contingent liabilities

- 20.1 In terms of SETA Grant Regulations, SETAs must allocate mandatory grants 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 FoodBev SETA has a contingent liability to set aside funds for all employers that registered as from 1 April 2020 to 31 March 2021. Consequently the total potential mandatory grant pay-out is R964,369 (2019/20: R307,790)
- 20.2 The former chairperson of the board whose term ended on 31 March 2018 sued FoodBev SETA for board fees not paid during his suspension period. On 2 August 2018, the FoodBev SETA legal team filed a Notice of Intention to Defend. Since the filing thereof, there has been no communication in 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. No movement in this matter since 2018.

- 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 2021, the calculated accumulated surplus funds as per National Treasury Instruction No. 12 of 2020/2021 is as follows:

	2020/21	2019/20
Cash and cash equivalents	871 952	817 767
Add: Receivables	567	6 235
Less: Current liabilities	(21 353)	(37 261)
Calculated surplus funds for the year	851 166	786 741

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:

	2020/21	2019/20
Calculated retained surplus as above	851 166	786 741
Approved and contracted - project commitments	(697 567)	(498 804)
Approved and contracted - admin commitments	(13 864)	(10 011)
Net surplus after considering commitments	139 735	277 926

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

In December 2012, the Minister 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) at the Labour Court.

20. Contingent assets and liabilities (continued)

The litigation between the parties begun 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 that 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 2020/21 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 lesser 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.

Contingent asset

20.5 The National Education, Health and Allied Workers' Union (NEHAWU) launched an urgent application with regards to an employee whose employment was terminated in 2016/17 financial year. This was defended by 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. FoodBev 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 costs 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. 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. The delays may be due to COVID-19.

21. Events after the reporting date

There were no subsequent events to report after year-end.

22. Commitments

Discretionary Grant Reserve - R'000

Description of Grant	Opening balance 2019/20	Terminations / Adjustments / Cancellations	Approved by Accounting Authority and contracted 2020/21	Utilised prior years projects	Utilised current year projects 2020/21	Closing balance 2020/21
Unemployed Learnerships	159 789	(35 664)	136 636	(42 151)	(9 814)	208 797
Employed Learnerships	80 373	(28 971)	3 014	(12 838)	-	41 578
Recognition of Prior Learning (RPL)	597	-	-	(402)	-	195
Learnership for PwD	532	-	-	(91)	-	441
Skills Programme	10 560	(3 867)	10 649	(2 341)	(629)	14 373
Internship	42 105	(9 400)	31 620	(14 721)	(240)	49 364
Work Experience	35 569	(1 778)	33 780	(10 140)	(1 032)	56 399
Candidacy Programme	810	-	-	(90)	-	720
Unemployed Bursaries	2 376	(2 145)	-	(231)	-	-
Research & Development	6 053	(1 051)	3 540	(1 866)	-	6 675
Employed & MDP Bursaries	18 651	(3 665)	-	(254)	-	14 733
Adult Education Training	4 111	(1 055)	1 545	(774)	(180)	3 647
Artisans	84 741	(32 090)	56 870	(6 768)	(41)	102 713
Centre of Specialisation	866	-	-	-	-	866
SME's (LP,NLP,NGOs,CBOs)	1 222	139	88	(502)	-	947
TVET Placements	28 443	2 903	60 264	(14 162)	(3 758)	73 688
TVET Bursary	2 904	(1 011)	4 478	(542)	(79)	5 750
Special Project 2017/18	6 866	(6 190)	-	(676)	-	-
Special Project 2018/19	710	82	-	(284)	-	508
Special Project 2019/20	10 665	2 000	-	(5 376)	-	7 289
Special Project 2020/21	-	-	6 882	-	-	6 882
Maluti, Tshwane South and Ekurhuleni SETA Offices	276	(276)	-	-	-	-
TVET Lecture Capacity	586	(234)	-	-	-	352
Partnerships	-	-	101 651	-	-	101 651
TOTAL	498 804	(122 272)	451 017	(114 208)	(15 774)	697 567

Figures in Rand thousand	2020/21 R' 000	2019/20 R' 000
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22. Commitments (continued)

Total discretionary grants approved and contracted	697 567	498 804
Total discretionary grants approved but not contracted	-	33 713
Total special projects approved but not contracted	500	22 218
	698 067	554 735

Notice No. 35940 of 2012 of the Grant Regulations defines a commitment as a contractual obligation (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.) 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 R122,272 due to programmes not being commenced and/or not completed.

