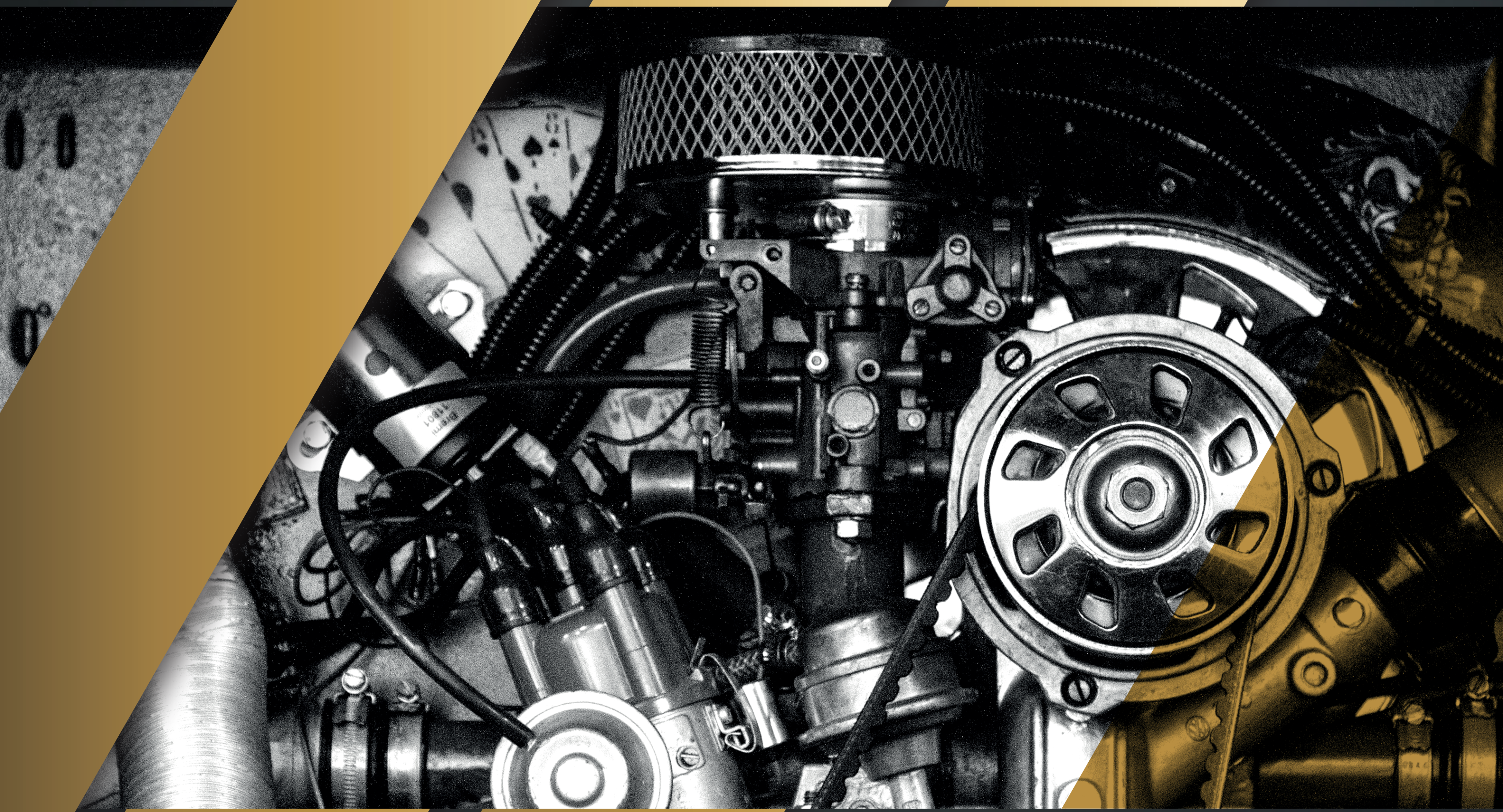

ANNUAL REPORT

2018/2019

LEADERS IN CLOSING THE SKILLS GAP

merSETA

MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

merSETA
MANUFACTURING, ENGINEERING AND RELATED SERVICES SETA

LEADERS IN CLOSING THE SKILLS GAP

HONOURABLE MINISTER, DR BE NZIMANDE, MP

It is indeed a pleasure and privilege to present to you the Annual Report of the Manufacturing, Engineering and Related Services SETA (MerSETA) for the period 1 April 2018 to 31 March 2019.

I thank you and your department for the support received during this accounting period and trust you will find the report in order and share our pride in contributing to the strategic objective of meaningful skills development in South Africa.

Yours sincerely

Wayne Adams
Acting Chief Executive Officer

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PART D: HUMAN RESOURCE MANAGEMENT

PART E: FINANCIAL INFORMATION

HEAD OFFICE

merSETA House, 95 7th Avenue
Cnr Rustenburg Road, Melville, Johannesburg 2109
Tel: 010 219 3000 • Fax: 086 673 0017

EASTERN CAPE

Pickering Park Office Suites, 14-20 Pickering Street
Newton Park, Port Elizabeth 6045
Tel: 0861 637 734 • Fax: 086 673 0017

GAUTENG SOUTH

merSETA House, 95 7th Avenue
Cnr Rustenburg Road, Melville, Johannesburg 2109
Tel: 010 219 3000 • Fax: 086 673 0017

GAUTENG NORTH AND NORTH WEST

Automotive Supplier Park, 30 Helium Road, Rosslyn Ext 2
Tel: 0861 637 731 • Fax: 086 673 0017

FREE STATE AND NORTHERN CAPE

46 Second Avenue, Westdene, Bloemfontein 9300
Tel: 0861 637 733 • Fax: 086 673 0017

KWAZULU-NATAL

149 Essenwood, 149 Stephen Dlamini Road
Musgrave, Durban
Tel: 0861 637 736 • Fax: 031 201 8732

LIMPOPO AND MPUMALANGA

Section 1 No 8 Corridor, Crescent Route N4
Business Park Ben Fleur Ext 11, Witbank
Tel: 0861 637 735 • Fax: 086 673 0017

WESTERN CAPE

5th Floor, Catnia Building, Bella Rosa Office Development
Bella Rosa Road, Tygervalley
Tel: 0861 637 732 • Fax: 086 673 0017

PART A
General Information

1. PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name	:	merSETA (Manufacturing, Engineering and Related Services SETA)
Registration Number	:	17/merSETA/1/04/11
Physical Address	:	95, 7th Avenue, cnr Rustenburg Road, Melville, Johannesburg 2092
Postal Address	:	PO Box 61826, Marshalltown, Johannesburg
Telephone Number	:	010 219 3000
Email Address	:	info@merseta.org.za
Website Address	:	www.merSETA.org.za
External Auditors	:	Auditor-General (SA)
Bankers	:	Standard Bank Ltd
Company Secretary	:	Lebogang Mahaye
ISBN Number	:	978-0-621-47406-0
RP Number	:	158/2019

2. LIST OF ABBREVIATIONS AND ACRONYMS

AET	Adult education and training
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
ARPL	Artisan recognition of prior learning
ARC	Audit and Risk Committee
CBO	Community-based organisation
DHET	Department of Higher Education and Training
DTTC	Decentralised trade testing facility
ETQA	Education, Training, Quality Assurance Committee
EXCO	Executive Committee
FGC	Finance and Grants Committee
GRAP	Generally Recognised Accounting Practice
GSC	Governance and Strategy Committee
HEI	Higher education institution
HRDSA	Human Resources Development Strategy for South Africa
HRRC	Human Resources and Remuneration Committee
ICT	Information and Communication Technology
IPAP	Industrial Policy Action Plan
ISA	International Standards on Auditing
merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MoA	Memoranda of agreement
NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers Union
NCV	National Certificate: Vocational
NGO	Non-governmental organisation
NGP	New Growth path
NLPE	Non-levy-paying entities
NLRD	National Learners Records Database
NPO	Non-profit organisation
NQF	National Qualifications Framework
NSDMS	National Skills Development Management System
NSDP	National Skills Development Plan
NSDS	National Skills Development Strategy
NSFAS	National Student Financial Aid Scheme
ODETDP	Occupationally directed education, training and development practices
PIVOTAL	Professional, vocational, technical and academic learning
PDP	Personal development plan
PSET	Post-school education and training
RPL	Recognition of prior learning
QCTO	Quality Council for Trades and Occupations
SDLA	Skills Development Levies Act
SETA	Sector Education and Training Authority
SLA	Service level agreement
SME	Small and medium enterprise
SMME	Small, medium and micro enterprise
SOE	State-owned enterprise
SSP	Sector Skills Plan
TVET	Technical and vocational education and training
WIL	Work-integrated learning
WSP	Workplace Skills Plan

3. CHAIRPERSON'S FOREWORD

On the cusp of the end of the 2018/19 financial year, a promulgation by the Ministry of Higher Education and Training has charted a course for certainty in the Sector Education and Training Authorities' sphere.

This is, indeed, good news for the merSETA, which ended the year under review, as before, in sterling manner.

In terms of the March 2019 announcement, the new National Skills Development Plan (NSDP) cements the role of the SETAs as they will now have an unlimited lifespan, with the Accounting Authorities in existence for five-year cycles.

The NSDP maps out the intersecting economic role of the SETAs and their stakeholders in a concise but determined light.

On their demand side, the SETAs will:

- Conduct labour market research and develop Sector Skills Plans (SSPs);
- Develop Strategic Plans (SPs), Annual Performance Plans (APPs) and Service Level Agreements (SLAs); and
- Submit quarterly reports on progress;

On the supply side; the SETAs will:

- Address sector skills needs and priorities,
- Address scarce and critical skills (PIVOTAL) through implementation of learning programmes (i.e. Artisans and Learnerships);
- Facilitate easy access and different entry points (Articulation and Recognition of Prior Learning); and
- Collaborate with the relevant Quality Councils, especially the Quality Council for Trades and Occupations, to ensure quality and provision of learning programmes.

In tandem with this mapping is the confidence that structural economic reforms will generate critical and faster growth, resulting in higher employment levels.

This is an important milestone for effective long-term planning and implementation of programmes.

The NSDP is a cascade from the National Development Plan.

In the year under review, South Africa experienced protracted economic weakness, mainly as a result of domestic constraints. This was reflected in low levels of private investment, growing unemployment and declining real per capita income in recent years.

South Africa experienced a recession that spanned the first two quarters of the year, with the economy shrinking by 2.7% in the first quarter and contracting by a further 0.5% in the second.

However, positive growth in the third (2.6%) and the fourth (1.4%) quarters was just enough to push overall economic progress for the year to 0.8%.

The manufacturing sector, a key stakeholder of the merSETA, grew by 1.0% and contributed 0.1% to GDP growth.

Financial Management

The merSETA's levy income was slightly above R1.45-billion. Budgeted levy income exceeded actual levy income by 2%. The budget anticipated a 6% increase but the actual levy income only increased by 4% over the previous year.

The breakdown of levies received per chamber shows a similar pattern as in the previous year with the Metal Chamber contributing the largest share at 57%. The largest number of contributing companies is in the "small" category with 13 403 companies contributing levies.

Most active and contributing companies were based in Gauteng and the North West province.

Strategic Initiatives

In response to some challenges and opportunities presented by industry-specific and national economic policy imperatives, the merSETA implemented several strategic initiatives in the 2018/19 financial year.

These projects addressed areas such as youth empowerment, community development, structural transformation, sustainability (Green and Blue economies) and the Industry 4.0.

Projects included:

- Supporting the introduction of Industry 4.0 in TVET Colleges through the acquisition of tools and equipment, the introduction of new curricula and the provision of lecturer training in new technologies;
- Improving TVET quality through the professionalisation of TVET college lecturers through bursaries for advanced diploma, postgraduate diploma, master's and PhDs;
- Supporting Black females employed in merSETA companies to advance along management paths through the formal acquisition of HEI management qualifications;
- Funding bursaries for undergraduates through to PhD level in high-level engineering skills to advance manufacturing industries;
- Establishing research chairs to address changes in manufacturing, including advanced manufacturing, and Industry 4.0;
- Partnering with provincial government departments to address province-specific needs with a particular focus on youth unemployment;
- Conducting research to provide evidence for the skills development needs of Black Industrialists in the context of supporting structural transformation;
- Enhancing youth employment, empowerment and training of marginalised youth;
- Improving the utilisation of data and new technologies through developing a digital eco-system for post-school education and training (PSET) to ensure better planning and efficiency;
- Using a 4th Industrial Revolution Paradigm to re-imagine and develop a technology-based, high quality new apprenticeship skills development process;
- Conducting research and developing The Atlas of Occupations (future skills) which aim to provide learners, workers, employers and skills planners with a reference guide to occupations and jobs that are in demand now and in the future; and
- Researching and modelling innovative ways of responding to youth unemployment, work-based learning and the development of cooperatives among TVET college students.

The merSETA also conducted research to assess stakeholders' interpretation of concepts related to the green economy. This was to establish a baseline of the skills requirements needed by stakeholders now and in the near future to keep pace with the demands of the green economy

New Initiatives

Against the backdrop of a significantly improved political environment, research indicates that the outlook for our economy improved considerably, impacting positively on consumer, business and investor sentiment.

As the merSETA moves forward in the coming financial year, the organisation will spearhead further research that seeks to understand economic complexity in the manufacturing space.

We will shine a light on the role that SMMEs can play in achieving better economic outcomes in job creation, transformation, decent livelihoods and long-term sustainability for the sector.

The merSETA will also conduct a Workplace-Based Learning (WBL) tracer study to understand the outcomes of WBL-learning programmes. This will be done through the tracking and tracing of learners supported within the mer-Sector.

Accounting Authority

The Accounting Authority appointed in the 2018/19 financial year conducts oversight and supports strategic imperatives that are responsive to the needs of the sector and national priorities.

It plays a critical role in promoting good governance and the effective use of resources to deliver the merSETA's mandate.

The following committees were established in terms of the merSETA's mandate:

- Executive Committee (EXCO);
- Audit and Risk Committee (ARC);
- Human Resources and Remuneration Committee (HRRC);
- Finance and Grants Committee (FGC);
- Governance and Strategy Committee (GSC); and
- Chamber Committees and Regional Committees.

All committees have been conferred with specific delegated powers outlined in their terms of references and these are regularly reviewed by the Accounting Authority.

The term of office of the previous Chief Executive Officer, Dr Raymond Patel, expired on 30 September 2018 in line with the directive from the DHET that all SETA CEOs' contracts would be extended for six months from 1 April 2018.

The Accounting Authority expresses gratitude for his role in steering the merSETA since 2006 and wishes him the best in the future.

A new CEO will be appointed in consultation with the Ministry.

I also pay tribute to the erstwhile Accounting Authority member, the late Sabelo Gina, who passed on in the year under review. Representing the Liberated Metalworkers Union of SA, Mr Gina's leadership and guidance was crucial to the merSETA's strategy.

The Accounting Authority also expresses appreciation to the following members who resigned in the course of the financial year:

- Melanie Mulholland, who represented the Steel and Engineering Industries Federation of South Africa; and
- Manglin Pillay, the former representative of the South African Institution of Civil Engineering.

Conclusion

The merSETA's success in the year under review shows the organisation goes beyond mere training and upskilling.

It is etching a course that will see the manufacturing, engineering and related sectors harmonise their approaches to the unpredictability of the 4th Industrial Revolution.

The new economy demands that stakeholders be innovative and solution finders.

The NSDP now assures us that the merSETA will highlight the development of the new economy.

Lebogang Letsoalo
Accounting Authority Chairperson

Wayne Adams
Acting Chief Executive Officer

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

As we reflect on the strides made by the merSETA in the year under review, it is clear that the organisation is adept at weathering volatility in the skills, training and employment-creation environment.

Innovation and determination have been key to this success in the 2018/19 financial year.

This arises from the core component of our strategy, which is to have a skilled and capable workforce in the manufacturing, engineering and related sectors in line with President Cyril Ramaphosa's vision.

The merSETA charts this course through:

- Designing and delivering accredited learning programmes;
- Implementing learnerships, apprenticeships, internships, skills programmes and professional learning programmes;
- Improving school-to-work transitions by linking skills development to career paths, workplace integrated training and theoretical learning as well as promoting sustainable employment and in-work progression; and
- Establishing training partnerships to increase the number of trainees on PIVOTAL programmes.

These programmes are critical in driving the pipeline of skills supply for our sector.

Thus, we state proudly that in the year under review, the merSETA supported 19 826 employed learners in enhancing their skills, thus enabling better productivity and addressing workplace shortages.

The merSETA further supported 13 739 unemployed learners in various programmes to address scarce skills and development in the mer-sector.

Our commitment to the post-school education sector also came to the fore in the year under review.

By March 2019, the merSETA had entered into 1 609 partnerships with government departments, TVET colleges, universities and employers to support education and skills development.

Further to these partnerships, 3 963 higher education students and lecturers were assisted through short-learning programmes, master's and PhDs, and postgraduate diplomas. Civil society also benefitted from our strong engagement.

In the 2018/19 financial year, the merSETA supported 693 civil society, community-based organisations (CBOs), trade unions, small businesses and other non-levy-paying entities (NLPEs) to promote skills development and training in different skills.

In addition, the merSETA supported 10 814 members of trade unions in basic, intermediate and advanced shop steward training. These programmes were initiated by the National Union of Metalworkers of SA, the Liberated Metalworkers Union of SA, Solidarity, UASA (formerly the United Association of South Africa) and the Motor Industry Staff Association.

These training interventions saw a marked drop in disputes related to skills training, and we thank the labour constituency on the merSETA Accounting Authority for their contributions.

During the year under review, the merSETA increased responsiveness to the mer-sector through the provision of sector-endorsed occupational qualifications and part qualifications.

Financial Year 2018/19

Levy income increased by 4% over the prior year to reach R1.484 billion.

Of the 4 206 mandatory grant applications, 3 721 companies were successfully approved, amounting to R252 million compared to R250 million in the previous year. This is a 0.8% increase.

Disbursements of discretionary and project grants increased by 9.6%, from R736 million in 2017/18 to R807 million in 2018/19.

This significant increase reflected the increasing drive by companies and training providers to implement memoranda of agreement (MoA) deliverables more effectively and to make a significant contribution to the achievement goals of the SSP and APP.

During the year under review, we withdrew R444 million from employers who failed to implement programmes, some due to rescindment of learner agreements. These withdrawals significantly impacted our disbursement rate and will be a consideration for future grant allocation.

The discretionary grant reserves of R3.5 billion are 83% committed to multi-year learnerships, apprenticeships and projects stretching over an average of four years. Any commitments beyond the merSETA licence, set to expire on 31 March 2020, will be subject to Accounting Authority ratification.

Information Technology

The year under review saw the second submission of mandatory and discretionary grant applications via the electronic grant application system. This system has enhanced features based on user feedback.

The new information technology (IT) system affords ease of use and quicker payments of grants, while ensuring compliance and accountability.

This technology allows our stakeholders to apply wherever and whenever they wish and is a torchbearer in our engagement with the fourth industrial revolution.

As leaders in closing the skills gap, our goal is to ensure a 'stakeholder-centric' experience that is bold and groundbreaking.

The mer-sector

The mer-sector remains largely untransformed in gender, race and disability.

It is male dominated, with 76.4% males and 23.6% females. In terms of race, 58% of mer-sector employees are African and almost a quarter (24%) are white. Indians/Asians constitute 5%, while coloureds constitute 13%.

Thus, there is an over-representation of white people based on the South African racial profile (9% of the total population). Black Africans remain under-represented, as they make up 77% of the national population.

In management and professional categories, black Africans are also under-represented, constituting 19% and 33% respectively. White people tend to dominate the higher occupational categories, constituting 63% and 49% respectively in the management and professional categories.

People with disabilities represent less than 2% of the total working population in the sector, against the background of a national disability prevalence rate of around 7.5%.

merSETA interventions in education and training are, thus, predicated on achieving not only quantitative targets but on improving the quality of our programmes to address sectoral and national skills challenges.

Skills development interventions are planned with the demographics of the mer-sector in mind.

National Skills Development Plan

The NSDP promulgated by the DHET in March 2019 offers a fresh opportunity for the merSETA to engage its stakeholders in the skills development arena.

The NSDP maps the outcomes for SETAs as:

- Understanding the demand and signalling the implications for skills supply and demand;
- Steering the system to respond to skills supply and demand; and
- Supporting development of the institutional capacity of public and private education and training institutions.

There has been no change to the 1% skills development levy, with 20% of this levy going to the National Skills Fund and 80% to SETAs. SETAs will also continue to have accounting authorities, with business, labour and government nominating representatives equitably across the three parties.

With the NSDP, we will be able to plan more effectively and efficiently, with budgets being allocated over a longer term. This will allow for better evaluation and monitoring, including tracking and tracing the impact of our programmes for merSETA beneficiaries.

We agree with the DHET that the NSDP plots a new focus with significant and radical improvements in the quality of education and training the years ahead.

'Tis the season of optimism in skills development.

Wayne Adams
Acting Chief Executive Officer

5. STATEMENT OF RESPONSIBILITY
and Confirmation of Accuracy for the Annual Report

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

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

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

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

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

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

It is also responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance of the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

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

In our opinion, the Annual Report fairly reflects the operations, performance information, human resources information and financial affairs of the public entity for the financial year ended 31 March 2019.

W Adams
Acting Chief Executive Officer
31 March 2019

L Letsoalo
Accounting Authority Chairperson
31 March 2019

6. STRATEGIC OVERVIEW

Vision:

Leaders in closing the skills gap.

Mission:

To increase access to high quality and relevant skills development and training opportunities

To support economic growth in order to reduce inequalities and unemployment

To promote employability and participation in the economy.

Values:

We care. We belong. We serve.

7. LEGISLATIVE AND OTHER MANDATES

The merSETA mandate is derived from the Skills Development Act No 97 of 1998 and the National Skills Development Strategy (NSDS), which expires in March 2020 and will be replaced by the NSDP gazetted by DHET on 7 March 2019.

The NSDS and aligned merSETA strategic priorities require the merSETA to do the following:

Develop the sector labour market intelligence system
– promote and develop an institutional base for providing robust and reliable sector data by aligning internal information and communications technology (ICT), administration functions and monitoring and evaluation (M&E) with the requirements of credible research and sector skills planning, implement systematic development of research partnerships with higher-education institutions (HEIs) and develop knowledge management in the organisation.

Continued and increased focus on artisan development
– includes pathways to artisan status from learner progression, career guidance, and sector and company perspective; involvement of stakeholders in the planning and governance of qualifications, curriculum development and assessment as well as provider-employer cooperation and scalable workplace learning; programmes and projects for strengthened relationships among TVET colleges, industry training centres and industry; promoting artisan recognition of prior learning (ARPL); and enhancing capacity of small and medium enterprises (SMEs) to offer artisan training.

Establish and facilitate strategic partnerships
– engage with government, non-government, employer associations, labour organisations and bargaining councils for greater coordination and efficiency; and pursue partnerships with local and international HEIs to ensure new ideas and research outcomes to benefit the sector.

Increase flow of newly skilled workers into the sector
– addressing skills shortages currently experienced, whilst accommodating planned growth, impact of technological changes and replacement demand; providing access to work experience opportunities; addressing transformation imperatives of race, gender, class, geography, disability and age; and increasing career guidance and development in rural areas.

Develop the skills of the existing workforce
– lifelong learning and creation of career pathways consistent with decent work, equity and sector economic growth; identifying occupational pathways for existing workers and those at risk of retrenchment and, thus, implementing upskilling, reskilling and trans-skilling; and providing continuing education, post-qualification programmes, continuous professional development and management development.

7.1 Legislative Mandate

The merSETA derives its mandate from the following key legislation (this list is not exhaustive):

- The Constitution of the Republic of South Africa Act No 108 of 1996;
- Skills Development Act No 97 of 1998 (as amended) and the Regulations thereof;
- Public Finance Management Act No 1 of 1999 (as amended) and the Regulations thereof;
- Skills Development Levies Act No 9 of 1999 and the Regulations thereof.
- The merSETA Constitution;
- Promotion of Access to Information Act No 2 of 2000;
- Promotion of Administrative Justice Act No 3 of 2000; and
- Labour market legislation.

7.2 Policy Mandate

The merSETA subscribes to the following policy imperatives:

- National Skills Development Strategy (NSDS lll)
- Human Resource Development Strategy for South Africa (HRDSA), 2015
- New Growth Path (NGP), 2011
- National Development Plan (NDP), 2011
- Industrial Policy Action Plan (IPAP).

8. ORGANISATIONAL STRUCTURE

Accounting Authority

Lebogang Letsoalo
Chairperson

Jeanne Esterhuizen
Deputy Chairperson

Xolani Tshayana
Deputy Chairperson

Alex Mashilo

Andrew Chirwa

Kirtida Bhana

Dr Lesley Lee

Thandeka Phiri

Neil Rademan

Lee Coetzee

Renai Moothilal

Pierre Bezuidenhout

Management Committee

Wayne Adams
Acting Chief Executive Officer

Sebolelo Mokhobo-Nomvete
Strategy and Research Executive

Sheryl Pretorius
Acting Chief Operations Officer

Disa Mjikeliso
Chief Financial Officer

Ester van der Linde
Corporate Services Executive

PART B
Perfomance Information

1. Situational Analysis

In the year under review, South Africa experienced protracted economic weakness, mainly as a result of domestic constraints. This was reflected in low levels of private investment, growing unemployment and declining real per capita income in recent years (National Treasury, 2018). The new administration under President Cyril Ramaphosa, however, is working tirelessly to bring stability. A recession spanned the first two quarters of the year, with the economy shrinking by 2.7% in the first quarter and contracting further by 0.5% in the second. In spite of this, positive growth in the third (2.6%) and the fourth (1.4%) quarters was just enough to push overall growth for the year into positive territory, with the real annual growth rate coming in at 0.8% according to Stats SA (2019). Amid continued challenges, the manufacturing sector grew by 1.0% and contributed 0.1 % to GDP growth.

Policy and political uncertainty as we drew closer to the 2019 elections continued to erode business and consumer confidence. These factors, in turn, continued to undermine the growth of the manufacturing sector and the economy in general. Political certainty and political stability are important in promoting economic growth as they directly impact policy certainty and governance, among other factors. Accusations of state capture that have implicated high-level political figures, political parties, state-owned entities (SOEs), private citizens, business people and private entities have had a negative impact on the economy. This will continue to affect investor confidence and trust in South Africa's public institutions. Eradicating corruption and strengthening governance in both public and private entities remains critical in restoring public trust and investor confidence. The commitment by the new administration led by President Cyril Ramaphosa to deal with corruption and state capture as well as non-performance and poor governance in SOEs is set to assist in restoring trust and investor confidence.

Against the backdrop of a significantly improved political environment, which is impacting positively on consumer, business and investor sentiment, alongside a relatively benign inflation outlook, supportive monetary policy and more favourable prospects for the world economy, including higher commodity prices, the outlook for the South African economy has improved considerably (IDC, 2018). However, the VAT increase from 14% to 15%, effective 1 April 2018, as well as higher excise duties, the rise in the fuel levy and the electricity crisis limited projected economic growth. This impacted consumer spending, which is a key driver of economic growth. The uncertainty surrounding Brexit continued to affect exports and financial flows with one of South Africa's largest European trading partners. The implementation of economic reforms remains critical to facilitating faster growth and sustaining economic recovery.

Unemployment remains high, at around 27%, reflecting a stagnating economy, as do inequalities in opportunities and incomes. The introduction of the new minimum wage in January 2019 to address income inequalities brought mixed reactions from workers, political parties, labour unions and industry. Some castigated it for having the potential to cause massive job losses. Others claimed it was still too low to improve the plight of the poor working class. In some circles it was hailed as a positive step to improving the plight of workers in South Africa. This points to the need for civil society, labour, government and business to work together on sustainable solutions to challenges.

Reforms to ease of doing business in South Africa, boosting industrialisation, entrepreneurship, job creation and trade have become a major focus of the new administration. Initiatives implemented include the job summit, whose aim is to improve growth, protect existing jobs and create new jobs. Job summit outcomes set to benefit the manufacturing, engineering and related services sector include the commitment by the financial sector to invest R100-billion in black-owned industrial enterprises over the coming five years (Engineering News, 2019). In October 2018, South Africa hosted its first Investment Summit to 'provide a platform to showcase growth and investment prospects in an economy with vast potential and enormous resources' (South Africa, 2018) as part of the drive to increase investment in the country, by attracting $100 billion in new investment into the country in the coming five years. Manufacturing is set to benefit from these initiatives. The political will and commitment at a policy level will assist the merSETA in responding to national imperatives such as supporting structural transformation, reindustrialisation and localisation. The Youth Employment Service (YES) initiative is also set to address some of the challenges.

In response to challenges and opportunities presented by the service delivery environment, industry specific and national economic policy imperatives, the merSETA implemented several strategic projects in the 2018/19 financial year. These projects address strategic focus areas such as youth empowerment, community development, structural transformation, sustainability (green and blues economies) and the fourth industrial revolution.

Projects implemented in the year under review addressed the following areas of strategic importance:

- Supporting the introduction of Industry 4.0 in TVET colleges through the acquisition of tools and equipment, introduction of new curriculum, and provision of lecturer training on new technologies.
- Enhancing TVET college and industry partnerships through the acquisition of tools and equipment, and curriculum development linked to artisan training.
- Improving TVET quality through the professionalisation of TVET college lecturers by offering bursaries for advanced diploma, postgraduate diploma, master's and PhDs.
- Funding bursaries for undergraduate to PhDs studies for the achievement of high-level professional engineering skills to advance manufacturing industries.
- Supporting HEIs through the establishment of research chairs to address changes in manufacturing, including advanced manufacturing and Industry 4.0, development of improved curricula for engineering studies, and development of academics through bursaries for master's and PhD studies.
- Partnering with provincial government departments to address province-specific needs with a particular focus on youth unemployment.
- Supporting black females employed in merSETA companies to advance in the management career path through formal acquisition of HEI management qualifications.
- Conducting research that will provide evidence for the skills development needs of black industrialists in the context of supporting structural transformation; youth employment, empowerment and of marginalised youth; and stakeholders' interpretation of concepts related to the green economy to establish a baseline of skills required by stakeholders now and in the near future to keep pace with the demands of the green economy.
- Improving the use of data and new technologies through developing a digital ecosystem for PSET to ensure that PSET datasets are interoperable, well synchronised and used effectively for planning and improving efficiency in the PSET system.
- Using a fourth industrial revolution paradigm to reimagine and develop a technology-based, high-quality new apprenticeship skills development process that is more accessible, and scalable for SMMEs and informal apprenticeship learners.
- Conducting research and developing the Atlas of Occupations (future skills) to provide learners, workers, employers and skills planners with a reference guide to occupations and jobs that are in demand now and in the future in the metals, plastics, auto, motor and new tyre sectors in the merSETA scope of coverage.
- Researching and modelling new and innovative ways of responding to youth unemployment, work-based learning and the development of cooperatives among TVET college students.

1.1 Organisational Environment

The new Accounting Authority appointed in the 2018/19 financial year continued to support the development of strategic imperatives of the NSDS and those that respond to sector needs and national priorities. The Accounting Authority also plays a critical role in promoting good governance and the effective use of resources to deliver the mandate of the SETA.

On 7 March 2019, the NSDP was published by the Minister of Higher Education and Training. Compared to previous national skills development strategies, the NSDP has been crafted in the policy context of the NDP and the White Paper on Post-school Education and Training. One of the most significant developments is that SETAs will no longer have a limited licence, which is important for the effective planning and implementation of programmes as we transition from NSDS to NSDP.

1.2 Strategic-outcome Oriented Goals

Strategic-outcome Oriented Goal 1: Increased governance and functional efficacy of the merSETA

Goal statement

The goal is to ensure that the merSETA establishes transparent and best practice governance, leadership and management in accordance with King Code, the PFMA, the merSETA Constitution and policies, and that it has in place adequate resources (human, financial, infrastructure, systems, knowledge) to optimally deliver services to its constituency in the fulfilment of its statutory mandate.

This goal is addressed through the following:

- Implementation of effective policies, strategies, plans and internal controls that comply with legislation and regulations, good corporate governance, responsible citizenship and social justice.
- Effective and efficient financial, material and human resource planning and deployment of resources.

Strategic-outcome Oriented Goal 2: Improved responsiveness of research to the transformative and transitional needs of the sector

Goal statement

The goal is to ensure the establishment of research approach and practice that strengthens evidenced-based decision-making for skills development in the merSETA sector. The research must identify economic, social and labour market drivers, signals and indicators that inform skills development priorities for implementation. These priorities must contribute to individual career growth, sector economic growth and improved livelihoods.

This goal is addressed through:

- Improving diagnosis of skills demand and supply imbalances in the labour market to meet current and future transformational skills needs.
- Identifying new and emerging occupations in the sector.
- Determining the implications of advancing technology, new work processes, industrial policies and sector trends for skills development.
- Establishing research partnerships to improve understanding of skills needs in the sector.

Strategic-outcome Oriented Goal 3: A skilled and capable workforce for the merSETA manufacturing sector

Goal statement

The goal is to ensure that merSETA learning programmes, projects and incentives implemented lead to a skilled and capable workforce that will contribute to the economic and employment growth of the sector; improved livelihoods of beneficiaries of programmes and projects; and transformation of the merSETA sector labour market in race, gender, disability, and development of economically marginalised individuals in rural and urban areas. The focus of learning programmes, projects and incentives must be in response to shortages and gaps in occupations and of skills identified as being in demand. Current employees, new entrants to the merSETA labour market and both emerging and established entrepreneurs across all enterprise types and size would be the main target beneficiaries.

The goal is addressed through:

- Designing and delivering accredited learning programmes that respond to the scarce and critical skills needs of the sector outlined in the SSP, IPAP, Strategic Integrated Projects and other priorities of government relating to the sector.
- Implementing learnerships, apprenticeships, internships, skills programmes and professional learning programmes to address skills shortages and skills gaps.
- Providing a constant supply of artisans to the sector.
- Improving school-to-work transitions, linking of skills development to career paths, integrating workplace training and theoretical learning, and promoting sustainable employment and in-work progression.
- Establishing training partnerships to increase the number of trainees on PIVOTAL learning programmes with a particular focus on increasing work placements.

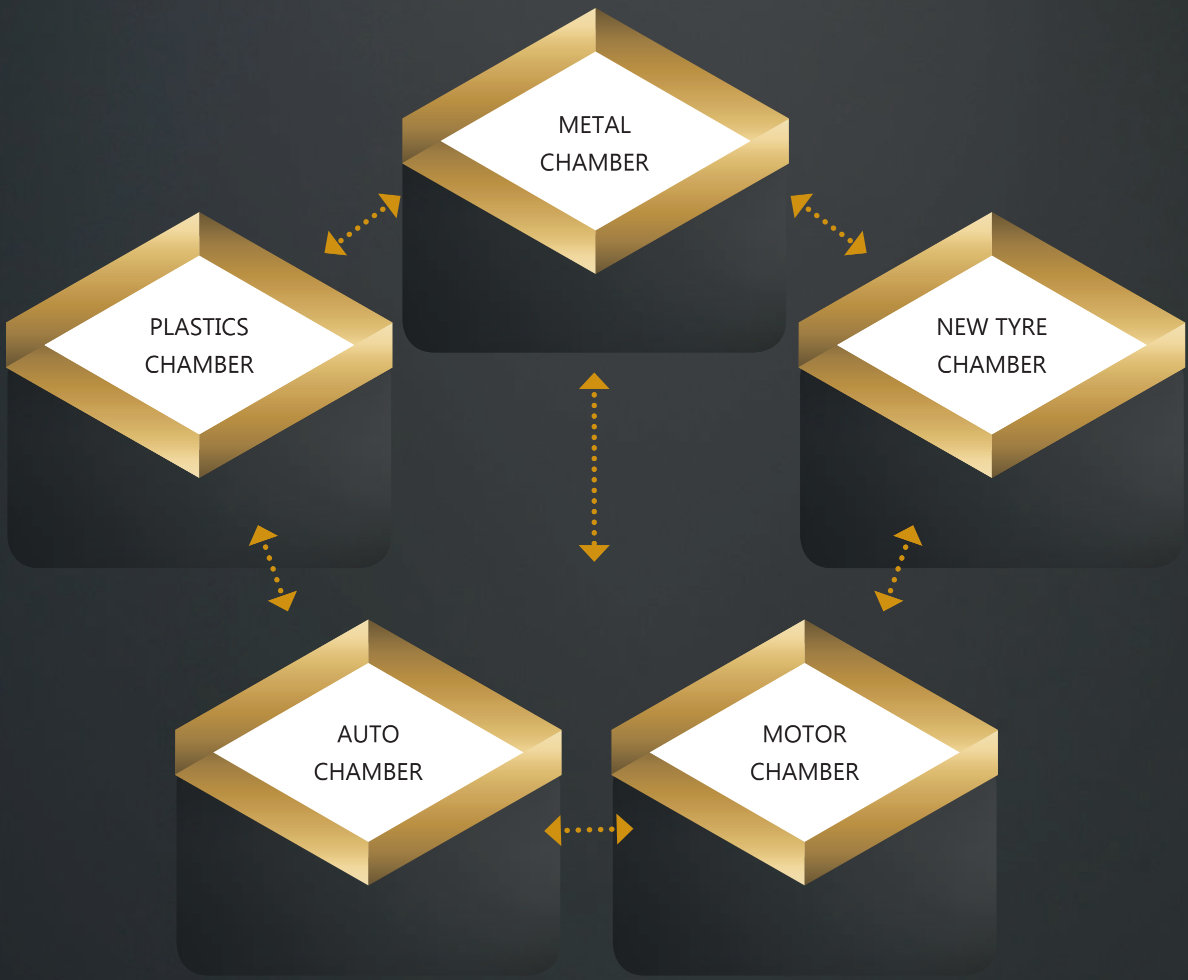
1.3 Beneficiaries

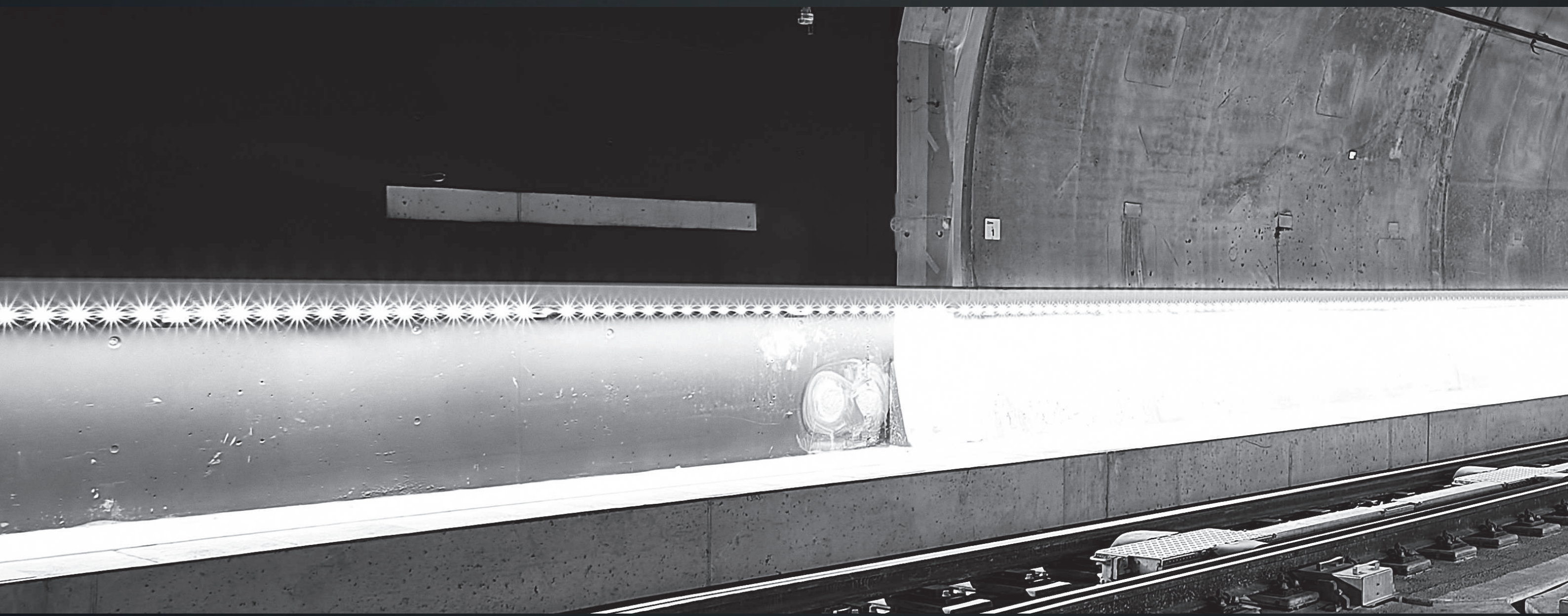
The beneficiaries of merSETA skills development initiatives include employers, employed and unemployed learners.

1.3.1 Companies

The merSETA, established in terms of the skills development legislation of 1998, covers a range of manufacturing activities and a few related service and retail activities. On the basis of the three-digit standard industrial classification (SIC) codes used in capturing data for the national accounts, Figure 1 below outlines the industrial activities aligned to the merSETA scope of coverage and classifies them by chamber. The figure depicts the interrelationships among the chambers and demonstrates flow of inputs.

Figure 1: merSETA chambers





The majority of companies in the merSETA sector (76%) are small and medium sized, but they employ only 32% of all employees. Large companies represent 24% and account for 68% of employment. Most companies are in Gauteng, Western Cape, KwaZulu-Natal and Eastern Cape. The metal sector also has a footprint in Northern Cape and Mpumalanga. The motor sector shows a footprint in all other provinces as do the other sectors, but to a lesser degree. The merSETA national footprint is to enable the effective delivery of its services to its sector across different provinces.

1.3.2 Employees/workers and unemployed learners

According to data from the 2018 fourth quarter Quarterly Labour Force Survey, the manufacturing sector (under the merSETA scope of coverage) provided formal and informal employment for about 1.015 million people or 6% of the total employed population. Of the total employed, 83% are in formal employment, with the remaining 17% in informal employment. The manufacturing sector is one of the hardest hit by job losses due to deindustrialisation, global competition and the stagnating economy. The merSETA sector is a youthful sector: in 2018 around 41% of all employees were younger than 35 years and only 11% were older than 55. Skills development initiatives, thus, need to address the needs of the current workforce and the future skills pipeline.

The merSETA sector remains largely untransformed in gender, race and disability. It is male dominated, at 76.4%. Some 58% of employees are African, 24% white, 13% coloured and 5% Indians/Asian. Whites are overrepresented based on the South African racial profile (9% of the total population), while black Africans remain under-represented, as they account for 77% of the population. Furthermore, black Africans tend also to be under-represented in higher occupational categories (management and professional categories) where they constitute 19% and 33% respectively. White people tend to dominate the higher occupational categories, occupying 63% and 49% respectively of management and professional positions. People with disabilities represent less than 2% of the total working population in the sector, against the background of a national disability prevalence rate of around 7.5%.

Overall, the manufacturing, engineering and related services sector comprises a majority of semi-skilled and skilled workers (79%). This is an indication of a shift in the sector towards advanced manufacturing techniques, adoption of technology and new manufacturing processes, which require skilled workers.

Unemployed learners are also beneficiaries of merSETA skills development initiatives, including bursaries, learnerships, apprenticeships and skills programmes to unemployed learners. Their development is critical in creating a pipeline of skills supply for the sector.

1.4 merSETA Contributions against NSDS Goals

In the year under review, the merSETA continued to contribute significantly to the realisation of NSDS goals, focusing not only on quantitative targets but on improving the quality of interventions to address sectoral and national skills challenges.

To facilitate this, the SETA has formed strategic partnerships with HEIs, TVET colleges, civil society, industry bodies, labour and employers.

The table below summarises SETA interventions that respond directly to the NSDS goals.

NSDS goals	merSETA contribution
Goal 1 Establishing a credible institution mechanism for skills planning	The 2018/19 SSP, the organisation's key strategic document, formed the basis for producing the Strategic Plan and APP. The SSP also guided discussions for setting strategic priorities of the SETA. The SSP, Strategic Plan and APP were developed after taking into account key inputs from various stakeholders and through primary and secondary research. Evaluation studies were implemented whose outcomes and recommendations will contribute to improved planning.
Goal 2 Increasing access to occupationally directed programmes	During the 2018/19 financial year, the merSETA supported 18 785 unemployed learners through various learning interventions such as learnerships, bursaries, internships, skills programmes and artisans to address scarce skills within the mer-sector.
Goal 3 Promoting the growth of a public TVET college system that is responsive to sector, local, regional and national skills needs and priorities	By March 2019, the merSETA entered into 1 609 partnerships with government departments, TVET colleges, universities and employers to support education and skills development. Some 3 963 university students, lecturers and TVET students were supported through learning interventions such as short learning programmes, PhD and master's scholarships and other postgraduate bursaries.
Goal 4 Addressing the low level of youth and adult language and numeracy skills to enable training	The merSETA continued to support adults requiring adult basic education and training and other self-development interventions by supporting 886 learners to access AET programmes.
Goal 5 Encouraging better use of workplace-based skills development	The merSETA provided support to 16 313 employed learners to promote skills development in the workplace, enhancing their skills, enabling better productivity and addressing scarce skills within the mer-sector through learning interventions such as learnerships, apprenticeships, bursaries, RPL and skills programmes.
Goal 6 Encouraging and supporting cooperatives, small enterprises, work initiated, non-governmental organisation (NGO) and community training initiatives	During the 2018/19 financial year, the merSETA supported 674 civil society organisations, CBOs, trade unions, small businesses and other NLPEs to promote skills development, and assisted these organisations with training in different skills development interventions. These included support and assistance of three NGOs, 103 NLPEs, five CBOs, four trade unions and 14 cooperatives, and engagement with 545 small businesses.
Goal 7 Increasing public sector capacity for improved service delivery and supporting the building of a development state	During the 2018/19 financial year, the merSETA implemented 114% of its workplace skills plans by funding employee studies in different learning fields to enhance their skills so that merSETA employees are skilled for improved service delivery.
Goal 8 Building career and vocational guidance	The merSETA took part in 48 career development events, such as career expos, across the country in both rural and urban areas, which promoted skills development by providing career guidance to school learners, out-of-school youth and unemployed people.

2. Performance Information by Programme

Programme 1: Administration

The purpose of this programme is to instil a single coherent best practice effective and efficient governance, leadership and management system for the Accounting Authority, its committees, management and staff of the merSETA. The programme operates within the context of the Public Finance Management Act and Treasury Regulations, King IV Principles, Skills Development Act mandate, the merSETA Constitution and Code of Ethics, Accounting Authority committees' terms of reference, approved Delegation of Authority Framework, and strategic and operational policies. The strategic objectives that support this programme include:

- Strategic Objective 1: Improved financial and corporate management
- Strategic Objective 2: Improved quality of organisational planning, performance monitoring and reporting
- Strategic Objective 3: Knowledge management institutionalised as a cross-functional activity across all divisions of the merSETA

Programme 2: Skills Planning

The purpose of this programme is to establish an effective mechanism for sector skills planning, and its functions encompass research, planning, monitoring and evaluation. It is intended to research economic, labour market and social drivers, signals and indicators that impact on skills development in the merSETA sector, pertaining particularly to shortages and gaps in occupations and skills in demand.

The programme is supported by Strategic Objective 4: Increased publication of research products that informs cutting-edge solutions in the sector.

Programme 3: Learning Programmes and Projects

The purpose of this programme is to be consistent with NSDS III by implementing programmes, projects and incentives that will facilitate the achievement of merSETA targets for a skilled workforce. The programmes and projects include partnerships and strategic alliances with not only employers but post-school public and private education and training institutions, NLPEs, SMEs, cooperatives, labour organisations, non-profit organisations (NPOs), government departments and public entities, other SETAs, the informal sector and international partners.

The strategic objectives supporting this programme include:
- Strategic Objective 5: Increased contribution to employment and growth opportunities through skills facilitation
- Strategic Objective 6: Strengthened partnerships for improved responsiveness to the needs of the sector
- Strategic Objective 7: Improved competency levels of SMEs, township and village enterprises and cooperatives

Programme 4: Quality Assurance

The purpose of the quality assurance programme is to develop, implement and monitor qualifications and part qualifications and their learning programmes (learnerships, apprenticeships, skills programmes, skills sets etc).

The strategic programmes supporting this programme include:
- Strategic Objective 9: Increased responsiveness to the mer-sector through the provision of sector-endorsed occupational qualifications and part qualifications.
- Strategic Objective 10: Increased throughput of learners in occupational programmes through a strengthened merSETA quality assurance system.