Operating commitments

Approved and contracted	13 864	10 011
Special projects approved but not contracted	-	6 500
	13 864	16 511

Total commitments	711 931	571 246
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Percentage of reserves	84%	73%
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FoodBev SETA have committed 84% (R712m) of the available discretionary funds (R850m).

Excluded in the discretionary grants above, is discretionary grants that were approved but are out of contract as at 2020/21 amounting to R76m, 2019/20 (R56m). The SETA honors payment requests post expiry dates provided learners have completed their learning programmes. Some of the training for these contracts may have been completed and still awaiting outstanding required documents from employers and higher education institutions.

23. Operating lease liability roll forward

Opening balance	42	30
Actual rent expense	(1 957)	(1 872)
Amortised rental over lease period	1 915	1 884
	-	42

23.1 Total future minimum rental payments due (buildings)

Not later than one year	3 143	1 142
Later than one year and not later than five years	20 575	-
	23 718	1 142

The operating lease above relates to the building premises utilised for offices. FoodBev SETA's lease agreement for the current building expired on 31 March 2021. The new lease agreement will be effective from 01 June 2021 to 31 May 2031. There was an addendum for the two months ending 31 May 2021.

23.2 Total future minimum rental payments due (equipment)

Not later than one year	261	128
Later than one year and not later than five years	457	-
	718	128

FoodBev SETA's lease for office printers/photocopiers is a three year lease agreement and it commenced in January 2021.

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

There was no fruitless and wasteful expenditure that was incurred in the current year ended 31 March 2021.

Figures in Rand thousand	2020/21 R' 000	2019/20 R' 000
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Irregular expenditure		
Opening balance	3 598	-
Irregular expenditure - identified in the current year	653	3 598
Irregular expenditure - identified in the current year relating to prior year	-	-
Less amount condoned	-	-
	4 251	3 598

The irregular expenditure identified in the current year relates to fees paid to three (3) Accounting Authority members who were appointed by the executive authority (DHET). The appointments were found to have contravened amongst others, with sections 11A, 11C, 11(4), 11(5) of the Skills Development Act, No.97 of 1998 (SDA) as amended. The determination test and condonation process is pending from DHET.

Prior year irregular expenditure related to mandatory grant and discretionary grants transactions with employers. Irregular expenditure was not condoned in current year as the disciplinary proceedings are not finalised.



25. Board and Management Remuneration in R'000s

Executive and Management

	2020/21			
	Basic	Travel allowance	Pension fund	Bonus
N Selamolela - CEO	2 016	50	281	233
M Maphiwa - CFO	1 237	388	133	182
M Pule	1 062	180	101	135
P Ngwasheng	1 057	120	143	132
S Miya*	963	170	91	56
H Makhubele**	1 115	-	90	55
M Spencer***	869	-	99	45
	8 319	908	938	838
				11 003

*Resigned in March 2021

**Contract ended in March 2021

***Resigned in December 2020

	2019/20			
	Basic	Travel allowance	Acting allowance	Pension fund
N Selamolela -CEO	1 725	302	18	253
M Maphiwa - CFO*	1 219	388	-	110
M Pule	1 042	145	-	99
P Ngwasheng	1 046	75	-	139
S Miya	963	120	-	90
H Makhubele	1 073	-	-	80
M Spencer**	835	-	-	107
	7 903	1 030	18	878
				10 538

*Appointed as permanent CFO in June 2019

**Appointed in June 2019

25. Board and Management Remuneration in R'000s (continued)

Non-executive 2020/21

	Accounting Authority fees	Total
A Campbell - Chairperson	317	317
A Pholoana	179	179
A Nazo	167	167
E Ndwandwe	172	172
G Xaba	194	194
F Khumalo	169	169
S Mzizi	162	162
T Mashanda	164	164
M Oliver	226	226
M Ncanywa	192	192
N Tshabangu	198	198
N Zondo	171	171
R Hutton	177	177
T van Wyk	131	131
G Hamman	9	9
	2 628	2 628

No reimbursed travel costs were incurred by all board committees in the reported period due to the national lockdown.