3. Strategic objectives, performance indicators, planned targets and actual achievements

Programme 1: Administration						
Strategic Objective 1	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
Improved financial and corporate management.	% reduction of internal control deficiencies reported in previous external and internal audits reports.	70%	100%	74%	-26%	The achievement were not met due to 19% deficiencies in progress and 7% of deficiencies partially resolved through the implementation of the new NSDMS system.
	Level of data integrity extracted from the information reporting system determined by the percentage of validation.	70%	80%	80%	0	Annual target achieved
	% of merSETA Workplace Skills Plan implemented.	72%	70%	80%	10%	The overachieved targets were mainly due to the high participation in the intervention programmes such as Excel, middle management training and shop stewards training that occurred during the year. We have also seen an increase in the training requirements related to career growth, e.g. Diplomas and ODETDP across the merSETA.
Strategic Objective 2	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
Improved quality of organisational planning, performance monitoring and reporting.	% degree of consistency of reporting aligned to planned targets.	100%	100%	85%	-15%	The yearly target was not achieved due to findings raised by AGSA. Controls will be strengthened to ensure consistency of planned target and reporting.
Strategic Objective 3	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
Knowledge management institutionalised as a cross-functional activity across all divisions of the merSETA.	Level of accessibility of knowledge products expressed as a rating on a scale of 1-3.	1	Scale rating of 2	Scale rating of 2	None identified	Annual target achieved

Programme 2: Skills Planning

Strategic Objective 4	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
Increased publication of research products that inform cutting-edge solutions in the sector.	Researched SSP developed and approved by Accounting Authority.	SSP was accepted and approved by the Minister.	SSP that is recorded as accepted and approved by the merSETA Accounting Authority.	SSP was accepted and approved by the Minister.	None identified	Annual target achieved
	Primary research studies contained in the research agenda that are implemented.	8	3 research studies.	9	6	There were additional strategic projects approved by MANCO based on surplus funding.
	Number of evaluation studies implemented based on the merSETA evaluation plan.	N/A	3 evaluation projects.	4	1	The yearly target was exceeded due to one additional project implemented in 2018/19 financial year.
	Number of internal desktop research projects conducted and based on the merSETA data.	N/A	3 internal research projects conducted and tabled at MANCO.	3	0	Annual target achieved

Programme 3: Learning Programmes and Projects

Strategic Objective 5	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
Increased contribution to employment and growth opportunities through skills facilitation.	Number of unemployed learners entering learnerships.	4 655	1 382	4 016	2 634	The target was exceeded as a result of the merSETA entering into a number of funding partnerships with companies, Government departments and public institutions, which resulted in the additional registration of learners. Further to the partnerships, continuous advocacy of tax rebates is carried out by regional offices, which increased the participation of companies and resulted in the increased number of registrations.
	Number of unemployed learners completing learnerships.	2 804	1 523	2 800	1 277	The target was exceeded due to the number of partnerships merSETA had with employers and Premier offices that resulted in the increased number of registrations and completions of unemployed learners.
	Number of employed learners entering learnerships.	2 634	1 410	2 023	613	The target was exceeded due to the increase of employers changing the focus of training employees from traditional non-credit-bearing programmes to credit-bearing programmes such as management, supervisory, production and various operating programmes. Continuous advocacy on tax rebates is carried out by regional offices, which has increased the registration of employed learners.
	Number of employed learners completing learnerships.	1 846	2 768	1 448	-1 320	The target could not be achieved due to a number of learners having gone through summative assessment and awaiting external moderation to take place from the ETQA body responsible. The merSETA has communicated with the relevant SETA to rectify the delays in external moderations.

Strategic Objective 5	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
	Number of unemployed graduates placed on internships.	946	206 E	419	213	The target was exceeded due to partnerships entered with merSETA companies, Universities, Universities of Technology and Government Departments, which resulted in an increased number of learners entered into internships (the Chinese project and the Premiers office of the Free State were major contributors)
			200 C	247	47	Annual target achieved.
	Number of TVET students placed for work experience (Entered).	N/A	1 500	1 746	246	The target was exceeded due to the additional number of partnerships entered between the merSETA and TVET colleges.
	Number of TVET students accessing work experience (Completed).	N/A	700	934	234	The target was exceeded due to increased partnerships entered between the merSETA and TVET colleges.
	Number of graduates who entered candidacy programmes.	N/A	20	22	2	Annual target achieved.
	Number of graduates who completed candidacy programmes.	N/A	3	4	1	Annual target achieved
	Number of unemployed learners entering skills programmes.	4 176	1 929	3 309	1 380	The target was exceeded due to partnerships with different institutions such as Offices of the Premier, Institute for PWD, Saldanha IDZ, NGOs, CBOs and cooperatives. Furthermore, the Retrenchment Assistance Programme had a major contribution to the achievement of the target.
	Number of unemployed learners completing skills programmes.	1 633	1 172	2 631	1 459	The target was exceeded due to the various partnerships merSETA entered with different institutions, which resulted in high volumes of registration and completion by employed learners.

Strategic Objective 5	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
	Number of employed learners entering skills programmes.	4 320	3 583	5 483	1 900	The target was exceeded due to the increase of employers changing the focus of training employees from traditional non-credit-bearing short courses to more flexible structured credit-bearing programmes.
	Number of employed learners completing skills programmes.	1 819	3 014	3 182	168	The target was exceeded due to the increased number of employed learners being registered in the 2018/19 financial year for skills programmes.
	Number of employed learners on bursaries.	472	123 E	133	10	Annual target achieved
			261 C	25	-236	The target could not be achieved due to evidence received indicating that 190 learners failed their qualifications and 123 learners failed to complete modules within a qualification, which has had a negative impact on the achievement of the target.
	Number of unemployed learners on bursaries.	422	170 E	194	24	The target was exceeded due to multiple projects with universities for learners who are continuing with their studies.
			13 C	120	107	
	Number of learners entered for artisan trade qualifications.	4 221	3 969	4 217	248	The target was exceeded due to successful implementation of provincial programmes and various partnerships with merSETA employers and government. In addition continuous advocacy on tax rebates is carried out by regional offices, which has increased the registration of learners in trade qualifications.

Strategic Objective 5	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
	Number of learners completing artisan trade qualifications.	2 819	5 000	3 315	-1 685	The target could not be achieved due to delays in obtaining trade test dates for learners; DTTC accommodating less learners for trade test due to limited spaces; challenges with learners not qualifying to write their trade test as a result of not meeting the requirement/ criteria for writing a trade test.
	Number of candidates completing recognition of prior learning (RPL).	2 495	1 250	2 057	807	The target was exceeded due to more NCV 4, NQF level 2 – 4 learnerships learners ending in a trade test; previous registered apprentices who could not successfully complete the trade test while under contract; candidates who have been in the sector for many years that have achieved the relevant skills and qualifications. In addition a large number of candidates apply in their own capacity, which is outside the control of merSETA.
	Number of learners accessing and completing AET programmes.	2 376	500 E	498	-2	The target could not be achieved as a result of companies registering less number of learners on AET programmes
			381 C	388	7	The target was exceeded due to an increased number of trade unions participation in training committees, which resulted in the increased implementation/ registration of worker in worker focused programmes.
	Number of companies being paid mandatory grants: large (150+ employees).	509	500	528	28	Annual target achieved
	Number of companies being paid mandatory grants: medium (50-149 employees).	853	833	860	27	Annual target achieved

Strategic Objective 5	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
	Number of companies being paid mandatory grants: small (49 - and less employees).	2 111	2 135	1 750	-385	The target could not be achieved as a result of levies not being received from a number of small companies. The number of approved companies is 2253 and paid is 1943.

Strategic Objective 6	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
Strengthen partnerships for improved responsiveness to the needs of the sector.	Number of students accessing WIL to achieve national diplomas.	1 008	421 E	427	6	Annual target achieved
			359 C	378	19	Annual target achieved
	Number of new TVET college partnerships established.	8	8	12	4	Annual target achieved
	Number of new SETA/HEI partnerships established.	2	5	24	19	The target was exceeded as a result of new partnerships funded during the second funding window.
	Number of SETA/employer partnerships established.	1 786	1 599	1 569	-30	The target was not achieved as a result of the second funding window that resulted in a less number of companies being allocated grants.
	Number of lecturers developed.	119	30 E	262	232	The target was exceeded as a result of a number of successful partnership projects to enter/register lecturers from various TVET colleges
			20 C	216	196	The target was exceeded as a result of the successful implementation of several partnerships to train lecturers from various TVET colleges
	Number of SETA/government partnerships established.	0	3	4	1	Annual target achieved

Strategic Objective 7	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
Improved competency levels of SMEs, township and village enterprises and cooperatives.	Number of cooperatives supported through skills development.	17	10	11	1	Annual target achieved
	Number of small businesses supported through skills development.	1 651	500	545	45	Annual target achieved
	Number of NPOs supported through skills development (NGOs and registered CBOs).	27	12	26	14	Annual target achieved
	Number of NLPEs supported through skills development.	213	50	103	53	The target was exceeded as a result of regional offices supporting NLPEs by providing skills development guidance on various learning interventions; advocacy on the benefits to train learners on various learning interventions; the availability of various incentives and assistance with applications for grants.
	Number of trade unions supported through skills development.	4	4	4	0	Yearly target achieved
	Number of rural development projects supported through skills development.	4	1	4	3	Yearly target achieved

Programme 4: Quality Assurance

Strategic Objective 8	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
Increased responsiveness to the mer-sector, through the provision of sector endorsed occupational qualifications and part qualifications.	Number of mer-sector occupational qualifications developed.	Projects completed as planned	10	25	15	MerSETA is responsible for the development of mer-sector occupational qualifications, but does not have control over the evaluation and registration process of occupational qualifications. The process is under the control of the QCTO and SAQA.

Strategic Objective 9	Performance Indicators	2017/18 Achievement	2018/19 Target	2018/19 Achievements	Deviation from Planned Targets to Actual	Comment on Deviation
Increased throughput of learners in occupational programmes through a strengthened merSETA quality assurance system.	Percentage of accredited providers and approved workplaces implementing merSETA occupational qualifications monitored	70%	50%	72%	2%	The target was exceeded as a result of improved management and tracking of programmes being implemented.
	Number of career awareness events implemented in which the merSETA participated.	67	30	48	18	The target was exceeded as there was additional support from the regional offices.

2018/19 Prior-year Achievements

The table below is a record of prior-year achievements entered into the merSETA Management Information System following verification and validation after the end of the previous financial year. Their inclusion ensures that these achievements are recognised by the Minister and Parliament in their role of monitoring achievements for the NSDS III.

<table>
<tr><th colspan="4">Programme 3: Learning Programmes and Projects</th></tr>
<tr><th>Strategic Objective 5</th><th>Performance Indicators</th><th colspan="2">2018/19 Prior-year Achievement</th></tr>
<tr><td rowspan="16">Increased contribution to employment and growth opportunities through skills facilitation</td><td>Number of unemployed learners entering learnerships.</td><td colspan="2">4 092</td></tr>
<tr><td>Number of employed learners entering learnerships.</td><td colspan="2">1 163</td></tr>
<tr><td rowspan="2">Number of unemployed graduates placed on internships.</td><td>Entered</td><td>64</td></tr>
<tr><td>Completed</td><td>11</td></tr>
<tr><td>Number of TVET students placed for work experience (entered).</td><td colspan="2">76</td></tr>
<tr><td>Number of unemployed learners entering skills programmes.</td><td colspan="2">1 242</td></tr>
<tr><td>Number of employed learners entering skills programmes.</td><td colspan="2">1 578</td></tr>
<tr><td rowspan="2">Number of employed learners on bursaries.</td><td>Entered</td><td>188</td></tr>
<tr><td>Completed</td><td>3</td></tr>
<tr><td>Number of unemployed learners on bursaries.</td><td colspan="2">423</td></tr>
<tr><td>Number of learners entered for artisan trade qualifications.</td><td colspan="2">9</td></tr>
<tr><td>Number of learners completing artisan trade qualifications.</td><td colspan="2">20</td></tr>
<tr><td>Number candidates completing RPL.</td><td colspan="2">318</td></tr>
<tr><td rowspan="2">Number of learners accessing and completing AET programmes.</td><td>Entered</td><td>516</td></tr>
<tr><td>Completed</td><td>513</td></tr>
<tr><th>Strategic Objective 6</th><th>Performance Indicators</th><th colspan="2">2018/19 Prior-year Achievement</th></tr>
<tr><td rowspan="5">Strengthen partnerships for improved responsiveness to the needs of the sector</td><td rowspan="2">Number of students accessing work-integrated learning (WIL) to achieve national diplomas.</td><td>Entered</td><td>187</td></tr>
<tr><td>Completed</td><td>8</td></tr>
<tr><td>Number of SETA/employer partnerships established.</td><td colspan="2">40</td></tr>
<tr><td rowspan="2">Number of lecturers developed.</td><td>Entered</td><td>3</td></tr>
<tr><td>Completed</td><td>3</td></tr>
</table>

PART C
Governance

1. Introduction

The merSETA Accounting Authority is appointed by the Minister of Higher Education and Training in consultation with the National Skills Authority in terms of Section 11 of the Skills Development Act 97 of 1998. In terms of the Act, the Chairperson and 14 members of the Accounting Authority are appointed on a five-year term.

2. Portfolio Committee

The merSETA is a Schedule 3A public entity and reports to DHET. merSETA reports to Parliament through the Portfolio Committee on Higher Education and Training.

3. Executive Authority

The Minister of Higher Education and Training is merSETA's Executive Authority and the Minister is accountable to Parliament for the activities of the merSETA. During the year under review, the merSETA made all the required submissions to the Executive Authority, including quarterly reports (financial and performance), the Annual Report, APP and the SLA.

4. Accounting Authority

The Accounting Authority of the merSETA was appointed from 1 April 2018 until 31 March 2020 to coincide with the overall SETA term and mandate.

Lebogang Letsoalo was appointed Chairperson of the Accounting Authority during the year under review, while Xolani Tshayana and Jeanne Esterhuizen both served as Deputy Chairperson.

The following members served as independent non-executive members: Alex Mashilo, Andrew Chirwa, Melanie Mulholland, Kirtida Bhana, Dr Lesley Lee, Thandeka Phiri, Neil Rademan, Pierre Bezuidenhout, Lee Coetzee, Renai Moothilal, Manglin Pillay and Sabelo Gina (passed on in January 2019).

5. Committees of the Accounting Authority

The following committees have been established in terms of the Skills Development Act, the Public Finance Management Act and the merSETA Constitution to assist the Accounting Authority to discharge its oversight responsibilities:

- Executive Committee (Exco);
- Audit and Risk Committee (ARC);
- Human Resources and Remuneration Committee (HRRC);
- Finance and Grants Committee (FGC);
- Governance and Strategy Committee (GSC);
- Chamber committees and regional committees.

All committees have been conferred with specific delegated powers outlined in their terms of references and these are regularly reviewed by the Accounting Authority.

A. THE EXECUTIVE COMMITTEE (Exco)

Composition

The Chairperson of the Accounting Authority is also the Chairperson of Exco. The members of the committee were Lebogang Letsoalo (Chairperson), Thandeka Phiri, Jeanne Esterhuizen, Xolani Tshayana and Melanie Mulholland.

Roles and Responsibilities

Exco ensures that the merSETA carries out its responsibilities in line with the merSETA Constitution. The Exco must, among others, exercise oversight of the management of the affairs of merSETA, coordinate and supervise the implementation of policies, exercise oversight of the management of budgets and business plans, coordinate the functioning of chamber committees and the Education and Training Quality Assurance Committee and monitor their activities to ensure that they act within the terms of the mandate delegated to them by the Accounting Authority.

B. THE AUDIT AND RISK COMMITTEE (ARC)

Composition

The ARC comprises five members, three of whom are independent members, namely Kholeka Zama (Chairperson), Collin Nciki, Khumo Mzozoyana and Accounting Authority members, Sabelo Gina and Renai Moothilal.

Roles and Responsibilities

ARC provides oversight of the company's financial affairs, monitors compliance with laws and adherence with non-binding rules, codes and standards, and ensures that there is an effective risk-based internal audit and risk management function. ARC evaluates the independence, objectivity and effectiveness of the external and internal auditors, addressing any concerns identified by the auditors.

The committee is also responsible for promoting the accuracy, reliability and credibility of financial reporting, and reviews the Annual Financial Statements and the Annual Report prior to approval by the Accounting Authority.

C. HUMAN RESOURCES AND REMUNERATION COMMITTEE (HRRC)

Composition

The HRRC comprises five members, namely Thandeka Phiri (Chairperson), Dr Lesley Lee, Andrew Chirwa and two independent members, namely Matheta Swafo and Juliana Makapan.

Roles and Responsibilities

The committee provides oversight on matters relating to human resource capacity and remuneration, reviews key performance areas of the Chief Executive Officer, reviews material changes pertaining to the merSETA Retirement Fund and ensures compliance with labour market legislation.

D. FINANCE AND GRANTS COMMITTEE (FGC)

Composition

The FGC comprises seven members, five Accounting Authority members – Lee Coetzee (Chairperson), Jeanne Esterhuizen, Xolani Tshayana, Manglin Pillay and Andrew Chirwa – and two independent members, Mochele Noge and Bongi Masinga.

Roles and Responsibilities

The FGC ensures compliance with the financial requirements of the Skills Development Act, the Public Finance Management Act and the Regulations thereof. The FGC provides oversight of the management of grant disbursements and monitoring of the financial implications of policies, decisions and changes to the budget and business plan. It reviews the investment policy and strategy, evaluates discretionary grants criteria, ensuring that criteria are aligned to the SSP and NSDS lll, and provides guidance on mandatory grant criteria in line with Grant Regulations.

E. GOVERNANCE AND STRATEGY COMMITTEE (GSC)

Composition

The GSC comprises nine members, namely Alex Mashilo (Chairperson), Xolani Tshayana, Jeanne Esterhuizen, Neil Rademan, Pierre Bezuidenhout, Kirtida Bhana and Andrew Chirwa, and two independent members, Siyabonga Msweli and Dr Len Konar.

Roles and Responsibilities

The GSC monitors compliance with the merSETA Constitution, Public Finance Management Act, Skills Development Act, King IV and Regulations, considering matters of corporate governance and creating, maintaining and periodically reviewing the corporate governance policies of the merSETA, overseeing the governance of ICT systems and providing guidance on the development of the Strategic Plan, APP and SLA.

F. CHAMBER COMMITTEES

The chamber committees are sub-committees of the Accounting Authority established to support the merSETA in carrying out its mandate. The chambers operate in accordance with Schedule 6 of the standard SETA Constitution, and committees have a consulting, monitoring, evaluation and advisory role, with accountability to Exco.

The MerSETA has five chamber committees as follows:

- Plastics manufacturing
- Automobile manufacturing
- Metal engineering
- New tyre manufacturing
- Retail motor and components manufacturing

Composition

The committees comprise a maximum of 10 members each per organised employers and organised labour constituency.

Roles and Responsibilities

The committees ensure that the merSETA carries out its responsibilities by:

- Developing sub-sector input into the SSP in accordance with merSETA and DHET guidelines;
- Developing a chamber research agenda, approving research proposals prior to submission to the Innovation, Research and Development Committee, and approving a lead organisation to manage the research in accordance with that organisation's procurement procedures, and monitoring the implementation of the chamber research project;
- Advising and reporting to the regional committees, and their constituencies, on sub-sector needs, scarce skills, grants, programmes and projects, and other appropriate matters;
- Identifying education and training needs in the sub-sector for consideration by management in developing the SSP, APP and Strategic Plan;
- Monitoring the development and implementation of programmes and projects in the sub-sector;
- Making inputs into education and training policies and systems that make an impact on the sub-sector;
- Liaising with bargaining councils, forums and professional associations on matters pertaining to the implementation of training at local level, outside of the scope of the merSETA.

The reconstitution of chamber committees in line with the newly appointed Accounting Authority was completed in August 2018 and supported by a comprehensive induction programme to orientate members. The strategic shift in chamber deliberations moved to include the identification of sector-specific research that informs targeted skills solutions for the benefit of sub-sectors. This is supported by a programme offered through the Wits School of Governance titled 'Research conceptualisation for public sector researchers'.

Research assignments completed during the period include the following titles:

- 'Benchmarking study of models of training layoff and retrenchment mitigation schemes'. A comparative study looking at the effectiveness and efficiency of the training layoff scheme and the retrenchment assistance programme in the metal industry'.
- 'Investigation of the relevance of occupations and future skills required for the motor industry' The study sought to understand the impact motor industry trends have on skills and occupations in the workplace.
- 'What is the shortfall (deficiency) or shortage (insufficiency) of plastics technicians and plastics engineers in South Africa and what can be done to address the problem?' The study sought to establish sector skills demand shortfalls of higher education provision .

6. Other Strategic Committee/Structure

ATTENDANCE AT THE ACCOUNTING AUTHORITY AND COMMITTEE MEETINGS							
Name	Accounting Authority*	Audit and Risk Committee	Executive Committee	HR and Remuneration Committee	Finance and Grants Committee	Governance and Strategy Committee	Other Meetings**
Lebogang Letsoalo	10/14		4/5	5/10			12
Jeanne Esterhuizen	11/14		4/5		2/4	3/4	5
Xolani Tshayana	13/14		5/5	1/10	4/4	3/4	18
Alex Mashilo	13/14					4/4	3
Andrew Chirwa	13/14			7/10		4/4	0
Dr Lesley Lee	9/14			8/10			3
Renai Moothilal	13/14	4/4					2
Thandeka Phiri	13/14		5/5	10/10			12
Neil Rademan	13/14					4/4	5
Pierre Bezuidenhout	10/14					1/4	2
Lee Coetzee	14 /14				4/4		12
Kirtida Bhana	12/14					4/4	6
Melanie Mulholland	12/14		5/5		4/4		8
Manglin Pillay	8/14				1/4		
Sabelo Gina	9/14	3/4					4
Juliana Makapan	3/3			9/10			2
Matheta Swafo	3/3			10/10			2
Dr Len Konar	1/3					4/4	
Kholeka Zama	3/3	4/4					
Bongi Masinga	2/3				2/4		2
Collin Nciki	1/3	4/4					
Khumo Mzozoyana	3/3	4/4					2
Siyabonga Msweli	3/3					2/4	
Mochele Noge	3/3				3/4		2
Anton Hanekom	1/1						
Jonathan Swarts	1/1						
Fiona Tregenna	1/1						
Helen Mariska von Maltitz	1/1						
Thapelo Molapo	1/1						
Malebo Lebona	1/1						

* Includes Accounting Authority and committee meetings

** Includes chamber meetings

REMUNERATION OF THE ACCOUNTING AUTHORITY AND COMMITTEE MEMBERS				
Name	Remuneration R	Other Allowances	Other Reimbursements R	Total R
Lebogang Letsoalo (Accounting Authority and Exco Chairperson)	327 000			327 000
Jeanne Esterhuizen (Accounting Authority Deputy Chairperson and Motor Chamber Chairperson)	212 000			212 000
Xolani Tshayana (Accounting Authority Deputy Chairperson and Auto Chamber Chairperson)	417 000		8640	437 640
Alex Mashilo (GSC Chairperson)	173 000			173 000
Andrew Chirwa	199 000			199 000
Dr Lesley Lee	155 000			155 000
Renai Moothilal	160 000			160 000
Thandeka Phiri (HRRC Chairperson)	370 000			370 000
Neil Rademan (New Tyre Chamber Chairperson)	197 000		7 176	204 176
Pierre Bezuidenhout	117 000		5 997	122 997
Lee Coetzee (Plastics Chamber and FGC Chairperson)	268 000		2817	270 817
Melanie Mulholland** (Metal Chamber Chairperson)	244 000			244 000
Kirtida Bhana*	187 000			187 000
Manglin Pillay**	65 000			65 000
Sabelo Gina*****	149 000			149 000
Dr Len Konar***	37 000			37 000
Matheta Swafo***	164 000			164 000
Bongi Masinga***	52 000			52 000
Juliana Makapan***	155 000			155 000
Kholeka Zama*** (ARC Chairperson)	137 000			137 000
Khumo Mzozoyana***	164 000			164 000
Collin Nciki***	128 000			128 000
Siyabonga Msweli***	43 000			43 000
Mochele Noge***	69 000			69 000
Anton Hanekom****	9 000			9 000
Jonathan Swarts****	8 000			8 000
Fiona Tregenna****	8 000			8 000
Helen Mariska von Maltitz****	8 000			8 000
Thapelo Molapo****	9 000			8 000
Malebo Lebona****	9 000			9 000
Thulisile Mashanda	72 000			72 000
TOTAL	4 312 000		24 630	4 336 630

* Board fees for these members were paid to the employer body or representative union

** These members have resigned

*** Independent committee members paid for attending Accounting Authority activities (annual general meeting, Accounting Authority strategy session and inter-chamber)

****Previous Accounting Authority members who attended the new Accounting Authority members' induction and handover session

7. Accounting Authority and Accounting Authority Committee Assessment

The Accounting Authority will conduct an internal assessment of its performance during the second quarter of 2019 and follow this up with an external performance assessment in 2020. This will ensure that the Accounting Authority and its committees comply with Principle 9 of the King IV Report.

8. Legislative Compliance, King IV and Ethics

The merSETA has developed a compliance register to monitor the organisation's compliance with key legislation and King IV. The register is reviewed quarterly and is presented to ARC and the Accounting Authority. During the year under review, in addition to the legislative framework above, the merSETA applied the King IV principles, integrating them into its policies.

Systems are in place to detect changes in legislation as and when they occur. Changes are reported to the Accounting Authority quarterly or when necessary.

The merSETA has an approved Code of Conduct and Code of Ethics.

9. Risk Management

The Accounting Authority manages merSETA risks in a way that supports the organisation in setting and achieving its strategic objectives. Through ARC, the Accounting Authority considers the organisation's risk profile, appetite, mitigation and strategic interventions.

10. Internal Audit

The merSETA's internal audit function is outsourced to an independent audit firm that carries out its function on an approved three-year internal audit plan. OMA Chartered Accountants Inc was appointed as the merSETA's internal auditor during the year under review. The independent internal auditors perform and report in terms of an approved Internal Audit Charter and Plan. Furthermore, ARC reviews the performance of internal auditors on behalf of the Accounting Authority.

In the year under review, OMA independently appraised the adequacy and effectiveness of the entity's systems, financial internal controls and accounting records, and reported its findings to ARC. The merSETA internal control environment was found to be in good standing.

11. Fraud and Corruption

The merSETA has a Fraud Prevention Plan in place, which is regularly reviewed to ensure effectiveness. A fraud and corruption hotline is fully operational and a register of all reported cases is maintained and reported periodically through the governance structures. All cases are investigated to determine validity and appropriate action is taken in cases where allegations are found to be true. The fraud and corruption report is a standing item on the ARC agenda.

12. Minimising Conflict of Interest

Members of the Accounting Authority and senior management are required to avoid situations where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the organisation's interests. Procedures are in place for the disclosure by the directors of any conflicts, and these procedures have been operating effectively. Members of staff also have an obligation to declare their interests annually so that the organisation avoids issuing contracts to employees and related parties.

13. Social and Environmental Responsibility

All merSETA programmes are aligned to the national policy framework that aims to contribute and assess the impact on social transformation, environmental preservation and economic upliftment. Initiatives during the period under review were linked to NSD lll, White Paper for Post-school Education and Training (2013), HRDSA, NGP, IPAP, Medium-Term Strategic Framework, Rural Development Strategy, NDP and Operation Phakisa.

14. Health and Safety

A national Occupational Health and Safety Committee ensures compliance to the Occupational Health and Safety Act No 85 of 1999, the ISO 9001:2015 Quality Management System as well as the National Environment Management Act No 107 of 1998.

15. Company Secretary and Compliance Officer

Lebogang Mahaye was appointed Company Secretary and Compliance Officer during the year under review. She advises the Accounting Authority, Accounting Authority committees, chambers and merSETA management on corporate governance and legislative compliance.

PART D

Human Resource Management

1. Introduction

The merSETA has implemented its Human Resources Strategy, which is aligned to the organisation's Strategic Plan The strategy is central to the administration programme (Programme 1), which aims to instil a culture of efficacy and efficiency.

The HRRC appointed in the current financial year, subsequent to the expiry of the previous committee's term of office, continues to provide leadership in achieving valuable and resourceful human resource practices.

Current human resources policies and practices are fully compliant with the legislative framework and promote a challenging, rewarding and fulfilling work experience that leads to a learning culture and successful implementation of the merSETA strategy.

2. Human Resource Strategic Achievements

All activities and initiatives were mapped to the Human Resources department strategic objectives. During the year under review, the following achievements contributed to effective human resource planning, management, control and operational efficiency:

- The HRRC approved a change management process based on the principles of SHARP (spiritual, health, attitude, relationship and proactiveness for change);
- The rollout of SHARP principles across the organisation began with a staff communication and mobilisation general meeting in November 2018;
- Job satisfaction stood at 68% for the year under review. Employees know what is expected of them at work, enjoy working at the merSETA and their jobs, and find their work meaningful. This is a very good result as these areas of job satisfaction are key elements of employee engagement;
- A Chief Executive Officer Performance Management Framework, incorporating the balanced scorecard and an additional measure for leadership, was approved by the Accounting Authority after recommendation by the HRRC;
- Annual performance reviews, including that of the Chief Executive Officer, were finalised and moderated, and performance bonuses were paid out;
- Regular meetings with the recognised union were conducted in the year under review. The Diversity Committee, combining the previously separate training and employment equity committees, was re-established after the previous committee's term of office had expired. This was in line with the Employment Equity Act;
- An improvement was registered in ensuring all staff receive appropriate training in line with their personal development plans (PDPs) for this period. A minimum of 80% of PDPs were implemented;
- Internal workshops and special days were held as part of creating a better climate and culture among staff;
- The merSETA observes the Occupational Health and Safety Act as well as environmental regulations, and implemented the Occupational Health and Safety Environment Policy;
- A Health and Safety Committee was established in the year under review, with health and safety representatives and first aiders being appointed for regional and head offices. Training was conducted for first aiders and fire marshals to ensure the safety of staff and stakeholders; and
- Evacuation drill exercises were conducted at head office and in all regions in compliance with the Occupational Health and Safety Act.

2.1 Attraction and Retention of Talented Individuals

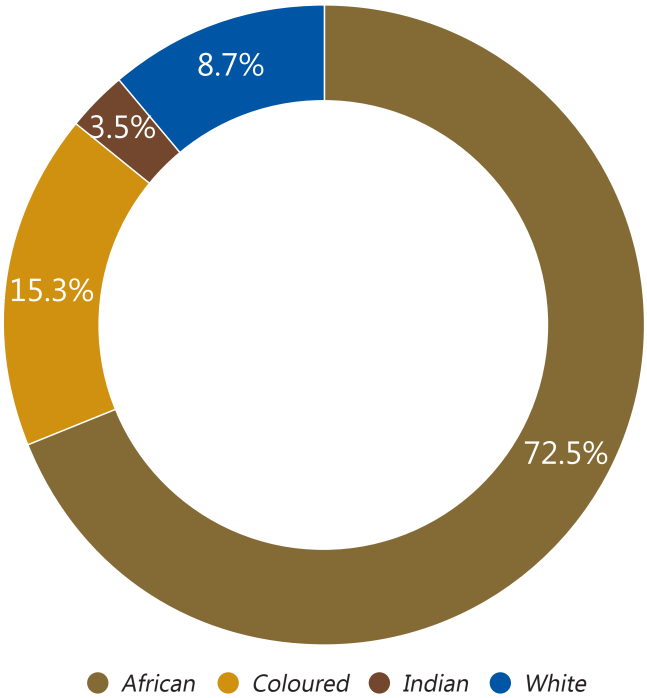
The merSETA invests considerably in employee development to attract and retain values-driven, high-performing and diverse talent, in keeping with its mandate as a training facilitation organisation.

Best practice in attraction, recruitment and selection ensured the appointment of high-calibre candidates so as to sustain the achievement of organisational goals, whilst achieving employment equity.

Talent management and succession planning further enhanced the nurturing, development and upskilling of human capital.

The merSETA staff complement at 31 March 2019 was 266, 228 of whom were permanent staff members and 38 interns. The gender ratio reflects national statistics (53% female and 47% male) in line with reporting by Statistics SA.

The internal equity ratio of the merSETA is compared with the national statistics in the table below. The overall equity ratio is considered acceptable whilst targets have been set to meet the national benchmark. The merSETA is addressing the underachievement against the national target.



	% African	% Coloured	% White	% Indian
merSETA	72.5%	15.3%	8.7%	3.5%
National	78.5%	9.6%	9.1%	2.8%

Staff turnover was recorded at an acceptable level of 8.73%, which is below the general industry norm of 10%.

Managed integrity evaluation and comprehensive background screening checks (pre- and post-employment) have been embedded in the recruitment process. This ensures placements are based on reliable and accurate information to avoid financial and reputational risks.

2.2 High-performance Learning Culture

The merSETA continues to promote a work environment that allows high performance. A culture of lifelong learning and knowledge sharing led to an interdependent, innovative and engaged workforce, with staff being generous with their time and talents, and continually collaborating to reposition the merSETA to deal with complexity in the external environment. Staff members were exposed to continuous learning, development, collaboration and innovation opportunities.

A biannual performance management and moderation process translated broad organisational performance drivers into divisional, unit and individual performance targets, whilst recognising and rewarding behaviour in line with the merSETA's values. The merSETA identified critical skills and is developing them to drive business performance.

The merSETA has entrenched focused talent-sourcing, management and succession planning to enable long-term strategy and accelerate diversity.

2.3 Organisational Wellness

Employee and organisational wellness programmes continued in the year under review. Occupational health and safety environment initiatives aimed at a safe work environment for employees received high priority.

2.4 Compliance

A harmonious and productive work environment was established through ensuring that human resources policies, procedures, standards and practices were legally compliant and integrated in the organisation. Critical risks were identified and controls implemented to mitigate potential impact.

2.5 Labour Relations

The management/NEHAWU relationship was healthy and the consultative approach promoted collaboration and inclusivity. The Diversity Committee and the Health, Safety and Environment Committee were ongoing, adding value to the organisation. Bilateral meetings took place quarterly.

3. Human Resources Oversight Statistics

3.1 Personnel costs

Total expenditure for the entity '000	Personnel expenditure '000	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee '000
*1 230 723	**132 969	10.8%	229	581

* Includes ALL merSETA expenses, grants, projects etc

** Includes staff who are designated to specific projects and remunerated from the project

** Excludes interns

** Includes performance rewards, projects and administration, but excludes recruitment, training and staff welfare.

3.2 Personnel cost by salary band

Levels	Males				Females				
	African	Coloured	White	Indian	African	Coloured	White	Indian	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Top management	0	2 040	0	0	0	0	0	0	2 040
Senior management	0	1 643	0	0	2 894	0	1 335	0	5 872
Professional qualified	12 054	2 885	3 181	1 083	7 489	2 276	6 543	1 573	37 087
Skilled	17 302	6 848	3 182	2 545	12 846	3 469	563	479	47 238
Semi-skilled	7 141	330	0	0	11 711	2 023	900	0	22 106
Unskilled	296	0	0	0	1 145	108	0	0	1 550
TOTAL	**36 793**	**13 746**	**6 363**	**3 628**	**36 085**	**7 876**	**9341**	**2 052**	***115 893**

* Salaries only

3.3 Performance rewards

Levels	MALE				FEMALE				
	African	Coloured	White	Indian	African	Coloured	White	Indian	Total
	'000	'000	'000	'000	'000	'000	'000	'000	'000
Top management	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0
Professional qualified	760	205	258	85	324	118	435	89	2 274
Skilled	1 177	355	242	228	901	221	90	41	3 255
Semi-skilled	503	24	0	0	802	133	93	0	1 555
Unskilled	22	0	0	0	26	19	0	0	67
TOTAL	**2 462**	**584**	**500**	**313**	**2 053**	**491**	**618**	**130**	**7 151**

3.4 Training costs

Programme/ activity/objective	Personnel expenditure R'000	Training expenditure R'000	Training expenditure as % of personnel cost	Number of employees	Average training cost per employee R'000
Staff training	135 484	1 800	1.32%	76	23.68%

3.5 Employment and vacancies

Programme/ activity/objective	2018/19 number of employees	2018/19 approved posts	2017/18 number of employees	2018/19 vacancies	Percentage of vacancies
Recruitment	*228	0	**222	7	3.07%

* Permanent staff members

** Average number of employees

3.6 Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	1	0	1	0
Senior management	4	0	0	4
Professional qualified	41	5	7	39
Skilled	96	7	10	93
Semi-skilled	71	10	2	79
Unskilled	9	4	0	13
TOTAL	**222**	**26**	**20**	**228**

* Appointments include internal promotions

* Terminations include those who were promoted from the lower bands

3.7 Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	1	5%
Resignation	16	80%
Dismissal	0	0%
Retirement	1	5%
Ill-health	1	5%
Other – contract ended	1	5%
TOTAL	**20**	**100**

3.8 Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	8
Written warning	13
Disciplinary hearing – not guilty	3
Disciplinary hearing – verdict pending	1
Dismissal	0
Resignation during hearing	1
Grievance	6

3.9 Equity target and employment equity status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	0	1	0	0	0	0	0
Senior management	0	0	1	1	0	0	0	0
Professional qualified	16	11	4	4	1	1	3	3
Skilled	34	29	13	14	4	3	7	7
Semi-skilled	25	27	1	1	0	0	1	2
Unskilled	1	1	0	0	0	0	0	1
TOTAL	**76**	**68**	**20**	**20**	**5**	**4**	**11**	**13**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	1	0	0	0	0	0	0
Senior management	2	2	0	0	0	0	1	1
Professional qualified	7	10	4	4	0	2	5	5
Skilled	27	32	5	4	2	1	4	2
Semi-skilled	36	40	8	8	0	1	4	4
Unskilled	7	9	1	1	0	0	0	1
TOTAL	**79**	**94**	**18**	**17**	**2**	**4**	**14**	**13**

3.10 Disabled staff

Levels	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top management	0	1	0	1
Senior management	0	1	1	1
Professional qualified	1	1	1	1
Skilled	3	1	7	1
Semi-skilled	1	1	3	1
Unskilled	0	1	1	1
TOTAL	**4**	**6**	**13**	**6**

Employees with disabilities remain a priority in line with the merSETA Employment Equity Plan. Seventeen employees with disabilities were reported for the period under review. The merSETA disability achievement rate is 5.88% against the 3% required by legislation (Employment Equity Act, 55 of 1998, as amended).

SUCCESS STORIES

Daniel Peacock cutting metal with a big metal grinder

A DIFFERENT KIND OF WELDER

By Temana Mabula

A young woman from the Bedford township in the Eastern Cape plans to be an extraordinary welder by unleashing the different dynamics and fun of welding through her work.

Daniel Peacock, 22, completed a welding course in April 2019 under the Kasi Gals Helping Hands Group, with funding from the merSETA.

"During my training with Kasi Gals Helping Hands, I realised that welding is a multi-faceted and interesting field. I want to fly my welding career to great heights and the merSETA and Kasi Gals Helping Hands Group have been the wind beneath my wings."

Kasi Gals Helping Hands Group is a community-based organisation in the Eastern Cape, aimed at eradicating unemployment among the youth by empowering them with skills to enter the job market.

"With unemployment being rife in the country, our objective is to breed a generation of young people, who are self-sufficient, by providing them with skills and knowledge to launch successful careers for themselves," says Mandisa Gongqa, Training Coordinator at Kasi Gals Helping Hand Group.

She continues: "we are excited that the merSETA is able to assist us with the realisation of this objective. Our goal going forward is to establish partnerships with both public and private sector organisations, so that we can link them up with our learners for job placements."

Gongqa describes Peacock as highly motivated with a willingness to explore new things. "We are proud

“I started practising at home to see what I could do. One of my first jobs was to extend the height of the gate at home.”

to have been able to assist in her career endeavours,” she adds.

Upon completion of her training, Peacock tested her skills and knowledge by providing welding services to her community from her backyard.

Peacock cutting metal to work on a customer’s gate

Explaining how she made a basic frame of a food container

"I started practising at home to see what I could do. One of my first jobs was to extend the height of the gate at home. My parents have been my greatest motivation and are very supportive of my work," she says.

Seeing her work, people from her area brought materials for her to weld. "Young people around my area also started growing an interest in welding and asked me to teach them," says Peacock.

Asked whether she ever felt intimidated by the notion that welding is predominantly male, Peacock says: "Nothing in this world is designed for a specific gender. As women, we need to adjust our mind-sets and explore every opportunity at our disposal."

> **"Nothing in this world is designed for a specific gender. As women, we need to adjust our mind-sets and explore every opportunity at our disposal."**

Peacock is currently employed as a welder at Eastern Cape Mobi Trail, responsible for building mobile food containers.

"When I completed my matric in 2007, I was not sure what I wanted to do, but knew that whatever career I take up had to involve designing. I believe that the welding skills I have acquired will help me achieve this dream," explains Peacock.

"My vision is to provide jobs to the youth in my area so that we can work together in uplifting our community," she concludes.

Showing a completed food container

Welding two iron cubes together

HIGH SCHOOL DROP-OUT PUPILS PROVIDED WITH ANOTHER "LIFELINE"

By Temana Mabula

Develop to Grow (D2G), a non-profit organisation in the Western Cape Province, has given meaning to the saying: "If the plan doesn't work, change the plan but never the goal."

This follows a partnership forged with the merSETA and Swift Skills Academy to establish a skills development programme targeted at pupils from grade 8 to 9, who have dropped out of school for various reasons.

Ntando Sonxi, Founder and Director of D2G, says: "D2G aims to provide skills to pupils, who struggle academically and are not able to complete matric, by giving them an alternative".

According to Sonxi, it is often difficult for pupils who drop out of school to "gel" back into the curriculum. "Even if they go back to school, they continue to struggle and drop out again because of their parents' and communities' expectations that they should become doctors or lawyers. We want to show these young people and their parents that there is more to the labour market than 'white collar' jobs."

"Most high school pupils in the country do not have the required qualifications to further their studies at higher education institutions."

He continues: "Most high school pupils in the country do not have the required qualifications to further their studies at higher education institutions. However, this should not be a deterring factor in them building successful careers. Collaborative efforts between public and private sector organisations are required to provide the necessary support.

Rowena Arendse

Ntando Sonxi, Founder and Director of D2G

"We do not want them to leave school and get just any job, but rather jobs that will develop and empower them. This is a vision we share with Swift Skills Academy. Quality is our priority, so we do not train learners just to tick boxes and provide a report in terms of the quantities we have trained."

Swifts Skills Academy trains learners in welding and receives funding from the merSETA.

"We are able to advance them up to NQF level 4," says Roslyn Williams, Chief Operations Officer at Swift Skills Academy.

Fabian Sass, Donavon September and Rowena Arendse are among the 2019 cohort being trained through the D2G Skills Development Programme. They say they did not envision becoming welders, but later found it to be an interesting and diverse field.

"Welding is one of the skills overlooked by most women. I find it fascinating in a sense that you can never say that you have learnt enough", says Arendse, one of the female welding learners.

Sonxi says the motivation behind the creation of D2G was sparked by seeing the petty things that young people got arrested for when he worked for the National Institute for Crime Prevention and the Reintegration of Crime Offenders (NICRO). "This is when I realised that if we don't provide support for young people, we are slowly digging them and our country into a grave."

Arshaad Obaray, Chief Executive Officer at Swift Skills Academy, says they value the funding provided by the merSETA and that his organisation ensures there is value for money.

"The proof is in the pudding. One of our learners, Kyle Keightley, has not yet written a trade test but is employed as a Production Manager by one of our partner companies," he says.

Sonxi says his vision is to see young people able to live a crime-free life. "We aim to show other development organisations that there is more to community development than funding charity organisations," he concludes.

Donavon September

Fabian Sass

MOTOLEK UPINGTON REIGNS SUPREME

By Felicia Madi

Hard work and dedication led Motolek Upington to glory when they won the 2018 Africa Automotive Aftermarket Solution Franchisee of the Year Award.

Danie van der Heever, Partner and Director at Motolek Upington explains: "Good customer service and creating a conducive working environment were the main reasons for us winning the award."

The annual Africa Automotive Aftermarket Solution Franchisee of the Year Award, according to van der Heever, was established to recognise excellence in franchisee conduct as well as their growth and achievements throughout the years.

Motolek Upington began operating in 1976 as Noord-Kaap Batterye and they only specialised in automotive car batteries. In 1978, they expanded their horizons and opened an auto-electrical site, thereafter renaming the business: "Noord-Kaap Auto Elektries BK". The business changed into a Motolek franchise in 1987 and later in 1994, it grew further, with the development of a solar department.

Motolek Upington's successes are also reflected through their training of a number of apprentices as auto electricians, with funding from the merSETA. They also offer employment to their apprentices once they qualify.

"Most of our apprentices get absorbed as permanent employees when they complete their training because of the good working environment we provide and the relationships we build with them," says Netta Esterhuizen, Administrator and Accountant at Motolek Upington.

Christian Engelbrecht, Partner and Workshop Manager at Motolek Upington says that with the high-rate of unemployment in the country, it is disturbing that most young people are reluctant to work hard in order to launch their careers.

"There are numerous employment opportunities in various mechanical

> Engelbrecht explains that with the merSETA funding, training apprentices has been made easy and he is proud to be part of a cause that gives hope to young people.

fields, but young people lack passion and determination to pursue them. There are also many companies willing to train young people and, with organisations such as the merSETA providing financial assistance, unemployment could be a thing of the past in South Africa," he says.

Hardu Maritz, a 22-year-old merSETA-funded Auto Electrician Artisan trained by Motolek Upington, says he learnt a lot from his training at Motolek. "I came to Motolek yearning for knowledge but I am now fully equipped with skills to tackle any mechanical work," he says.

Zake Eksteen, a 24-year-old apprentice at Motolek says the lack of career guidance almost cost him his career, but he soon found his feet when the company offered him apprenticeship training. "In addition to my training, I am receiving great mentorship and am confident that I will be able to qualify as an auto electrician artisan," says Eksteen.

Engelbrecht explains that with the merSETA funding, training apprentices has been made easy and he is proud to be part of a cause that gives hope to young people.

"We are grateful for the helping hand from the merSETA because training apprentices can be very costly, but the country needs skilled young people who will be able to contribute to economic growth. The merSETA gives young people a chance to better their lives and those of their families," he concludes.

Danie van den Heever, Partner and Director at Motolek Upington

Zane Eksteen, Apprentice: Auto Electrician

Hardu Maritz, Auto Electrician

By Felicia Madi

SHOSHANGUVE TECHNICAL HIGH SCHOOL LEARNERS

TO BUILD NEW BMW X3 FROM SCRATCH

The learners at the Soshanguve Technical High School have been given an exciting task of building the new BMW X3 model.

The task was announced by Gauteng MEC for Education, Panyaza Lesufi, during the launch of the Soshanguve Engineering School of Specialisation with an automotive focus.

Addressing the learners at the launch, MEC Lesufi said: "The fourth industrial revolution is well underway and you will not watch as the world takes its position in this revolution, but stand in formation to ride this new wave."

The launch follows a partnership between the department and BMW SA, wherein learners will be trained across key disciplines in the automotive field. The training aims

Soshanguve Technical High School learner working on an unfinished vehicle structure

From right: CEO of BMW South Africa, Tim Abbot, Gauteng MEC for Education, Panyaza Lesufi, Gauteng Premier, David Makhura with officials from Soshanguve Technical College

to nurture talent in young people across key disciplines and also to respond to the skills shortage and unemployment crisis among the youth in the country.

To assist the learners in achieving this mandate, BMW SA donated one of its X3 models to the school. "BMW SA has also pledged to support the school with training services and material. This is a revolutionary, quality education that we are advocating to our learners," said MEC Lesufi.

Chief Executive Officer of BMW South Africa, Mr Tim Abbot, said the company was thrilled to be part of this historical development and transformation in the education of young South Africans.

"BMW has assisted more than 144 schools around South Africa. We also provide over 3 000 apprenticeships a year and employ most of them. Our aim is to ensure that the youth in South Africa are well equipped to respond to industry needs through the training they receive," he said.

MEC Lesufi added: "This is a well-paved technologically-driven path for our youth, following in the footsteps of industry giants such as China, Brazil, Japan and Germany. We want to create a generation of highly skilled employers, not employees," he said.

Many of the learners at the school said they are up to the challenge, having converted a BMW car that was involved in an accident into a bakkie, by installing a new engine and parts.

Gauteng Premier, David Makhura with the CEO of BMW South Africa, Tim Abbot

SOUTH AFRICA AND CHINA BOOST SKILLS DEVELOPMENT

By Felicia Madi

A partnership between South Africa and the People's Republic of China is set to boost skills development and job creation in South Africa. This was revealed at a Job Fair hosted by the South Africa-China Economic and Trade Association (SACETA) earlier this year.

The event was hosted under the theme: "Job Creation and Skills Development in the partnership between South Africa and China."

In the seven years since its launch, SACETA has established about 130 Chinese-funded enterprises in South Africa, focusing on the manufacturing, information technology, finance, mining and logistics industries.

Chinese Ambassador to South Africa, HE Lin Songtian said:

Conference delegates

"Endless opportunities await young South Africans through the partnership between these two countries."

According to a report on the Development of Chinese Enterprises in South Africa 2016 by SACETA, China's investment in South Africa had reached about $13 billion by the end of 2015. Chinese enterprises in South Africa had hired about 24,000 local employees, accounting for 91.56% of their total staff complement.

China has been South Africa's biggest trade partner for nine years and bilateral trade for the first quarter of 2018 amounted to $33.2 billion.

In 2017, the merSETA collaborated with the Chinese Culture and International Education Exchange Centre to send 150 South African students on an internship programme in China.

Acting merSETA Chief Executive Officer Mr Wayne Adams said: "This partnership presents an opportunity for the country to learn new industry trends from China and we hope to get to a stage where our companies are able to provide our youth with the same quality of training that China provides."

Duncan Mngomezulu, one of the top achievers in the internship programme, said the opportunity advanced his skills in engineering as a result of the extensive training programmes.

"I am now equipped with vast skills in the engineering field, which have enabled me to explore new ventures since I returned to South Africa," Mngomezulu added.