Audit and Risk Committee 2020/21 R'000	Members' fees	Total
T Randall (Chairperson)	207	207
T Tshitangano	109	109
F Mkwanazi	75	75
	391	391

2020/21 - R'000

	Accounting Authority fees	Reimbursed travel	Total
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
T van Wyk	35	1	36
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
	1 982	68	2 050

25. Board and Management Remuneration in R'000s (continued)

Audit and Risk Committee	Members' fees	Reimbursed travel	Total
T Randall (Chairperson)	137	3	140
T TShitangano	77	1	78
F Mkwanazi	67	1	68
	281	5	286

26. Financial instruments

FoodBev SETA operations are exposed to interest rate, credit, and liquidity 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 account 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 balance sheet date are as follows:



26. Financial instruments (continued)
Cash flow interest rate risk - R'000 - Restated

	Floating rate		Fixed rate			Non-interest bearing		TOTAL
	Amount	Effective interest rate	Amount	Weighted average effective interest rate	Weighted average period for which the rate is fixed in years	Amount	Weighted average period until maturity in years	
Year ended 31 March 2021								
Assets								
Cash	871 952	3%	-	-	-	-	-	871 952
Loans and accounts receivable	-	-	-	-	-	487	-	487
Total financial assets	871 952	-	-	-	-	487	-	872 439
Liabilities								
Borrowings	-	-	-	-	-	-	-	-
Loans and accounts payable	-	-	-	-	-	6 134	-	6 134
Total financial liabilities	-	-	-	-	-	6 134	-	6 134
Year ended 31 March 2020								
Total financial assets	817 767	6%	-	-	-	467	-	818 234
Total financial liabilities	-	-	-	-	-	(22 022)	-	(22 022)
	817 767	-	-	-	-	(21 555)	-	796 212

26. Financial instruments (continued)

Credit Risk

Financial assets which would potentially subject FoodBev 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 - R'000

	2020/21		2019/20	
	Gross	Impairment	Gross	Impairment
Past due >120 days	487	-	467	-
Total	487	-	467	-

Cash and Cash equivalents

	2020/21		2019/20	
	Gross	Impairment	Gross	Impairment
Not past due	871 952	-	817 767	-

Liquidity risk

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

2020/21	Carrying amount	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
Trade and other payables	6 134	6 134	6 134	-	-	-

2019/20	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
Trade and other payables from exchange transactions	22 022	22 022	22 022	-	-	-

27. Related parties

Related party balances

FoodBev SETA as a schedule 3A public entity is related to all entities in national government spheres. However as per GRAP 20 we only disclose transactions and balances undertaken not at arms length. Related parties of FoodBev SETA are:

1. Accounting Authority (refer to note 25 for disclosure)
2. Audit and Risk Committee (refer to note 25 for disclosure)
3. Executive and senior managers (refer to note 25 for disclosure)
4. Relatives of the above (no transactions)
5. Employers of Accounting Authority members
6. Entities under common control are entities operating under the auspices of Department of Higher Education and Training (DHET), which are QCTO, NSFAS, NSA, TVET's, Universities and other SETAs.

The related party transactions with these entities relate to 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 year under review recorded, 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 the Trade and other payables are related parties totalling R553,780 (2019/20: R400,543) and in the commitments totalling R209m (2019/20:R83m).

Transactions with employers of the members of Board as at 31 March 2021

The transactions below arise due to the nature of the Board members' employment and the fact that the employers contribute Skills Development Levy 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/ arms length.

Employer : 2020/21 - R'000	Board Member	Mandatory Grants	Discretionary Grant	Total	Levies Received
Woodlands Dairy	R Hutton	412	1 655	2 066	1 697
Pioneer Foods	T van Wyk	2 722	8 065	10 787	10 915
		3 134	9 720	12 853	12 612

Employer : 2019/20 - R'000	Board Member	Mandatory Grants	Discretionary Grants	Total	Levies Received
Rhodes Food Group	G Hamman	1 484	3 075	4 559	5 991
Sea Harvest Corporation	M Harry	1 124	6 016	7 140	4 815
Pioneer Foods	T van Wyk	1 207	8 065	9 272	12 007
Woodlands Dairy	R Hutton	552	2 410	2 962	2 229
		4 367	19 566	23 933	25 042

Transactions with other national public entities	2020/21	2019/20
Quality Council for Trades and Occupations (QCTO)	2 681	2 427
Department of Higher Education & Training (DHET)	-	58
	2 681	2 485

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.

29. Budget differences

Material differences between budget and actual amounts

FoodBev SETA received a directive from DHET to revise the budget given the four-month levy payment holiday granted to employers by the President due to COVID-19. The budget was adjusted to accommodate the four-month holiday period.

29.1 Other income

Other income is made up of largely 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

The SETA received more than anticipated revenues after revising the budgets in consideration of the impact of the four- month levy payment holiday and other impacts of the pandemic.

29.3 Skills Development levy: Income

The levies received were higher than the revised budget amount. The conservative budget was motivated by the levy payment holiday that was gazetted at the beginning of the national lockdown.

29.4 Interest received - investments

Interest income is almost aligned to the revised budgeted amount for investment income.

29.5 Administration expenses

The administration expenditure includes bad debts not budgeted for and administration special projects like the review of commitment register, business process and office relocation costs which were budgeted for under surplus funds. FoodBev SETA received approval to exceed administration budget from DHET.

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 National COVID-19 lockdown limitations. However the rest of this budget has been fully committed at year end and is included under commitments in Note 22.

29.7 Retention of surplus funds

FoodBev SETA submitted and received approval from National Treasury to retain surplus for 2019/20 financial year based on Board approved special projects.