Conference delegates


The merSETA CEO, Mr Wayne Adams with conference delegates


The merSETA CEO, Mr Wayne Adams


Conference speaker


Chinese Ambassador to South Africa, HE Lin Songtian

PART E
Financial Information

INDEX

The audited Annual Financial Statements for the year ended 31 March 2019, set out on pages 77 to 133, have been approved by the Accounting Authority in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 (as amended) on 24 July 2019, and are signed on their behalf by:

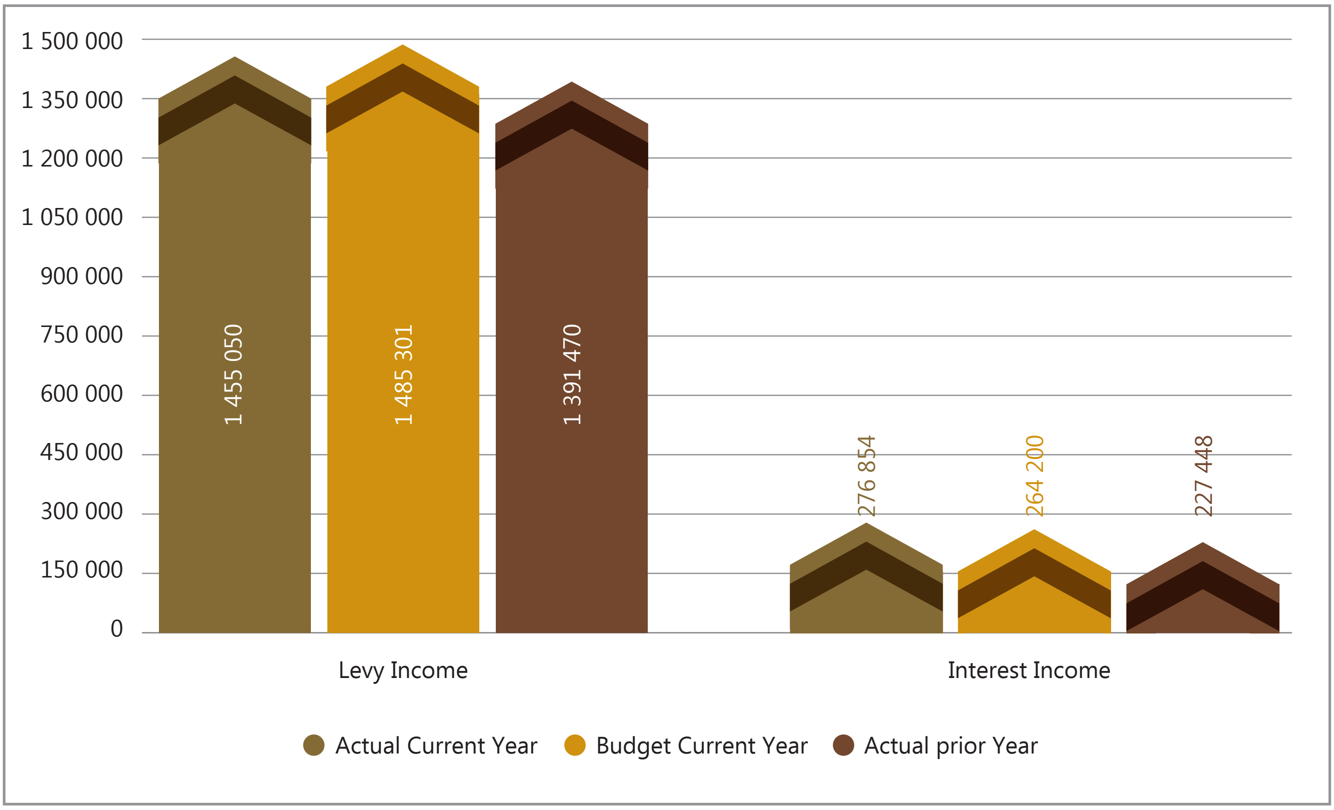
L Letsoalo
Chairperson

W Adams
Acting Chief Executive Officer

FINANCIAL PERFORMANCE REVIEW

Revenue collection by category is shown in the table and graph below:

	2018/19			2017/18		
	Budget	Actual Amount Collected	(Over)/Under Collection Budget	Budget	Actual Amount Collected	(Over)/Under Collection Budget
	R'000	R'000	R'000	R'000	R'000	R'000
Skills development levy income	1 485 301	1 455 050	30 251	1 091 236	1 391 470	(300 234)
Skills development penalties and interest	40 635	29 351	11 284	25 000	32 742	(7 742)
Net gains from financial instruments	264 200	276 854	(12 654)	75 843	227 448	(151 605
Other Income	220	117	103	-	123	(123)
TOTAL	**1 790 356**	**1 761 372**	**28 984**	**1 192 079**	**1 651 783**	**(459 740)**

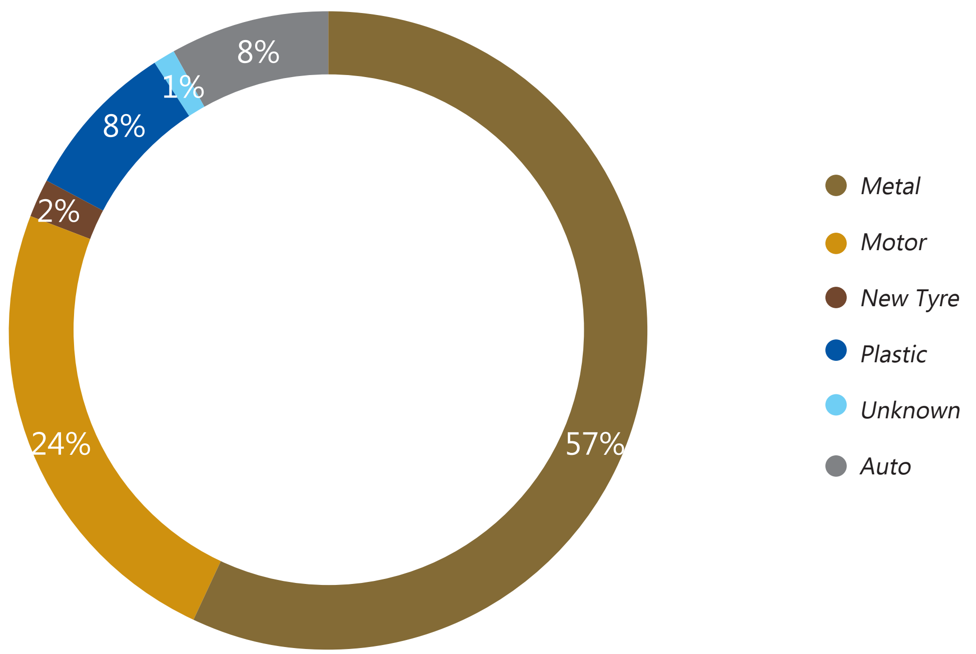


The budget anticipated a 6% increase in levy income but the actual increase was 4% over the prior year. Penalties and interest on skills development levy income have dropped by 10% compared to the previous year. Budgeted levy income exceeded actual levy income by 2%.

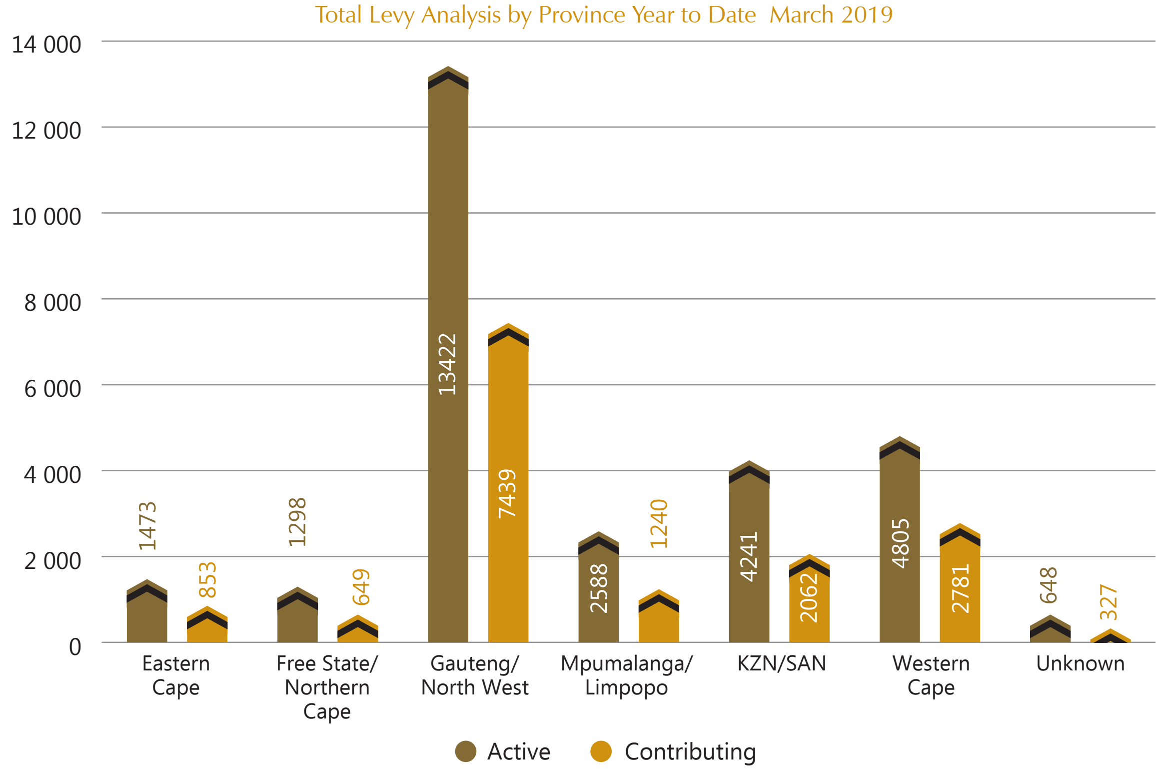
Net gains from financial instruments relates to interest earned on bank balances and fixed notice deposits held by merSETA on a short term basis. These investments are for 12 months or less. Notice deposits have yielded good returns, the average being in excess of 8%. The overall weighted average interest rate for the year is 8.3% compared to 8.2 % in the previous year. The resulting interest income is R277 million compared to R227 million in the previous year. This substantial increase of 22% is mostly due to increasing cash reserves.

The breakdown of levies received per chamber, as shown in the graph below, shows a similar pattern as in the previous year with the Metal Chamber contributing the largest share of the levies at 57%.

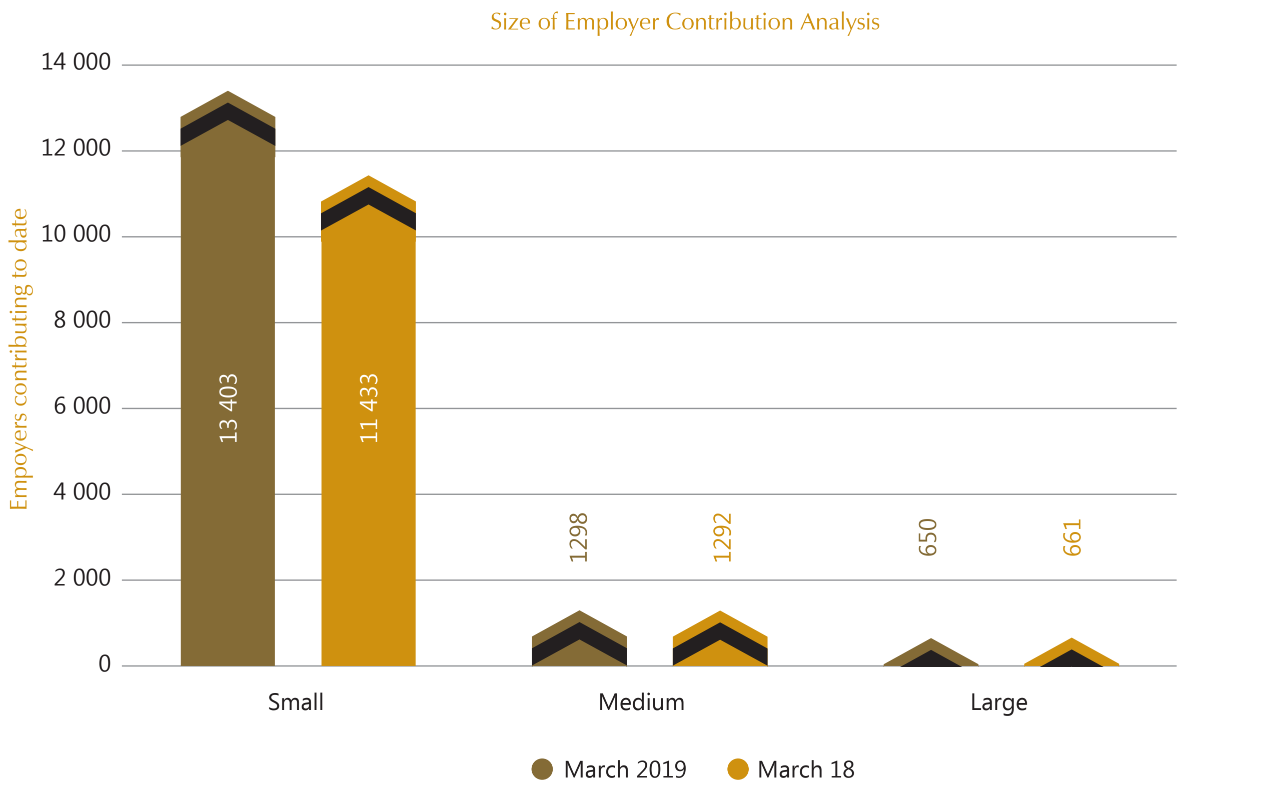
Percentage of Total Levies Paid by Chamber Year to Date - March 31, 2019 (Year 19)



Total Levy Analysis by Province Year to Date March 2019



The largest number of contributing companies is in the "small" category with 13 403 small companies contributing levies.



The table below shows expenditure by programme:

PROGRAMME EXPENDITURE VS BUDGET 2019

	2018/19			2017/18		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	244 696	214 207	30 489	172 529	203 573	(31 044)
Skills Planning	76 939	39 527	37 412	55 293	32 483	22 810
Learning programmes & projects	1 236 899	973 050	263 849	953 229	910 357	42 872
Quality assurance	7 561	3 939	3 622	11 028	1 243	9 785
TOTAL	**1 566 095**	**1 230 723**	**335 372**	**1 192 079**	**1 147 656**	**44 423**

Disbursement of mandatory grants accounts for 20% of levies paid. This is subject to the companies submitting a valid workplace skills plan received by 30 April annually. The purpose of the mandatory grant is to provide an incentive for employers to plan and implement training for their workforce and to provide credible data about their employees and training needs in order for the merSETA to establish the skills needs of the sector for inclusion in the merSETA Sector Skills Plan.

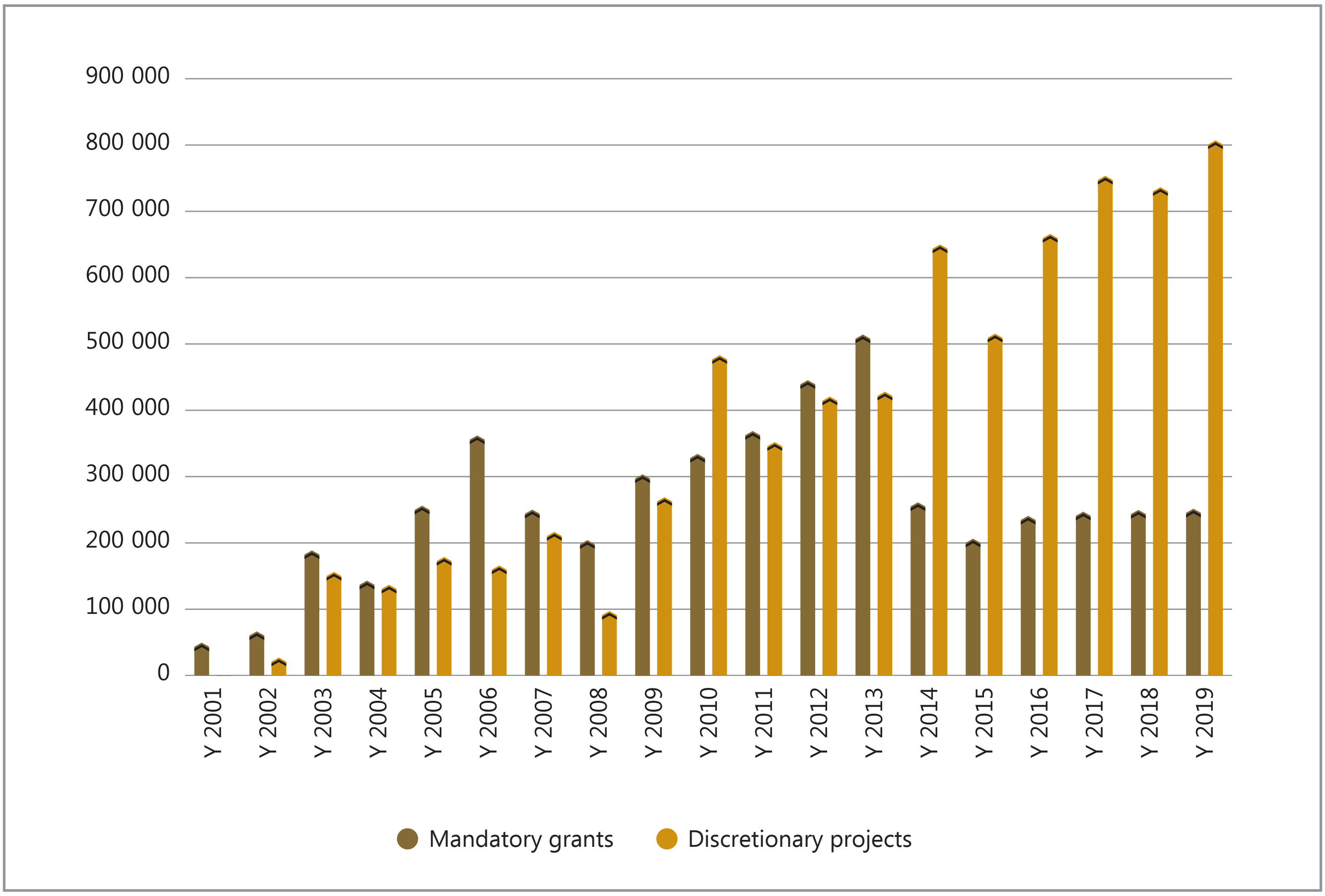
Of the 4206 mandatory grant applications received, a total of 3704 companies were successfully approved or mandatory grants. In the previous year a total of 3 795 were successfully approved for mandatory grants.

Monthly mandatory grant payments were made throughout the year which amounted to R252 million compared to R250 million in the previous year. This is only a 0.7% increase. This is due to the mandatory grant claims ratio dropping from 70.2% in 2017/19 to 67.0% in 2018/19. The mandatory grant claims ratio measures the mandatory grants paid as a percentage of mandatory levies received.

Disbursements of discretionary grant funds account for a minimum of 49.5%. The discretionary grant is intended to support the training of both employed and unemployed learners and apprentices and also to undertake special projects that address critical sector needs and strategic priorities as outlined in the strategic plan and annual performance plan.

Disbursements of discretionary grants and projects have increased by 9.6% from the previous year, increasing from R736 million in 2017/18 to R807 million in 2018/19. Disbursements of discretionary projects is 26% below budget. The 2019 discretionary grants make up a substantial percentage of total discretionary grants and projects. Only 78% of the allocation for 2019 was taken up by companies. Reductions of contracts for the year were high, amounting to R444 million.

The graph below shows the trend of mandatory and discretionary grants since inception:



The growth in grants paid over the period is largely influenced by the growth in the levies received. Discretionary project expenditure increased significantly over the period, which reflects the increasing drive by companies and training providers to implement the Memoranda of Agreement deliverables more effectively as well as to making a significant contribution to the achievement goals of the Sector Skills Plan and Annual Performance Plan.

The drop in mandatory grants in the year 2013/14 year and thereafter is due to the changes in the Grant Regulations, whereby the percentage allocation to mandatory grants from levies received was reduced from 50% to 20%. This change also influenced a decline in the participation ratio in the first two years after changes were effective, however through the ongoing support and awareness by merSETA, a marked increase was seen in 2016 but since then there has been little growth in mandatory grant disbursements.

The discretionary grant reserves of R3.5 billion are 83% committed to multiyear learnerships, apprenticeships and projects stretching over an average period of 4 years. Any commitments beyond the merSETA licence will be subject to Accounting Authority ratification.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

on the Manufacturing, Engineering and Related Services Education and Training Authority

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) set out on pages 77 to 133, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of actual and budget amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the merSETA as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

Basis for opinion

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

4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Fruitless and wasteful expenditure

7. As disclosed in note 26 to the financial statements, fruitless and wasteful expenditure of R215 000 was incurred as a result of the payment of interest charged by the South African Revenue Service. A total of R91 000 was not recovered from an employee due to a cost-benefit analysis conducted. The case has been referred to the South African Police Service for further resolution.

Other matter

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

Responsibilities of the accounting authority for the financial statements

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

10. In preparing the financial statements, the accounting authority is responsible for assessing the merSETA'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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 – skills planning	110
Programme 3 – learning programmes and projects	111 - 117

16. 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.

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for:

- Programme 2 – skills planning
- Programme 3 – learning programmes and projects

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 28 to 37 for information on the achievement of planned targets for the year and explanations provided for the under /over achievement of a significant number of targets.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on 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

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

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

Annual financial statements

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

24. Material misstatements of payables from exchange transactions and provisions identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

25. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R29 186 000, as disclosed in note 26 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure identified resulted from non-compliance with supply chain management regulations.

Other information

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, report from the Accounting Authority, CEO's report and the report from the Audit and Risk committee. 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 on in this auditor's report.

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

28. 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.

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

Internal control deficiencies

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

31. The action plan was not effectively implemented and monitored. Previously reported internal control deficiencies that were not addressed resulted in material non-compliance and misstatements identified during the current year in the performance information.

32. The public entity did not implement effective monitoring and review controls to prevent non-compliance with supply chain management regulations, which resulted in irregular expenditure.

33. The public entity did not implement effective review and assessment of compliance with Standards of GRAP to ensure that liabilities and provisions are classified correctly in the financial statement

34. Management did not ensure that daily processing and reconciliations were performed so that the reported

performance in the annual performance report was supported by valid and accurate information.

Other reports

35. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

36. The accounting authority of the public entity commissioned a detailed forensic investigation into the extent and liability of identified irregularities, and the extent of prejudice suffered by the public entity. The detailed investigation and a determination of the extent of the irregularities had not yet been finalised at the date of this report.

Auditor - General

31 July 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected 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:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority

- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the merSETA's ability 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 the 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 continuing as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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 confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

REPORT OF THE AUDIT AND RISK COMMITTEE

Kholeka Zama
Chairperson of the Audit and Risk Committee

The Audit and Risk Committee reports that it has complied with its responsibilities arsing from section 38(1)(a) of the Public Finance Management Act & Treasury Regulation 3.1. The role of the Committee is to ensure that the entity functions according to good governance principles, complies with accounting and audit standards and monitors that appropriate risk management arrangements are in place. In addition, the Audit Committee monitors the adequacy and reliability of the financial information provided to all users of such information.

The Committee continues to assist management in discharging its accountability and responsibilities to safeguard the assets, operate adequate systems and controls and the preparing of annual financial statements by:

- Improving communication and increasing contact, understanding and confidence between management, internal and external auditors
- Increasing accountability by reviewing the performance of internal and external auditors
- Strengthening the objectivity and credibility of financial reporting
- Supporting Internal Audit which is an important assurance provider to the Audit Committee, and
- Reducing the opportunity for fraud by continually recommending discipline and control improvements.

The Committee also reports that it has adopted the appropriate formal terms of reference as its Charter was reviewed during the year under review. The Committee has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL AND RISK MANAGEMENT

The merSETA systems of controls are designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. The merSETA has a risk management Framework and policy in place and these were reviewed. The Committee reviews the Legal and Compliance register on a quarterly basis. The Compliance register includes all the relevant principles of King IV report.

The Committee considers all significant control matters and associated actions plans. The merSETA internal control systems and risk management processes are effective and form a sound basis for the preparation of reliable annual financial statements.

The members of the Committee have displayed the requisite skills expected of them as set out in the regulations.

The merSETA internal auditor is O.M.A. The Internal audit function reports functionally to the audit committee. The 3 Year risked based internal audit plan covered the following areas for the 2018/19 financial year:

- Performance Information (Performance against Objectives) – Phase 1 and Phase 2
- Information Technology – General Controls Review and Data Migration (Skills and ETQA)
- Skills Plan Implementation (Discretionary Grants)
- Supply Chain Management - All Thresholds
- Follow Up - Internal Audit Findings (Governance and Compliance, Mandatory Grants and Human Capital Management)
- Quality Assurance (ETQA)
- Strategic Plan and Annual Performance Plan Review (2019/2020)
- Follow Up - Auditor General Findings
- Commitments Schedule
- Financial Discipline Review
- Marketing and Communication
- Financial Statements Compliance Review

Additions to the internal audit plan in alignment to emerging risks are as follows:

- Irregular expenditure quantification
- Office of the Premiers conditional grants review

MANAGEMENT AND QUARTERLY REPORTS

The merSETA complies with the Department of Higher Education and Training Governance Standard by submitting quarterly governance reports to the Executive authority.

EVALUATION OF FINANCIAL STATEMENTS

The Committee reviewed the draft Annual Financial Statements prepared by the public entity.

AUDITOR'S REPORT

The Audit Committee concurs and accepts the Auditor-General's opinion regarding the Annual Financial Statements, and proposes that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

The Committee has discussed the Management report with the Auditor-General and the Management team and has noted Management's responses.