30. New accounting pronouncements

Standards issued and effective

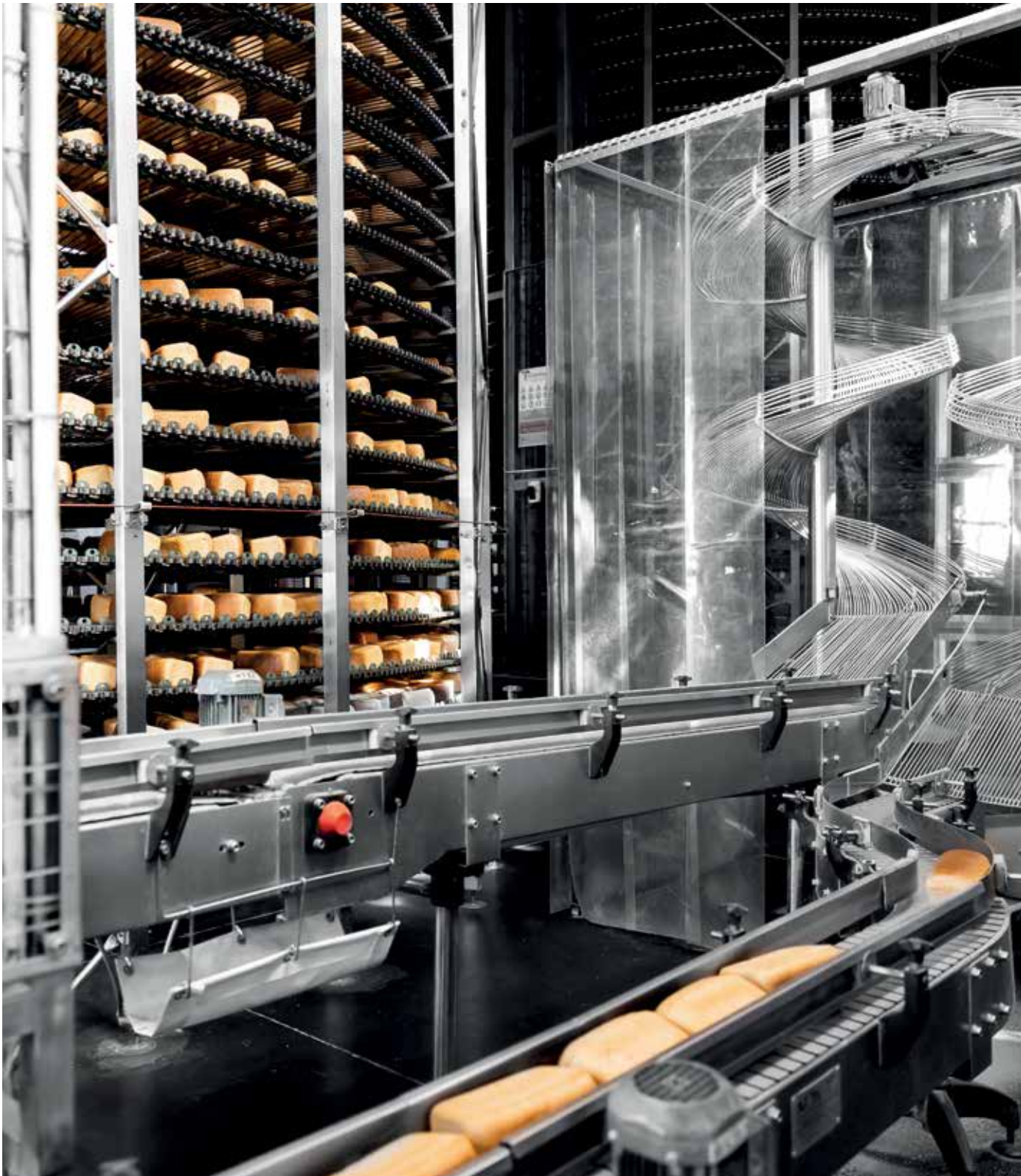
The following standards were issued and are effective from 01 April 2020.

- GRAP 34: Separate financial statements
Impact: No impact - Not applicable to FoodBev SETA.
- GRAP 35: Consolidated financial statements
Impact: No impact - FoodBev SETA does not have subsidiaries or associates.
- GRAP 36: Investments in associates and joint ventures
Impact: No impact - FoodBev SETA has no transactions falling under this standard.
- GRAP 37: Joint arrangements
Impact: No impact - FoodBev SETA does not have any co-funding arrangement.
- GRAP 38: Disclosure of Interest in other entities
Impact: No impact - FoodBev SETA has no transactions falling under this standard.

- GRAP 110: Living and non-living resources
Impact: No impact - FoodBev SETA has no transactions falling under this standard.
- IGRAP 1: Applying the probability test on initial recognition of revenue
Impact: The changes to the interpretation will not affect FoodBev SETA's reporting as FoodBev SETA is already aligned with respect to the changes especially for grant recoveries as the standard does not affect levies income as these are recognised on cash basis.
- IGRAP 20: Accounting for adjustments to revenue
Impact: FoodBev SETA has considered the impact of IGRAP 20 and has adjusted the accounting policy note 1.4 as well as disclosure notes 3 and 4.

Standards issued but not effective

- FoodBev has not applied the changes on the following standards:
- GRAP 25: Employee benefits - Effective date has not yet been gazetted by the minister
Impact: No impact.
- GRAP 104: Financial instruments - Effective date has not yet been gazetted by the minister
Impact: No impact -FoodBev SETA has no transactions that are affected by the suggested changes to this standard.
- Directive 14: The application of Standards of GRAP by public entities that apply IFRS standards - Effective 1 April 2021.
Impact: No impact - FoodBev SETA does not apply IFRS standards.





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FoodBev SETA

**Food & Beverages Manufacturing
Sector Education and Training Authority**

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