The Committee notes the commitment of merSETA management to address the control deficiencies reported in terms of note 26 of the Annual Financial Statements and would like to highlight the following matters that are still in progress:

- Fruitless and wasteful expenditure – R215k SARS penalties and interest incurred. Consequence management has been finalised and the submission of the proposal for reversal is currently in progress. Additionally approval for R91k not being recovered due to the cost benefit analysis as R4.9 mil was already incurred finalising the applicable consequence management processes. The case was referred to SAPS for further resolution.
- Irregular expenditure – Investigation of a prior year irregular expenditure estimated at R17,7 mil, identified by merSETA relating to commissions earned and potential interest lost by merSETA due to an irregular procurement of the underlying services

The merSETA is proud to have once again produced an Unqualified Audit Opinion for the 2018/19 year.

Chairperson of the Audit and Risk Committee
Kholeka Zama

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2019

		2019			2018		
		Actual	Budget	Variance	Actual Restated	Budget	Variance
	Note	R'000	R'000	R'000	R'000	R'000	R'000
REVENUE							
Skills development levy income	2	1 455 050	1 485 301	(30 251)	1 391 470	1 091 236	300 234
Skills development penalties and interest	3	29 351	40 635	(11 284)	32 742	25 000	7 742
Total non-exchange revenue		**1 484 401**	**1 525 936**	**(41 535)**	1 424 212	1 116 236	307 976
Net gains from financial instruments	4	276 854	264 200	12 654	227 448	75 843	151 605
Other income	5	117	220	(103)	123	-	123
Total exchange revenue		**276 971**	**264 420**	**12 551**	227 571	75 843	151 728
Total revenue		**1 761 372**	**1 790 356**	**(28 984)**	1 651 783	1 192 079	459 704
EXPENSES							
Employer grant and project expenses	6	(1 058 620)	(1 370 767)	312 147	(986 224)	(1 050 579)	64 355
Administration expenses	7	(172 103)	(195 328)	23 225	(161 432)	(141 500)	(19 932)
Total expenses		**(1 230 723)**	**(1 566 095)**	**335 372**	(1 147 656)	(1 192 079)	44 423
Net surplus for the year	1	**530 649**	**224 261**	**306 388**	504 127	-	504 127

* Accounting authority approval for the year 2018/19 budgets as well as National Treasury approval for the retention of surplus funds for the year ended 31 March 2018 was obtained as per the requirements of section 53 of the PFMA

STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	31 March 2019 R'000	31 March 2018 Restated R'000
ASSETS			
Current assets			
Cash and cash equivalents	8	3 637 882	3 005 195
Receivables from exchange transactions	9	149 570	130 111
Receivables from non-exchange transactions	10	25 455	20 173
Prepayments	11	132	-
Consumables	12	612	799
		3 813 651	3 156 278
Non-current assets			
Property and equipment	14	12 168	12 957
Intangible assets	15	734	306
		12 902	13 263
Total Assets		**3 826 553**	3 169 541
LIABILITIES			
Current liabilities			
Payables from exchange transactions	16	9 713	21 400
Grants and transfers payable	17	228 373	97 376
Other payables	18	1 277	1 185
Provisions	19	42 718	35 757
		282 081	155 718
Net Assets		**3 544 472**	3 013 823
Administration reserve		12 902	13 263
Employer grant reserve		758	992
Discretionary reserve		3 530 812	2 999 568
Total Net Assets		**3 544 472**	3 013 823

STATEMENT OF CHANGES IN NET ASSETS
For the year ended 31 March 2019

	Note	Administration reserve R'000	Employer grant reserve R'000	Discretionary grant reserve R'000	Unappropriated surplus R'000	Total R'000
Balance at 31 March 2017		9 212	735	2 496 253	-	2 506 200
Prior year adjustment	13	3 496	-	-	-	3 496
Restated opening balance		12 708	735	2 496 253	-	2 509 696
Net surplus for the year per statement of financial performance		-	-	-	504 127	504 127
Allocation of unappropriated surplus for the year	1	21 299	99 244	383 584	(504 127)	-
As previously stated		22 072	99 244	383 584	(504 900)	-
Restatement due to prior year adjustment		(773)	-	-	773	-
Excess reserves transferred to discretionary reserve		(20 744)	(98 987)	119 731	-	-
Balance at 31 March 2018		**13 263**	**992**	**2 999 568**	**-**	**3 013 823**
Net surplus for the year per statement of financial performance		-	-	-	530 649	530 649
Allocation of unappropriated surplus for the year	1	18 988	110 067	401 594	(530 649)	-
Excess reserves transferred to discretionary reserve		(19 349)	(110 301)	129 650	-	-
Balance at 31 March 2019		**12 902** *	**758** **	**3 530 812**	**-**	**3 544 472**

* The amount retained in the administration reserve is equal to the net book value of the non-current assets.

** The amount retained in the employer grant reserve is a mandatory grant provision for newly registered companies participating after the legislative cut-off date. This is noted under contingencies in note 21.2.

CASH FLOW STATEMENT

As at 31 March 2019

		2019			2018		
		Actual	Budget	Variance	Actual	Budget	Variance
	Note	R'000	R'000	R'000	R'000	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Operating activities							
Cash receipts from stakeholders and others		**1 485 946**	**1 526 984**	**(41 038)**	1 426 530	1 099 659	326 871
Levies, interest and penalties received		1 485 829	1 526 764	(40 935)	1 426 407	1 099 659	326 748
Other income	5	117	220	(103)	123	-	123
Cash paid to stakeholders, suppliers and employees		**(1 108 496)**	**(1 557 398)**	**448 902**	(1 096 287)	(1 059 738)	(36 549)
Direct grants and project payments		(901 160)	(1 327 072)	425 912	(900 853)	(891 415)	(9 438)
Employment costs		(122 644)	(133 056)	10 412	(119 888)	(122 538)	2 650
Payments to suppliers		(84 692)	(97 270)	12 578	(75 546)	(45 785)	(29 761)
Cash generated from (utilised in)/ operations	20	**377 450**	**(30 414)**	**407 864**	330 243	39 921	290 322
Interest received		257 390	263 041	(5 651)	177 379	115 010	62 369
Net cash inflow from operating activities		**634 840**	**232 627**	**402 213**	507 622	154 931	352 691
CASH FLOW FROM INVESTING ACTIVITIES							
Purchase of property and equipment	14	(1 413)	(5 133)	3 720	(4 353)	(9 535)	5 182
Purchase of intangible assets	15	(774)	(1 420)	646	(405)	(4 358)	3 953
Proceeds from disposal of property and equipment		34	-	34	70	-	70
Net disposal of financial instruments at fair value		-	-	-	105 617	105 617	-
Net cash outflow from investing activities		**(2 153)**	**(6 553)**	**4 400**	100 929	91 724	9 205
Net increase in cash and cash equivalents		**632 687**	**226 074**	**406 613**	608 551	246 655	361 896
Cash and cash equivalents at beginning of year		3 005 195	3 005 195	**-**	2 396 644	2 396 644	**-**
Cash and cash equivalents at end of year	8	**3 637 882**	**3 231 269**	**406 613**	3 005 195	2 643 299	361 896

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 31 March 2019

	Original budget	Revisions	Final approved budget	Actual	Variance	Revised budget approved by Accounting Authority
	R'000	R'000	R'000	R'000	R'000	R'000
REVENUE						
Skills development levy income	1 485 301	-	1 485 301	1 455 050	(30 251)	1 365 000
Skills development penalties and interest	40 635	-	40 635	29 351	(11 284)	26 000
Total non-exchange revenue	**1 525 936**	**-**	**1 525 936**	**1 484 401**	**(41 535)**	**1 391 000**
Net gains from financial instruments	259 200	5 000	264 200	276 854	12 654	175 000
Other income	220	-	220	117	(103)	150
Total exchange revenue	**259 420**	**5 000**	**264 420**	**276 971**	**12 551**	**175 150**
Total revenue	**1 785 356**	**5 000**	**1 790 356**	**1 761 372**	**(28 984)**	**1 566 150**
EXPENSES						
Employer grant and project expenses	(1 339 950)	(30 817)	(1 370 767)	(1 058 620)	312 147	(1 498 744)
Administration expenses	(187 484)	(7 844)	(195 328)	(172 103)	23 225	(176 842)
Total expenses	**(1 527 434)**	**(38 661)**	**(1 566 095)**	**(1 230 723)**	**335 372**	**(1 675 586)**
Net (deficit)/ surplus for the year	**257 922**	**(33 661)**	**224 261**	**530 649**	**306 388**	**(109 436)**

REVISIONS TO THE ORIGINAL BUDGET

In August 2018, after the approval of the rollover of surplus funds by National Treasury, a revised budget for the 2018/19 financial year was submitted to DHET for approval. This was subsequently approved.

COMPARISON OF BUDGET VERSUS ACTUAL

Levy income is 2% below budget. The budget anticipated an increase of 6% in levies but only 4.6% was realised.

Net gains from financial instruments is 4.8% above budget. Cash balances are higher than expected resulting in higher interest earnings

Disbursements of employer grants and projects is 22.8% below budget. This can be attributed to the following factors:

- The 2019 discretionary grants make up a substantial percentage of total discretionary grants and projects and only 78% of the allocation for 2019 was taken up by companies.
- Only 50% of the second tranche of the 2019 discretionary grants were paid out due to delays in mandatory grant approvals, which is a prerequisite for discretionary grant allocations.
- There were significant reductions in MOA contracts in the current financial year amounting to R444 million.
- Mandatory grants approved and paid for 2019 constitute only 67% of mandatory levies received. The budget was based on a ratio of 74%, which was the experience in the 2016/17 financial year.

Administration expenses are 11.9% below budget but 6.6% above the costs of the previous year. This is mainly due to personnel costs being 11% below budget as a result of vacant posts. Throughout the year the administration budget was monitored against the budget that was approved by the Accounting Authority, and remained well within the legislated 10,5% administration limit.

The surplus for the year was R531 million. This was mainly driven by employer grant and project expenses which was R312 million below budget.

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The actual and budget information has been prepared and presented on an accrual basis.

2. CURRENCY

These financial statements are presented in South African Rands as this is the currency in which the majority of the entity's transactions are denominated. The level of rounding used in presenting amounts in the financial statements is to the nearest thousand, unless otherwise stated.

3. REVENUE RECOGNITION

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably.

3.1. Levy income

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

SARS pays eighty percent (80%) of skills development levies to the merSETA, eighteen percent (18%) is paid to the National Skills Fund (NSF) and the remaining two percent (2%) is retained by SARS as a collection cost.

Skills Development Levy (SDL) transfers are recognised when it is probable that future economic benefits will flow to the merSETA and these benefits can be measured reliably. This occurs at the earlier of the time the Department of Higher Education and Training (DHET) makes the allocation or payment is made to the merSETA.

Revenue is adjusted for interSETA transfers due to employers changing SETAs. Such adjustments are separately disclosed as interSETA transfers. SDL transfers are made in terms of section 8 of the SDLA. The amount of the interSETA adjustment is calculated according to the latest Standard Operating Procedure issued by DHET.

The merSETA refunds amounts to employers in the form of grants, based on levies received from SARS. SARS can make retrospective amendments to levies collected. This may result in grants that have been paid to certain employers being in excess of the amount the merSETA is permitted to have granted. These overpayments need to be recovered from the employers and a receivable for the amount of the overpayment is raised.

3.2. Interest and penalties

Income from interest and penalties on skills development levies is recognised at the earlier of the time the DHET makes the allocation or payment is made to the merSETA.

3.3. Net gains from financial instruments

Gains and losses on financial instruments are due to changes in the fair market value and interest income.

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

3.4. Other income

Other income is recognised when it is received.

4. GRANT AND PROJECT EXPENSES

4.1. Mandatory grants

The grant payable and the related expenses is recognised when the employer has submitted an application for a grant in the prescribed form, within the legislated cut-off period and it is probable the grants will be paid. This grant is equivalent to 20% of the total levies paid by the employer and represents a workplace skills planning grant.

A provision is recognised for mandatory grants once the specific criteria set out in the regulations to the Skills Development Act (Act 97 of 1998, as amended) (SDA), have been complied with by member companies, it is probable that the merSETA will approve the payment, and the amounts can be estimated with reasonable accuracy.

4.2. Discretionary project expenses

The merSETA may, out of any surplus monies, determine and allocate discretionary grants to employers, education and training providers and any other body stipulated by the gazetted grant regulations annually. These grants will only be paid if the conditions to qualify for such grants have been met and the application has been submitted, in the prescribed form and within the agreed cut-off period. The grant payable and the related expenses is recognised when the application has been approved and the conditions of approval have been met.

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

Such costs are consistently allocated using methods that are systematic and rational. Discretionary project costs are recognised as expenses in the period in which they are incurred and the liability is recognised accordingly.

No provision is made for approved projects, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a contract for a project, duly approved by the Accounting Authority, has been entered into, but has not been accrued or provided for, it is disclosed as a commitment in the notes to the financial statements.

4.3. Operational administration expenses reapportioned to project administration expenses

Project administration expenses are expenses incurred in the execution of discretionary projects. The merSETA categorises its administration expenses in the following categories: professional expenses, employment expenses, rent and rates, administration expenses, operating expenses, printing stationery and postages, telecommunication expenses, travel and

subsistence, conference and meeting expenses and marketing expenses.
Operational administration expenses are reapportioned to project administration expenses in these categories using headcount allocations.

4.4. Administration expenses

The Skills Development Levies Act (Act No. 9 of 1999 as amended) (SDLA) stipulates that a maximum of ten percent (10%) of levy income may be used for operational administration expenses. A maximum of half a percent (0.5%) of levy income is used for administration expenses of the Quality Council for Trades and Occupations (QCTO).

5. FINANCIAL INSTRUMENTS

Recognition

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

Financial assets and financial liabilities are recognised on the merSETA's statement of financial position when the merSETA becomes a party to the contractual provisions of the instrument.

Financial instruments carried on the statement of financial position include cash and cash equivalents, receivables from exchange transactions, payables from exchange transactions and other payables. Where relevant, the particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.1. Financial assets

Financial assets are defined as cash, or a residual interest of another entity, or a contractual right to receive cash or another financial asset from another entity.

The merSETA’s principal financial assets are cash and cash equivalents and receivables from exchange transactions.

Cash and cash equivalents

Cash and cash equivalents are initially measured at fair value. The subsequent measurement is at amortised cost with interest calculated by using the effective interest rate method.

Receivables from exchange transactions

Receivables from exchange transactions are measured at amortised cost with interest calculated by using the effective interest method.

5.2. Financial Liabilities

Financial liabilities arise where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments with another entity under potentially unfavourable conditions.

Payables from exchange transactions

The merSETA’ s principal financial liabilities are payables from exchange transactions. Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

A financial asset or a portion thereof is derecognised when the merSETA realises the contractual rights to the benefits specified in the contract, the rights expire, the merSETA waives those rights or otherwise loses control of the contractual rights that comprise the financial asset and transfers to another party substantially all the risks and rewards of ownership of the financial asset.

On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets is included in net surplus or deficit for the period.

Offsetting

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

6. RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Refunds are made to employers in the form of mandatory grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected this may result in grants that have been paid to affected employers being in excess of the amount that would have been granted to those employers had all information been available at the time of paying those grants.

Contracts are entered into with employers for the payment of discretionary grants. Where an employer withdraws from a contract or the contract value is reduced, a receivable will be raised to the extent that payments made under the contract exceed the revised total contract value.

A receivable relating to such overpayments of mandatory or discretionary grants is recognised at the amount of the grant overpayment, net of bad debts and allowance for irrecoverable amounts.

Other receivables from non exchange transactions relate to transactions with the UIF, NDPW and other SETAs.

7. PREPAYMENTS

Prepayments constitute advance payments for insurance. An asset is recognised when the payment is made and then expensed on a systematic basis over the period of the contract.

8. CONSUMABLES

Consumables are charged to consumable stock on acquisition at cost price. At financial year end consumables are measured at the lower of cost or net realisable value, using the average cost basis.

9. PROPERTY AND EQUIPMENT

Property and Equipment are recognised as assets when it is probable that the expected economic benefits will flow to the entity and the cost can be measured reliably. They comprise tangible assets held for administrative use and are expected to be used during more than one accounting period. Property and equipment are initially recognised at cost price on date of acquisition. They are subsequently recognised at cost less any accumulated depreciation and adjusted for any impairments. Depreciation has been calculated on the straight-line method to write off the cost of each asset at acquisition to estimated residual value over its estimated useful life as follows:

Asset class	Depreciation period current year	Depreciation period prior year
Computer equipment	3 - 7 years	3 - 6 years
Office furniture and fittings	5 - 14 years	5 - 10 years
Office equipment	5 - 7 years	5 - 10 years
Motor vehicles	4 - 8 years	4 - 8 years
Other assets	2 - 5 years	2 - 5 years

Expectations about the useful lives of property and equipment has changed since the previous reporting date. The useful life of assets were assessed by class, after consideration of the average life of disposed or retired assets. Based on this exercise the useful life of some classes of assets was changed as follows:

- Computer equipment: from 3 - 6 years in the prior year to 3 - 7 years in the current year
- Office furniture and fittings: from 5 - 10 years in the prior year to 5 - 14 years in the current year
- Office equipment: from 5 - 10 years in the prior year to 5 - 7 years in the current year

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

Repairs and maintenance costs are charged to the statement of financial performance.

An item of property and equipment is derecognised when the asset is disposed or when there are no further economic benefits from the use of the asset.

Surpluses and losses on disposal of property and equipment are determined as the difference between the proceeds on disposal and the carrying amount. The surpluses or losses are taken into account in determining operating surplus or deficit.

Property and equipment are assessed at each reporting period during the asset count as to whether there are any indications that the asset may be impaired. An asset is impaired if its carrying amount exceeds its recoverable service amount. An impairment loss is recognised in the operating surplus or deficit.

10. INTANGIBLE ASSETS

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the entity, and the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost. They are subsequently recognised in the statement of financial position at amortised cost, being the initial cost price less any accumulated amortisation and impairment losses.

Amortisation is charged to the statement of financial performance so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method as following:

Asset class	Amortisation period
Computer software	1 - 3 years

The useful lives and residual values of intangible assets are reassessed at the end of each financial year. There were no changes to the amortisation period in the current year.

Intangible assets are derecognised when the asset is disposed of or when there are no future economic benefits expected from the use of the asset.

Intangible assets are assessed at each reporting period during the asset count as to whether there are any indications that the asset may be impaired. An asset is impaired if its carrying amount exceeds its recoverable service amount. An impairment loss is recognised in the operating surplus or deficit.

11. OTHER PAYABLES

Other payables constitute salary and wage related accruals. These are recognised in the period in which the employee renders the related service.

12. PROVISIONS

Provisions are recognised when the merSETA has a present legal and constructive obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated. The provision is measured at the best estimate of expenses required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the present value of the provision shall be the present value of the expenses expected to settle the obligation. The merSETA provides for onerous contracts when the expected benefits to be derived from the contract are less than the unavoidable costs of meeting the obligation under the contract.

12.1. Provision for SARS Refunds

Companies with annual payrolls below R500,000 are exempted from paying skills development levies. SARS will be refunded where levies have been paid by such exempt companies. In terms of Skills Development Circular No 09/2013, issued by DHET on 25 August 2013, SETAs are able to utilise exempted amounts contributed after the expiry date of five years as stipulated in terms of Section 190 (4) of the Tax Administration Act. These amounts have been transferred to the discretionary funds in line with the aforementioned circular.

12.2. Provision for mandatory grants

Provision is made for the payment of mandatory grants where the grant has not yet been approved at the end of the financial year but an application has been submitted which could still potentially be approved.

12.3. Provision for employee related entitlements

The cost of other employee benefits (not recognised as retirement benefits - see note 10 above) are recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date. Provisions included in the statement of financial position are provisions for Workman's Compensation, leave pay and performance bonuses.

13. RESERVES

Net assets are sub-classified in the statement of financial position between the following funds and reserves:

- Administration reserve
- Employer grant reserve
- Discretionary grant reserve
- Accumulated surplus/deficit

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

Member company 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:

	2019	2018
	%	%
Administration costs of the merSETA	10	10
QCTO Administration costs	0,5	0,5
Mandatory Workplace Skills Planning Grant	20	20
Discretionary projects	49,5	49,5
Received by the merSETA	80	80
Contribution to NSF	20	20
	100	**100**

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

Interest and penalties received from SARS as well as interest received on investments are utilised for discretionary projects. Other income received is utilised in accordance with the original source of the income.

The minimum amount retained in the administration reserve equates to the net book value of non-current assets.

Surplus funds in the employer grant reserve are transferred to the discretionary grant reserve at the end of the financial year. An amount is retained in the employer grant reserve, after consideration is given to new companies, which in terms of the regulations, have six months after joining to submit their workplace skills plan.

14. LEASING

Operating leases

Leases under which the lessor retains the risks and benefits of ownership are classified as operating leases.

Rentals payable under operating leases are charged to surplus/deficit on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

15. RETIREMENT BENEFIT COSTS

The merSETA participates in the Momentum Funds at Work Umbrella Pension Fund. This fund is a defined contribution plan and the assets are held in separate trustee-administered funds. The plan is generally funded by both employer and the employee contributions. The expense or obligation at each reporting period is determined by the amounts to be contributed for that period.

Payments to the defined contribution plan are charged to the statement of financial performance in the year to which they relate.

The rules of the defined contribution plan determine the following in respect of contributions:

Contribution by employee	7,50%
Contribution by employer	12,08%
Total contribution	**19,58%**

16. CONTINGENCIES

Section 53 (3) of the PFMA a public states that an entity may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained. At the end of May each year a formal request to retain surpluses is submitted to National Treasury. Should such submission not be approved, surpluses would need to be refunded to National Treasury.

The amount retained in the Employer Grant Reserve is for newly registered companies. These companies have up to six months after registration to submit work place skills plans.

17. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has 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.

All departments and public entities in the national sphere of government are related parties as they are ultimately under common control.

An individual or entity may be given oversight responsibility over the merSETA , which gives them significant influence, but not control, over the financial and operating decisions of the entity.

Representation of individuals to the Accounting Authority, sub-committees of the Accounting Authority or other equivalent body is considered as significant influence.

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

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

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged.

Only transactions with related parties where the transactions are not concluded within the normal operating procedures or on terms that are no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

18. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure means expenses incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The Public Finance Management Act (PFMA), No. 1 of 1999 (as amended)
- The Skills Development Act, No. 97 of 1998 (as amended)

Fruitless and wasteful expenditure means expenses that were incurred in vain and would have been avoided had reasonable care been exercised. When identified, all material irregular, fruitless and wasteful expenditure is recognised against the specific class of expense to which it relates and disclosed in a note to the financial statements when it has been identified.

19. COMPARATIVE FIGURES

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

20. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the merSETA's accounting policies, management is required to make judgments, 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.

These 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 in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimating uncertainty at year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property and equipment

All classes of property and equipment are depreciated on a straight-line basis over the asset's useful life.

Provision for below threshold levies received

Companies with annual payrolls below R500 000 are exempted from paying skills development levies. However, there are still exempt companies that are paying skills development levies. The merSETA estimates the value and makes provision to refund these levies. The provision is only held for five years as in terms of section 190(4) of the Tax Administration Act a person is only entitled to a refund if claimed within five years of the date of assessment. Unclaimed levies older than five years are transferred to the discretionary grant reserve. This is also in compliance with Skills Development Circular 09/2013 issued by the Department of Higher Education and Training, dated 25 August 2013.

Provision for doubtful debts: receivables from non exchange transactions

The provision for doubtful debts is based on an estimate, using a percentage of gross debt. In arriving at the relevant percentage, consideration is given to actual recovery against the gross receivable over the past three financial years.

21. SEGMENT REPORTING

A segment is an activity of the merSETA:

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

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the merSETA's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring corresponding amounts in the merSETA's financial statements.

1. ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES:

	Total per Statement of Financial Performance	Administration reserve	Employer grants reserve	Discretionary grants
	R'000	R'000	R'000	R'000
Year ended 31 March 2019				
Total revenue	**1 761 372**	**191 091**	**361 650**	**1 208 631**
Skills development levy income				
Admin levy income (10.5%)	191 006	191 006	-	-
Grant levy income (69.5%)	1 264 044	-	361 650	902 394
Skills development levy: penalties and interest	29 351	-	-	29 351
Investment income	276 854	-	-	276 854
Other income	117	85	-	32
Total expenses	**1 230 723**	**172 103**	**251 583**	**807 037**
Employer grants and project expenses	1 058 620	**-**	251 583	807 037
Administration expenses	172 103	172 103	-	-
Net surplus per the statement of financial performance allocated	**530 649**	**18 988**	**110 067**	**401 594**
Year ended 31 March 2018				
Total revenue	**1 651 783**	**182 731**	**349 021**	**1 120 031**
Skills development levy income				
Admin levy income (10.5%)	182 649	182 649	-	-
Grant levy income (69.5%%)	1 208 821	-	349 021	859 800
Skills development levy penalties and interest	32 742	-	-	32 742
Investment income	227 448	-	-	227 448
Other income	123	82	-	41
Total expenses	**1 147 656**	**161 432**	**249 777**	**736 447**
Employer grants and project expenses	986 224	-	249 777	736 447
Administration expenses	161 432	161 432	-	-
Net surplus per the statement of financial performance allocated	**504 127**	**21 299**	**99 244**	**383 584**

2. SKILLS DEVELOPMENT LEVY INCOME

	Note	2019 R'000	2018 R'000
The total levy income per the statement of financial performance is as follows:			
Levy income: Administration		**191 006**	182 649
Levies received from SARS		191 428	183 275
InterSETA transfers		(301)	(530)
Provision for refund SARS		(121)	(96)
Levy income: Employer Grants		**361 650**	349 021
Levies received from SARS		362 517	349 199
InterSETA transfers		(624)	(1 010)
Provision for refund SARS		(243)	832
Levy income: Discretionary Grants		**902 394**	859 800
Levies received from SARS		904 329	863 805
InterSETA transfers		(1 328)	(2 499)
Provision for refund SARS		(607)	(1 506)
		1 455 050	1 391 470

3. SKILLS DEVELOPMENT LEVY PENALTIES AND INTEREST

		2019 R'000	2018 R'000
Penalties		14 396	17 150
Interest		14 980	15 594
InterSETA transfers		(25)	(2)
		29 351	32 742

4. NET GAINS FROM FINANCIAL INSTRUMENTS

		2019 R'000	2018 R'000
Interest income from cash and cash equivalents		**276 854**	227 448

5. OTHER INCOME

	Note	2019 R'000	2018 R'000
Income from re-certification		32	41
Management fee income		75	82
Interest on lease deposit		10	-
		117	123

Management fee income constitutes income from the National Department of Public Works for the training and development of artisans. One of the conditions of the contract is that a 5% management fee is to be paid to the merSETA for the administration of the contract.

6. EMPLOYER GRANT AND PROJECT EXPENSES

	Note	2019 R'000	2018 R'000
Mandatory grants		**251 583**	249 777
Mandatory grants		253 443	250 531
Bad debts - mandatory		(1 860)	(754)
Discretionary projects		**807 037**	736 447
Discretionary projects	6.1, 22.1	806 323	728 593
Bad debts - discretionary		714	7 854
		1 058 620	986 224

6.1. Discretionary project expenses consists of:

	2019 R'000	2018 R'000
Direct project cost	768 567	688 885
Indirect project administration costs	37 756	39 708
	806 323	728 593

7. ADMINISTRATION EXPENSES

	Note	2019 R'000	2018 R'000
Advertising, marketing and promotions, communication		4 077	5 391
Amortisation - intangible assets		346	416
Audit costs - internal audit		395	451
Audit costs - external audit		3 620	3 237
Audit costs - other audits		141	106
Bad debts		9	-
Bank charges		383	522
Accounting Authority and sub-committee costs		**4 691**	3 240
Remuneration to members of the audit committee		278	375
Accounting Authority and sub-committee members' fees		4 034	2 725
Accounting Authority and sub-committee assessment cost		-	70
Secretarial services		379	70
Cleaning and groceries		779	753
Depreciation		1 782	2 718
Employment costs		**126 174**	121 695
Recruitment costs		758	545
Salaries, wages and benefits	7.1	122 594	117 888
Staff training, development and welfare		2 822	3 262
Entertainment expenses		15	10
Gifts, donations and sponsorships paid		12	265
Insurance and licence fees		1 809	1 694
Investigations and forensic costs		-	404
Legal fees		3 903	2 324
Loss on disposal of property and equipment	20	22	51
Operating lease rentals		**13 046**	12 254
Buildings		11 394	10 698
Parking		1 652	1 556
Penalties and interest		215	-
Printing, stationery and postages		3 010	2 472
QCTO administration cost		9 489	7 468
Rates, water and electricity		3 933	3 764
Rental - office equipment		8	-
Repairs, maintenance and running costs		**4 045**	3 823
Buildings		**2 394**	2 142
Property and equipment		**1 651**	1 681

	Note	2019 R'000	2018 R'000
Service provider administration fees		9 796	11 583
Special functions		451	775
Storage		348	311
Telecommunication expenses		5 805	4 827
Travel, conferences and meeting expenses		11 555	10 586
		209 859	201 140
Less: amounts allocated to project expenses	6.1	(37 756)	(39 708)
		-	-
Net administration cost		**172 103**	161 432

7.1. Salaries and wages

		2019 R'000	2018 R'000
		106 811	102 571
Basic salaries		93 509	88 369
Performance awards		7 370	8 128
Arbitration awards		-	272
Other non-pensionable allowance		2 912	3 162
Temporary staff		826	1 650
Leave payments		2 194	990
Social contributions		**15 783**	15 317
Medical aid contributions		4 301	4 247
Pension contributions: defined contribution fund		9 747	9 493
UIF		386	399
Insurance		253	154
Other salary related costs		1 096	1 024
		122 594	117 888

	Note	2019 R'000	2018 R'000
NUMBER OF EMPLOYEES			
Average number of employees during the year		**262**	229
Permanent staff		229	229
Interns		33	-
Number of employees at the end of the year		**266**	223
Permanent staff		228	223
Interns		38	**-**

The defined contribution fund is administered by Momentum. It is a sub-fund under the Funds at Work umbrella fund. The expense recognised in the statement of financial performance equates to the contributions due for the year.

	Note	31 March 2019 R'000	31 March 2018 R'000
8. CASH AND CASH EQUIVALENTS			
Cash on hand		30	30
Cash at bank		21 980	4 705
Call accounts		215 872	150 460
Fixed notice deposits		3 400 000	2 850 000
		3 637 882	3 005 195

The merSETA obtained National Treasury approval of the banking institutions where these funds are held as required in terms of Treasury Regulation 31.2. The weighted average interest rate for cash and cash equivalents was 8.26% (2018: 8.17%).

Fixed notice deposits are held at various banks as approved by the National Treasury. These deposits are held on a short term basis with original maturity of 12 months or less.

As the merSETA was exempted by the National Treasury from the requirements of Treasury regulation 31.3 to invest surplus funds with the Corporation for Public Deposits. Surplus funds were invested in line with an investment policy approved by the Accounting Authority as required by Treasury regulation 31.3.5.

Cash on hand constitutes petty cash that is spread across seven regional offices, including head office.

	Note	2019 R'000	2018 R'000
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Deposits		1 255	1 261
Receivables due by employees and stakeholders		-	9
Sundry receivables	9.1	10	-
Interest receivable		148 305	128 841
		149 570	130 111

Receivables due by employees relate to payroll related amounts that were paid to employees.

9.1. Sundry receivables

	2019	2018
Sundry receivables	10	216
Allowance for doubtful debts	-	(216)
Net sundry receivables	**10**	-

Sundry receivables represent amounts due on lease deposits. In the previous year a deposit on a lease agreement for the KZN regional office which the landlord withheld. The lease expired at the end of 2017. All attempts made to recover the funds were unsuccessful. The amount was written off in the 2018/19 financial year.

Allowance for doubtful debts:

	2019	2018
Opening carrying amount	216	216
Reversal of provision	(216)	-
Closing carrying amount	**-**	216

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Note	31 March 2019 R'000	31 March 2018 R'000
Employer receivable	10.1	11 433	4 784
Receivable - discretionary projects (UIF)	10.2	13 253	14 734
National Department of Public Works (NDPW)	10.2	769	655
		25 455	20 173

10.1. Employer receivable

	Note	31 March 2019 R'000	31 March 2018 R'000
Employer receivable		21 987	18 402
Allowance for doubtful debts	10.1.1	(10 554)	(13 618)
Net receivable from employers		**11 433**	4 784

The employer receivable of R22.0 million (March 2018: R18.4 million) represents recoverable amounts due to:

a.) SARS retrospective adjustments to levies on which mandatory grants have already been paid.
b.) MOA contracts with employers where tranches were paid but training was not implemented according to the original contract.

An amount of R10.6 million (March 2018: R13.6 million) was provided against such employer receivables.

	Note	31 March 2019 R'000	31 March 2018 R'000
10.1.1. Allowance for doubtful debts:			
Opening carrying amount		(13 618)	(6 518)
Bad debts written off		1 918	-
Movement in provision during period	7	1 146	(7 100)
Closing carrying amount		**(10 554)**	(13 618)

Ageing of receivables:	2019 Gross	2019 Impairment	2018 Gross	2018 Impairment
Current	2 976	-	7 583	(2 799)
30 Days	2 955	-	468	(468)
60 Days	2 346	-	872	(872)
90 Days	310	-	1 317	(1 317)
91 Days to 6 Months	4 550	(1 704)	1 376	(1 376)
6 Months - 1 year	2 746	(2 746)	1 606	(1 606)
1 Year plus	6 104	(6 104)	5 180	(5 180)
Total	**21 987**	**(10 554)**	18 402	(13 618)

10.2. Receivable - UIF and NDPW

Ageing of receivables:	2019 UIF	2019 NDPW	2018 UIF	2018 NDPW
Current	263	-	112	-
30 days	131	-	863	-
60 days	-	-	187	-
90 days	150	153	525	306
91 days - 6 months	131	192	4 335	-
6 months - 1 year	713	38	2 209	-
1 year plus	11 865	386	6 503	349
Total	**13 253**	**769**	14 734	655

	31 March 2019 R'000	31 March 2018 R'000
11. PREPAYMENTS		
Prepayments - Insurance	**132**	-
12. CONSUMABLES		
Opening carrying value	799	505
Consumables purchased	1 071	1 259
Consumables issued and adjustments	(1 258)	(965)
Closing carrying value	**612**	799

13. PRIOR YEAR ADJUSTMENT AND CHANGE IN ESTIMATE

Every year the merSETA conducts and assessment of the useful lives of property, equipment and intangibles. In previous years assessments no adjustments were made as the amounts involved were not considered material. In conducting the assessment, a distinction was made between assets that were fully depreciated and those that were not. The depreciation of assets that were fully depreciated was recalculated from the date the assets were placed in service and the change is shown as a prior year adjustment. For those assets that were not fully depreciated, the depreciable amount was spread over the remaining useful life of the assets and was treated as a change in estimate.

	Note	2019 R'000	2018 R'000
Prior year adjustment			
The effect on the current and prior year is shown below:			
(Decrease)/ increase in carrying value of property equipment and intangibles		(1 001)	4 269
Increase in opening reserves		-	3 496
Increase in depreciation: property and equipment		960	800
Increase/ (decrease) in amortisation: intangibles		41	(27)
Change in estimate			
The extension of the life of assets resulted in a reduction in the amount of depreciation and amortisation charged in the current year, the effect of which is shown below. Depreciation and amortisation that would have been charged in future years will similarly be effected:			
Increase in carrying value of property equipment and intangibles		1 405	-
Decrease in depreciation: property and equipment		(1 401)	-
Decrease in amortisation: intangibles		(4)	-

14. PROPERTY AND EQUIPMENT

	Cost	Accumulated depreciation/ impairments	Closing carrying amount
	R'000	R'000	R'000
Year ended 31 MARCH 2019			
Owned assets			
Computer equipment	11 244	(6 318)	**4 926**
Office furniture and fittings	7 566	(4 571)	**2 995**
Office equipment	3 733	(2 120)	**1 613**
Motor vehicles	4 794	(2 160)	**2 634**
Total owned assets	**27 337**	**(15 169)**	**12 168**
Year ended 31 MARCH 2018			
Owned assets			
Computer equipment	11 105	(5 377)	**5 728**
Office furniture and fittings	7 227	(4 320)	**2 907**
Office equipment	3 272	(2 014)	**1 258**
Motor vehicles	4 794	(1 736)	**3 058**
Other assets	60	(54)	**6**
Balance at end of year	**26 458**	**(13 501)**	**12 957**

	Opening carrying amount	Prior year adjustment	Additions	Disposals cost	Depreciation charge restated	Accumulated depreciation on disposals	Closing carrying amount restated
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Movement summary 2019							
Owned assets							
Computer equipment	5 728	-	378	(240)	(1 144)	204	4 926
Office furniture and fittings	2 907	-	383	(44)	(294)	43	2 995
Office equipment	1 258	-	652	(191)	(284)	178	1 613
Motor vehicles	3 058	-	-	-	(424)	-	2 634
Other assets	6	-	-	(60)	-	54	-
Total owned assets	**12 957**	**-**	**1 413**	**(535)**	**(2 146)**	**479**	**12 168**
Movement summary 2018							
Owned assets							
Computer equipment	1 976	2 348	3 120	(581)	(1 652)	517	5 728
Office furniture & fittings	2 002	622	935	(332)	(601)	281	2 907
Office equipment	898	472	298	(62)	(404)	56	1 258
Motor vehicles	4 067	-	-	-	(1 009)	-	3 058
Other assets	6	-	-	-	-	-	6
Balance at end of year	**8 949**	**3 442**	**4 353**	**(975)**	**(3 666)**	**854**	**12 957**

No assets have been pledged as security or collateral for any liability.

In the current year the MerSETA tested the assets for impairment.

15. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Cost	Accumulated amortisation restated	Closing carrying amount restated
	R'000	R'000	R'000
Year ended 31 March 2019			
Intangible assets	1 035	(301)	**734**
Year ended 31 March 2018			
Intangible assets	1 525	(1 219)	**306**

	Opening carrying amount	Impair-ment cost	Prior year adjustment	Additions	Disposals cost	Amortisation charge restated	Accumulated amortisation on disposals	Closing carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Movement summary 2019								
Intangible assets	306	-	-	774	(1 055)	(346)	1 055	734
Movement summary 2018								
Intangible assets	263	-	54	405	(847)	(416)	847	306

16. PAYABLES FROM EXCHANGE TRANSACTIONS

	Note	31 March 2019 R'000	31 March 2018 R'000
Trade payables from exchange transactions		**9 713**	21 400

17. GRANTS AND TRANSFERS PAYABLE

	Note	31 March 2019 R'000	31 March 2018 R'000
Grants payable		224 879	94 811
Payable - Training Layoff Scheme (UIF)		940	940
InterSETA payables	24.1	2 554	1 625
		228 373	97 376

18. OTHER PAYABLES

	Note	31 March 2019 R'000	31 March 2018 R'000
Accruals salaries and wages		**1 277**	1 185

19. PROVISIONS

	Note	31 March 2019 R'000	31 March 2018 R'000
Provision for SARS refund	19.1	17 646	17 147
Provision for mandatory grants	19.2	9 405	2 800
Provision for leave pay	19.3	7 379	6 209
Provision for Workman's Compensation	19.3	276	164
Provision for performance bonuses	19.3	8 012	9 437
		42 718	35 757

19.1. Provision for SARS refund

	Note	31 March 2019 R'000	31 March 2018 R'000
Opening carrying amount		17 147	15 877
Amount utilised		(3 732)	(3 515)
Additional provision during the period		4 231	4 785
Closing carrying amount	19	**17 646**	17 147

Companies with annual payrolls below R500 000 are exempted from paying skills development levies. SARS will be refunded where levies have been paid by such exempt companies.

	Note	31 March 2019 R'000	31 March 2018 R'000
19.2. Provision for mandatory grants			
Opening carrying amount		2 800	3 000
Amount utilised		(176)	(839)
Additional provision during the period		6 781	639
Closing carrying amount	19	**9 405**	2 800

Provision is made for the payment of mandatory grants where the grant has not yet been approved at the end of the financial year but an application has been submitted which could still potentially be approved.

	Leave pay R'000	Workman's compen-sation R'000	performance bonuses R'000
19.3. Payroll related provisions			
Opening carrying amount 2018	5 818	208	8 087
Amounts utilised 2018	(651)	(208)	(9 436)
Additional provision during the period	1 042	164	10 786
Closing carrying amount 2018	**6 209**	**164**	**9 437**
Amounts utilised 2019	(4 701)	(164)	(9 342)
Additional provision during the period	5 871	276	7 917
Closing carrying amount 2019	**7 379**	**276**	**8 012**

The Workman's Compensation provision is calculated in accordance with the Workman's Compensation Act no 130 of 1993.

20. RECONCILIATION OF NET SURPLUS TO CASH UTILISED IN OPERATIONS.

		2019		2018	
		R'000	R'000	R'000	R'000
	Note	Actual	Budget	Actual Restated	Budget
Net surplus per the statement of financial performance		530 649	224 261	504 127	-
Adjusted for non-cash items:					
Depreciation property and equipment	14	2 146	3 683	3 666	9 284
Amortisation of intangible assets	15	346	778	416	2 921
Loss on disposal of property and equipment	7	22	-	51	-
Movements in provisions		6 961	1 060	1 697	(1 613)
Adjusted for items separately disclosed					
Net gains from financial instruments		(257 390)	(263 041)	(177 379)	(115 010)
Adjusted for working capital changes:					
(Increase) decrease in prepayments		(132)	-	62	(34)
(Increase)/ decrease in receivables from non-exchange transactions		(5 282)	(1 527)	24 075	33 998
(Increase)/ decrease in receivables from exchange transactions		(19 459)	(1 239)	(50 071)	39 135
Decrease/ (increase) in consumables		187	(51)	(294)	255
Increase in grants and transfers payable		130 997	3 777	28 788	61 465
Increase/ (decrease)/ increase in payables from exchange transactions from exchange transactions		(11 687)	1 800	(5 005)	10 595
Increase/ (decrease) in other payables		92	85	110	(1 075)
Cash utilised in operations		**377 450**	**(30 414)**	330 243	39 921

21. CONTINGENCIES

21.1. Contingent Liabilities

21.1.1 Refunds to National Treasury

In terms of the PFMA, public entities may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained. Approval for the retention of surpluses as at 31 March 2019 has been requested from National Treasury.

Instruction 6 of 2017/18 issued in May 2017 clarified that the surplus should be based on the following:

	Note	31 March 2019 R'000	31 March 2018 R'000
Cash and cash equivalents at the end of the year	8	3 637 882	3 005 195
Add: Receivables from exchange transactions	9	149 570	130 111
Add: Receivables from non-exchange transactions	10	25 455	20 173
Less: Current Liabilities		(282 081)	(155 718)
Less: Commitments	22,1	(2 918 165)	(2 205 938)
Total surplus		**612 661**	793 823

The discretionary reserves of merSETA amount to R3.531 billion. MerSETA is 83% committed in terms of these reserves.

21.1.2 Mandatory grants for newly registered companies

Contingent liabilities comprise an Employer Grant Reserve of R758 000 (2018: R992 000) for newly registered member companies participating after the legislative cut-off date.

These newly registered member companies are required to submit their Workplace Skills Plan within six months and will be eligible for the mandatory grant once this has been approved by the merSETA.

21.1.3 Pending Litigations

In the 2018/19 financial year disciplinary actions were taken against six employees. Four of the six were found guilty and sanctions were imposed. The organisation has instituted summons in the high court to recover monies due to the merSETA. The outcome of this legal dispute is uncertain and may have negative financial outcomes for the merSETA.

22. COMMITMENTS

22.1. Discretionary reserve commitments - Contractual

Of the balance of R3.531 billion available in the discretionary reserve on 31 March 2019 an amount of R2,918 billion has been approved for future discretionary projects as set out below. This represents a commitment ratio of 83%. Amounts for expenses that have already been incurred, and therefore included in the discretionary project expense in the statement of financial performance, are also indicated.

Project/ discretionary grant programmes	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2018	Opening balance 2019	Administration expenses/ other adjustments 2019	Approved contractual expenses and reductions 2019	Charged to statement of financial performance 2019	Closing balance 2019
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 1: ADMINISTRATION									
Discretionary Grant Administration expenses	-	31 217	-	(31 217)	-	32 196	-	(32 196)	-
Project Administration expenses	-	8 486	-	(8 486)	-	5 567	-	(5 567)	-
Media Symposiums	-	1 471	-	(1 471)	-	3 358	-	(3 358)	-
Labour and Stakeholder Capacity Building	-	78	-	(78)	-	-	-	-	-
ETQA Committee	-	32	-	(32)	-	-	-	-	-
Knowledge Management Project	114	825	(86)	(853)	-	997	-	(997)	-
	114	**42 109**	**(86)**	**(42 137)**	**-**	**42 118**	**-**	**(42 118)**	**-**

Project/ discretionary grant programmes	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2018	Opening balance 2019	Administration expenses/ other adjustments 2019	Approved contractual expenses and reductions 2019	Charged to statement of financial performance 2019	Closing balance 2019
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 2: SKILLS PLANNING									
SSP Strategy and Research	350	2 077	3 652	(3 994)	2 085	2 045	2 340	(5 779)	691
Chamber Development Programme	-	3 846	1 992	(4 838)	1 000	2 997	1 000	(4 247)	750
Monitoring and Evaluation Project	-	720	-	(720)	-	1 519	4 077	(3 341)	2 255
Vaal University of Technology	22 556	-	(12 657)	(9 899)	-	-	-	-	-
Dual System Apprenticeship Pilot	8 379	2 592	2 037	(6 876)	6 132	3 291	500	(6 067)	3 856
Walter Sisulu University	23 347	-	-	(5 178)	18 169	-	-	(9 747)	8 422
University of Johannesburg - Multi Year Project	2 520	-	-	(993)	1 527	-	-	(753)	774
Research Project - Skills 4.0	-	-	-	-	-	-	28 844	(4 660)	24 184
Career Development Framework	-	-	-	-	-	-	12 621	(3 553)	9 068
CIPSET Student Association	-	-	-	-	-	-	7 901	(1 089)	6 812
Atlas of Occupations	-	-	-	-	-	-	2 000	-	2 000
Post School Educ (PSET Cloud)	-	-	-	-	-	-	3 397	(365)	3 032
Black Industrialists	-	-	-	-	-	-	4 000	-	4 000
	57 152	**9 235**	**(4 976)**	**(32 498)**	**28 913**	9 852	66 680	(39 601)	**65 844**

	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2018	Opening balance 2019	Administration expenses/ other adjustments 2019	Approved contractual expenses and reductions 2019	Charged to statement of financial performance 2019	Closing balance 2019
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS									
Partnership Wits University	25 638	-	-	(8 319)	17 319	-	-	(8 374)	8 945
Institute Of Motor Industry	464	10	700	(31)	1 143	-	(288)	(855)	-
University Of Western Cape	4 501	-	(2 276)	(2 225)	-	-	1 323	-	1 323
Durban University of Technology	6 450	-	(3 200)	(713)	2 537	-	6 504	(3 760)	5 281
Dept. of Basic Education -Technology	30 836	-	-	(14 285)	16 551	-	(1 045)	(6 769)	8 737
Young Motor Engineers TVET	12 192	(11 322)	-	(870)	-	-	-	-	-
Innovation, Research and Support - Uni. FS	8 700	-	-	(2 175)	6 525	-	-	(4 344)	2 181
Innovation, Research and Sup - U.Venda	8 456	-	-	(846)	7 610	-	-	(2 325)	5 285
Resolution Circle - P1, P2 and Intern Development	24 914	-	3 629	(22 431)	6 112	-	12 975	(8 957)	10 130
Mangosuthu University Of Technology	16 158	-	(12 000)	(2 479)	1 679	-	8 875	(3 541)	7 013
Bursaries	40 014	(24 637)	1 160	(14 281)	2 256	-	30 479	(18 176)	14 559
UIF/MerSETA Artisan Development	44 991	(7 825)	6 614	(3 851)	39 929	(1 309)	(1 350)	(1 170)	36 100
Denel Artisan Training Programme	161	-	(161)	-	-	-	-	-	-
Accelerated Artisan Training Programme	-	-	101	(101)	-	-	-	-	-
KZN - Office of Premier Project	24 440	-	(1 254)	(13 699)	9 487	-	54 979	(6 493)	57 973
Eastern Cape - Office of Premier	28 632	-	(9 968)	(4 933)	13 731	-	-	(2 090)	11 641
MOA Project DG4 (Year 2012)	563	(267)	(56)	-	240	(42)	(53)	-	145
MOA Project DG5 (Year 2013)	8 254	244	(4 622)	(3 876)	-	(30)	-	30	-

	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2018	Opening balance 2019	Administration expenses/ other adjustments 2019	Approved contractual expenses and reductions 2019	Charged to statement of financial performance 2019	Closing balance 2019
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS (continued)									
MOA Project DG6 (Year 2014)	156 819	(764)	(18 795)	(29 276)	107 984	(35)	(63 550)	(44 399)	-
MOA Project DG7 (Year 2015)	280 854	(1 753)	(36 076)	(33 841)	209 184	(59)	(58 369)	(44 675)	106 081
MOA Project DG8 (Year 2016)	392 257	(8 191)	(55 493)	(45 250)	283 323	(29)	(29 831)	(37 065)	216 398
MOA Project DG9 (Year 2017)	563 505	(5 493)	(55 498)	(66 869)	435 645	54	(67 492)	(43 206)	325 001
MOA Project DG10 (Year 2018)	-	(214)	680 511	(185 095)	495 202	185	(73 858)	(66 361)	355 168
MOA Project DG11 (Year 2019)	-	-	-	-	-	62	749 293	(203 170)	546 185
School Support	4 381	-	-	(1 045)	3 336	-	-	-	3 336
DPWRT- Mpumalanga Provincial	169	-	(68)	(101)	-	-	-	-	-
Limpopo Department of Public Works	2 340	-	(289)	(684)	1 367	-	2 433	(432)	3 368
Western Cape - Department of Economic Development and Trade	3 532	-	16 712	(5 135)	15 109	-	(2 575)	(646)	11 888
Correctional Services Kimberley	829	-	(579)	-	250	-	-	-	250
National Department of Public Works (NDPW)	14 970	(1 711)	21 180	(7 176)	27 263	(1 419)	(5 247)	(4 842)	15 755
Department of Military Veterans	1 703	-	(1 703)	-	-	-	-	-	-
NMMU Marine Engineering	22 535	-	-	(10 166)	12 369	5	15 669	(9 454)	18 589
North West Office of Premier	33 507	-	(14 364)	(3 727)	15 416	-	(227)	(761)	14 428

	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2018	Opening balance 2019	Administration expenses/ other adjustments 2019	Approved contractual expenses and reductions 2019	Charged to statement of financial performance 2019	Closing balance 2019
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS (continued)									
Gauteng Dept of Education (GDE)	17 201	(768)	35 071	(12 802)	38 702	-	41 029	(9 345)	70 386
Matric Support Programme	31 975	(58)	(3 207)	(2 750)	25 960	(24)	(14 007)	(5 264)	6 665
Free State Office of Premier	29 075	-	-	(9 390)	19 685	-	-	-	19 685
Chinese Cultural Training Centre	14 200	-	26 104	(16 024)	24 280	-	64 648	(18 820)	70 108
Offenders Awaiting Parole (FS)		4 500	-	(1 500)	3 000	-	-	(1 000)	2 000
Offenders Awaiting Parole (KZN)	2 198	-	-	-	2 198	-	-	-	2 198
Offenders Awaiting Parole (GAU)	4 500	4 572	-	-	9 072	-	-	-	9 072
Skills Development - Saldanha and Atlantis	16 712	-	(16 712)	-	-	-	-	-	-
School Children - Land Speed Record	743	-	-	(490)	253	-	-	(253)	-
Office of Premier - Limpopo	19 900	-	-	(4 975)	14 925	-	-	-	14 925
False Bay Public FET College	9 312	-	(1 000)	(3 305)	5 007	1 337	(2 761)	(2 163)	1 420
ISOEs	9 121	-	(646)	(2 206)	6 269	-	1 093	(5 014)	2 348
TVET Lecturer Development	3 658	-	(801)	(732)	2 125	210	(1 568)	(453)	314
TVET NCV Learners	102 018	39	2 153	(35 819)	68 391	(1 546)	115 267	(24 999)	157 113
Goldfields Public TVET College	1 250	-	-	(1 250)	-	-	-	-	-
The British Council	1 000	12	2 700	(1 012)	2 700	6	-	(1 626)	1 080
Central University of Technology	10 858	-	(358)	(3 022)	7 478	-	(16)	(3 446)	4 016
Co-operatives and TVETs	6 323	-	-	(2 749)	3 574	-	(1 321)	(2 253)	-
NC(V) learners to Artisan - TVET	10 500	2 250	-	(3 750)	9 000	-	(9 000)	-	-
Spray painting Simulator - TVET	15 000	-	-	(1 500)	13 500	-	-	(750)	12 750
Offenders Awaiting Parole - E/Cape	1 344	-	-	-	1 344	-	-	-	1 344

	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2018	Opening balance 2019	Administration expenses/ other adjustments 2019	Approved contractual expenses and reductions 2019	Charged to statement of financial performance 2019	Closing balance 2019
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS (continued)									
Innovation, Research and Support - University of North West	21 500	-	-	(4 272)	17 228	-	-	(7 579)	9 649
RPL to T. Test (Capricorn TVET)	917	-	(917)	-	-	-	-	-	-
Programme Impl-work integrated		-	192	(48)	144	-	-	(144)	-
Cape Peninsula Univ Technology	1 776	-	1 920	(1 712)	1 984	-	3 962	(1 390)	4 556
Maths and Science Student Project	135	-	(135)	-	-	-	-	-	-
ABET Project - Phase 3 and 4	565	(22)	(210)	(86)	247	7	(150)	(26)	78
Tshwane University of Technology - Institute for Advanced Tooling	11 365	-	(7 530)	(2 603)	1 232	-	4 463	(2 495)	3 200
University of Johannesburg Project	494	-	(382)	(112)	-	-	-	-	-
Internships	-	151	-	(151)	-	2 239	-	(2 239)	-
Retrenchment Assistance Programme	53 468	492	(7 980)	(10 667)	35 313	208	(9 667)	(7 127)	18 727

	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2018	Opening balance 2019	Administration expenses/ other adjustments 2019	Approved contractual expenses and reductions 2019	Charged to statement of financial performance 2019	Closing balance 2019
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS (continued)									
People with Disabilities	1 709	-	3 027	(1 441)	3 295	-	(512)	(778)	2 005
Saldhana Bay - Industrial Development Zone	1 885	-	-	(1 151)	734	-	7 993	(734)	7 993
Black Female Management Project	722	-	135	(582)	275	-	1 659	(689)	1 245
Non Levy Paying NGOs and CBOs	3 313	(260)	4 440	(3 392)	4 101	-	13 974	(5 603)	12 472
Mpumalanga Education Depart.	8 598	-	2 424	(4 737)	6 285	-	15 150	(1 986)	19 449
Small, Medium Enterprise (SME) Project	4 095	(14)	(1 120)	(864)	2 097	(36)	(1 534)	(527)	-
Green Skills	140	-	(140)	-	-	66	6 317	(721)	5 662
Department of Small Business Develop.	9 613	-	(3 300)	(1 866)	4 447	-	780	(2 396)	2 831
Worker Initiated Project	17 205	(93)	(707)	(4 124)	12 281	-	10 188	(5 309)	17 160
Skills Conferences and Competitions	568	2 231	19 795	(5 831)	16 763	3 447	15 537	(33 604)	2 143
Career Path and Development	-	846	7 066	(2 610)	5 302	1 118	(6 066)	(354)	-
Mobile Skills Development	-	2 001	-	(2 001)	-	1 014	-	(1 014)	-
National Students Financial Aid scheme (NSFAS)	91 231	-	(14 236)	(1 995)	75 000	-	-	-	75 000
Corporate Social Investment	-	13	-	(13)	-	349	-	(349)	-
ISFAP Bursaries	-	-	-	-	-	-	160 626	(13 315)	147 311
Centre of Specialisations	-	-	-	-	-	-	15 015	(3 589)	11 426
TVET Quality Prog Skills 4.0	-	-	-	-	-	-	23 050	(993)	22 057
East Cape Mid College 4.0	-	-	-	-	-	-	120 000	(12 000)	108 000
Univ FS Chair in Engin. 4.0	-	-	-	-	-	-	36 661	(3 666)	32 995

	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2018	Opening balance 2019	Administration expenses/ other adjustments 2019	Approved contractual expenses and reductions 2019	Charged to statement of financial performance 2019	Closing balance 2019
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS (continued)									
False Bay C Swartklip Artisan.	-	-	-	-	-	-	29 919	(2 990)	26 929
Univ WC IDC Hub	-	-	-	-	-	-	18 000	-	18 000
CUT Chair in Innovation	-	-	-	-	-	-	6 000	-	6 000
Work Integrated Learn. (UNISA)	-	-	-	-	-	-	7 040	(1 760)	5 280
College CT Welding Centre	-	-	-	-	-	-	3 992	-	3 992
Learning factories (CSIR)	-	-	-	-	-	-	68 987	(6 899)	62 088
Chair on Intelligent Man. (TUT	-	-	-	-	-	-	29 148	(2 915)	26 233
Labour rep. trn legisl -Rhodes	-	-	-	-	-	-	2 259	(226)	2 033
Ind 4.0 Dev. Cen. Supp (NMU)	-	-	-	-	-	-	10 949	-	10 949
Trn and mentor small bus (RMI)	-	-	-	-	-	-	1 738	-	1 738
Robotics trn high School-FSDOE	-	-	-	-	-	-	15 571	-	15 571
Prog Raspberry PI (DUT)	-	-	-	-	-	-	7 060	-	7 060
	2 298 952	**(46 031)**	**559 851**	**(637 014)**	**2 175 758**	**5 778**	**1 390 118**	**(720 638)**	**2 851 016**

Discretionary reserve commitments - Contractual (continued)

	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses & reductions 2018	Charged to statement of financial performance 2018	Opening balance 2019	Administration expenses/ other adjustments 2019	Approved contractual expenses & reductions 2019	Charged to statement of financial performance 2019	Closing balance 2019
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 4: QUALITY ASSURANCE									
Courseware & Curriculum Development	-	90	800	(90)	800	176	1 014	(1 049)	941
QCTO CEP Pilot Project	650	384	498	(1 065)	467	1 137	1 394	(2 634)	364
Assessment Quality Partner	-	88	-	(88)	-	283	-	(283)	-
	650	**562**	**1 298**	**(1 243)**	**1 267**	**1 596**	**2 408**	**(3 966)**	**1 305**
TOTAL CONTRACTUAL COMMITMENTS	**2 356 868**	**5 875**	**556 087**	**(712 892)**	**2 205 938**	**59 344**	**1 459 206**	**(806 323)**	**2 918 165**

22.2. COMMITMENTS NOT YET CONTRACTED

Bursaries	**-**	**25 012**	**75**	**(15 701)**	**9 386**	**(9 386)**	**-**	**-**	**-**

This represents bursary commitments where the original contracts have expired and the addendums were not yet signed at 31 March 2018. The addendums were signed in the 2018/19 financial year and are now shown in the commitments.

22.3. FUNDING AGREEMENTS

UIF - Project 2	42 600	-	(3 209)	-	39 391	-	506	-	39 897
National Dept. Public Works	34 180	-	(28 432)	-	5 748	-	-	-	5 748
GDE Apprent. Support Programme	44 625	-	(37 443)	-	7 182	-	(7 182)	-	-
TOTAL	**121 405**	**-**	**(69 084)**	**-**	**52 321**	**-**	**(6 676)**	**-**	**45 645**

Funding agreements represent contracts with public institutions, where the agreement is that payments will be made to the company or organisation that undertakes the training. The amounts reflected represent that portion of the funding agreement that has not yet translated into contracts with these companies or organisations. These amounts can not be disclosed as commitments but the funds have been set aside for the public institutions listed.

22.4. Operating Leases

This represents the total of future minimum lease payments under non-cancellable operating leases:

Operating leases relate to premises utilised for office space. The lease contracts are for the period 1 April 2018 to 31 March 2020. The average escalation is 8%.

	2019	2018
	R'000	R'000
Not later than one year	13 994	12 029
Later than one year and not later than five years	-	12 558
	13 994	24 587

22.5. Other operational commitments

These relate to the maintenance of the NSDMS system and healthcare services

Not later than one year	**1 656**	-

23. FINANCIAL INSTRUMENTS

In the course of the merSETA operations, it is exposed to market risk, credit risk and liquidity risk. The merSETA has developed a comprehensive risk strategy in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below:

MARKET RISK

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. merSETA exposure to market risk is in the area of interest rate risk.

The merSETA does not have exposure to currency risks as none of the financial instruments are denominated in a foreign currency.

INTEREST RATE RISK

The merSETA is exposed to interest rate risk as it has invested its cash in interest-bearing instruments.

The merSETA manages its interest rate risk by investing in fixed notice deposits that earn short-term gains at fixed rates and are relatively low risk.

The merSETA limits further exposure to interest rate risk by dealing with well-established institutions. These institutions have been approved by National Treasury and highly rated to be included in the merSETA's investment policy.

The merSETA's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date are as follows:

	Floating rate		Fixed Rate			Non-interest bearing		
Financial instrument	Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount R'000	Weighted average period until maturity in years	TOTAL R'000
Year ended 31 March 2019								
Cash and cash equivalents	22 010	6,39%	3 615 872	8,43%	12 months	-	-	3 637 882
Receivables from exchange transactions	-	-	-	-	-	149 570	12 months	149 570
Total financial assets	**22 010**		**3 615 872**			**149 570**		**3 787 452**
Liabilities								
Trade Payables	-	-	-	-	-	9 713	30 days	9 713
Net financial assets	**22 010**		**3 615 872**			**139 857**	**-**	**3 777 739**
Year ended 31 March 2018								
Assets								
Cash and cash equivalents	4 735	6,60%	3 000 460	8,29%	12 months	-	-	3 005 195
Receivables from exchange transactions	-	-	-	-	-	130 111	12 months	130 111
Total financial assets	4 735		3 000 460	-	-	130 111	-	3 135 306
Liabilities								
Trade payables	-	-	-	-	-	21 400	30 days	21 400
Net financial assets	**4 735**		**3 000 460**	**-**	**-**	**108 711**	**-**	**3 113 906**

SENSITIVITY ANALYSIS

The financial period under review was faced with a number of economic challenges. The South African economy grew by 0.8% in 2018, a decline from 1.8% in 2017. The World Bank projects a growth of 1.3% in 2019 accelerating further to 1.8% in 2020. Low growth, weak revenue collections and expenditure pressures have resulted in higher deficits than forecasted, therefore putting pressure on South Africa's sovereign credit ratings. Inequality and high unemployment also remain major challenges the economy is facing. The move by President Ramaphosa to fight corruption bode well for the economy. Inflation has remained within the Reserve Bank's target range of 3% to 6% increasing to 4.5% in March 2019 from 4.1% in the previous month. The Reserve Bank decided not to change the interest rate and held it at 6.75% at its meeting held in March 2019. Most economic forecasts had anticipated an interest rate increase of 25 basis point during the year, therefore management determines that a fluctuation interest rate of 25 basis points is reasonable for sensitivity analysis.

At 31 March 2019, if the weighted average interest rate was 25 basis point higher with all other variables held constant, then the surplus would have been R15 million higher to R544 million, arising from the increase in net gains on financial instruments. If the weighted average interest rate was 25 basis point lower with all other variables held constant, then the surplus would have been R3 million lower to R525 million, arising from the decreased net gains in financial instruments.

The Metal and Engineering sector has been facing an economic crisis over the last 3 years. Despite these challenges the sector is expected to show a moderate growth of 1.8% in 2019. Challenges facing the sector include high volatility in production, lack of investment and job losses. Manufacturing production rose 1.2% year on year in March 2019. It is the strongest gain in manufacturing activity since October 2018 boosted by the petroleum, chemical products, rubber and plastic products division (7% vs 2.5% in February 2019). Levy income growth in 2019 was at 4% over prior year when compared to 6% growth in 2018.

Therefore, management determines that a variant of 5% to 10% fluctuating in levy income is reasonable for the sensitivity analysis.

At 31 March 2019, if skills development levy income grew only by 2% from the previous financial year, instead of the 4% growth and all other variables held constant, then a surplus of R495.6 million would have been incurred. If the skills development levy income declined by 2% and all other variables held constant, then a surplus of R439 million would have been earned.

CREDIT RISK

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

The financial assets which potentially subject the merSETA to the risk of non-performance to counter-parties and thereby subject to credit risk are receivables from exchange transactions.

The merSETA is exposed to credit risk in regard to payments made in advance on discretionary grants whereby not all deliverables as agreed upon in the Memorandum of Agreement have been met.

The merSETA has entered into agreements with the qualifying employers, whereby other tranche payments are payable only once training has been implemented.

The merSETA does not have any material exposure to any individual or counter-party. The merSETA's concentration of credit risk is limited to the manufacturing, engineering and related services industry in which the merSETA operates. No events occurred in this sector during the financial year that may have an impact on the receivables that has not been adequately provided for. Receivables are presented net of an allowance for doubtful debts.

The entity's maximum exposure to credit risk is as follows:

	Note	2019 R'000	2018 R'000
Employer receivable	11	11 433	4 784
Receivables due by employees	10	-	9
		11 433	4 793

LIQUIDITY RISK

Liquidity risk is the risk that the entity could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment.

The merSETA is exposed to liquidity risks as it has outstanding obligations to make payments to levy-paying employers and training providers for training that has been completed and also payments to trade creditors for goods delivered and services rendered.

The merSETA manages liquidity risk through proper management of working capital, capital expenses, actual against forecast cash flows and its investment policy. Adequate reserves and liquid resources are also maintained.

Maturity analysis on the entity’s contractual cash flows for its non-derivative financial liabilities :

	Carrying Amount	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
2019						
Trade payables from exchange transactions	9 713	9 713	9 713	-	-	-
2018						
Trade payables from exchange transactions	21 400	21 400	21 400	-	-	-

Fair values

The merSETA's financial instruments consist mainly of cash and cash equivalents and receivables and payables from exchange transactions. No financial instrument was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments. The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short to medium-term maturity of these financial assets.

Receivables from exchange transactions

The carrying amount of receivables from exchange transactions approximates fair value due to the relatively short-term maturity of these financial assets.

24. RELATED PARTY TRANSACTIONS

24.1. Transactions with other SETAs

Interest transactions and balances arise due to the movement of employers from one SETA to another. No other transactions occurred during the year with other SETAs. The balances at year-end included in receivables and payables are:

		2019		2018	
		R'000		R'000	
	Note	Net transfers in/ (out) during the year	Amount receivable/ (payable)	Transfers in/(out) during the year	Amount receivable/ (payable)
Payables	17	**(2 253)**	**(2 554)**	**(4 039)**	**(1 625)**
AGRISETA		-	-	(7)	-
CETA		-	-	(2 874)	(182)
CHIETA		(152)	(152)	(1 112)	(1 095)
FASSET		6	-	(83)	-
FP&M SETA		-	-	(98)	-
LGSETA		(297)	(322)	-	-
MICT		-	-	(117)	(14)
MQA		26	-	(53)	(53)
PSETA		-	-	-	(67)
SERVICES SETA		-	-	(3)	(3)
TETA		-	-	(90)	(90)
W&R SETA		(1 836)	(2 080)	398	(121)
Total		**(2 253)**	**(2 554)**	**(4 039)**	**(1 625)**

RELATED PARTY TRANSACTIONS (continued)

24.2. Accounting Authority and independent committee members fees

	2019 R'000		2018 R'000	
Accounting Authority and independent committee members	Net transfers in/ (out) during the year	Amount receivable/ (payable)	Net transfers in/ (out) during the year	Amount receivable/ (payable)
L Letsoalo (Chairperson, AA and EXCO) ****	(327)	(11)	-	-
X Tshayana (Deputy Chair, AA / Chairperson, Auto Chamber) ***	(417)	(9)	(306)	(36)
J Esterhuizen (Deputy Chair, AA / Chairperson, Motor Chamber)	(212)	-	(175)	(15)
J Swarts **	(8)	-	(214)	(23)
M Lebona **	(9)	-	(311)	(41)
A Hanekom * **	(9)	-	(173)	(8)
T Molapo **	(9)	-	(170)	(8)
F Tregenna **	(8)	-	(90)	(8)
J Olivier * **	-	-	(57)	-
J van Niekerk **	-	-	(33)	(6)
H Korstens **	-	-	(82)	(6)
K Bhana *	(187)	(17)	-	-
P Bezuidenhout	(117)	-	-	-
L Coetzee (Chairperson, Finance and Grants and Plastics Chamber)	(268)	(20)	-	-
A Chirwa	(199)	(7)	(41)	-
R Daniels (Independent)	-	-	(82)	-
M Maisela (Independent)	-	-	(74)	-
S Rensburg (Independent)	-	-	(41)	-
S Gina **	(149)	-	-	-
L Konar (Independent)	(37)	(1)	-	-
L Lee	(155)	(147)	-	-
J Makapan (Independent)	(155)	-	-	-
M Mulholland (Chairperson, Metal Chamber)	(244)	(11)	(106)	(21)
B Masinga (Independent)	(52)	-	-	-
R Moothilal	(160)	(7)	-	-
T Mashanda (Independent) **	(72)	-	(589)	(145)
K Mzozoyana (Independent)	(164)	-	-	-

24.3 Accounting Authority and independent committee members fees (continued)

Accounting Authority and independent committee members	2019 R'000 Net transfers in/ (out) during the year	2019 R'000 Amount receivable/ (payable)	2018 R'000 Net transfers in/ (out) during the year	2018 R'000 Amount receivable/ (payable)
F Mukaddam (Independent) **	-	-	(124)	-
A Mashilo (Chairperson, Governance and Strategy)	(173)	(7)	(165)	-
C Nciki (Independent)	(128)	-	-	-
M Noge (Independent)	(69)	-	-	-
T Phiri **** (Chairperson, HRRC)	(370)	(7)	-	-
M Pillay	(65)	-	-	-
N Rademan	(197)	(9)	-	-
K Mbonambi (Independent) **	-	-	(25)	-
M de Swardt (Independent) **	-	-	(65)	-
M Swafo (Independent)	(164)	-	-	-
S Msweli (Independent)	(43)	-	-	-
H von Maltitz **	(8)	-	(35)	-
K Zama (Independent - chairperson, Audit and Risk Committee)	(137)	-	(142)	-
	(4 312)	**(253)**	(3 100)	(317)

These transactions and balances relate to Accounting Authority fees and independent committee members' fees. These were for board meetings, chamber meetings, in committee meetings, AGMs, strategy sessions, and other special matters the Accounting Authority was required to attend to.

* Board fees for these members were paid to the employer body or representative union

** These members have resigned or are deceased

*** Include fees as acting Chair of the Accounting Authority, interviews and shortlisting for the position of CEO and independent members.

**** Include fees for interviews and shortlisting for the position of CEO, independent members and company secretary as well as matters relating to disciplinary processes undertaken by the merSETA.

24.3. Key management personnel costs

Key Personnel	Basic salary	Travel Allowance	Medical Aid	Pension Fund	Performance Bonus	Leave Pay	Acting Allowance	Total 2019	Total 2018	Notes
	R000's	R000's	R000's	R000's	R000's	R000's	R000's	R000's	R000's	
Chief Executive Officer	1 066	66	34	86	-	306	-	**1 558**	**2 326**	Apr 2018 to Sep 2018
Chief Financial Officer	1 393	-	31	148	206	-	-	**1 778**	**1 793**	
Chief Operating Officer	1 510	96	-	147	230	-	175	**2 158**	**1 872**	Acting CEO 1 Oct 2018 to 31 Mar 2019
Executive: Corporate Services	1 201	72	32	120	187	-	-	**1 612**	**1 450**	
Executive: Strategy and Research	1 319	-	25	143	199	-	79	**1 765**	**1 617**	
TOTAL	**6 489**	**234**	**122**	**644**	**822**	**306**	**254**	**8 871**	**9 058**	

*Note that the performance bonus of the CEO and executives is based on a provision as the performance review process was not finalised by 31 March 2019.

25. GOING CONCERN

The merSETA was set up in terms of the Skills Development Act No 97 of 1998. The Minister of Higher Education and Training has extended the MerSETA's licence up to 31 March 2020. Accordingly, the merSETA has drawn up and presented these financial statements on a going concern basis.

26. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENSES

CRIMINAL CONDUCT

There were no losses suffered through criminal conduct in the current or previous year.

IRREGULAR EXPENSES

	2019	2018
Opening balance	**12 888**	10 955
Add: Irregular expenses identified in current year relating to :	29 186	1 933
Current year	9 113	856
Prior years	20 073	1 077
less: expenses where condonation obtained	(1 933)	-
	40 141	12 888
Irregular expenses awaiting condonation - current year	**40 141**	12 888
Analysis of expenses awaiting condonation per age classification		
Current year	9 113	1 933
Prior years	31 028	10 955
Total	**40 141**	12 888

Year ended 31 March 2019

Incident	Nature of transaction	Disciplinary steps taken/criminal proceedings	Remedial actions taken	Amount R000's
An RFQ process was followed to appoint a legal representative. Initially costs were anticipated to be less than R500k but ended up exceeding R500k.	Legal costs in relation to disciplinary proceedings	No disciplinary steps were taken	This was condoned by National Treasury in May 2019.	4 951
Continuation of services after contracts expired	Telecommunications and ICT support	Disciplinary actions were taken against the employee	Awaiting National Treasury approval of application for condonation	4 477
Various incidents of misconduct relating to procurement of goods and services. This irregularity was reported in the previous year but the matter was only concluded in the current financial year. This amount constitutes additional costs not included previously.	Forensic investigation into alleged misconduct	Disciplinary steps have been initiated	Internal controls relating to supply chain procedures have been strengthened	2 034
An SCM process was not followed to appoint a service provider. This was identified by management during the year and reported to the Auditor General. This related to transactions that happened in the years 2013 to 2017.	Finance	No disciplinary actions have been taken but an investigation is underway.	The amount stated is an estimated quantification of commission earned and interest lost. The investigation is still in progress.	17 724
TOTAL				**29 186**

Irregular expenditure of R29.2 million (2017/18 R1.9 million) was identified during the 2018/19 financial year. Application for condonation of these expenses was made to National Treasury. At 31 March 2019, R1.9 million was condoned. A further R4.9 million was condoned in May 2019. Application for the condonation of expenditure relating to the acquisition of the mobile bus was also made and feedback is awaited from National Treasury after an appeal was submitted.

Year ended 31 March 2018

Incident	Nature of transaction	Disciplinary steps taken/criminal proceedings	Remedial actions taken	Amount R000's
merSETA failed to obtain an approval for deviation from a competitive bidding process.	Acquisition of a mobile bus.	No disciplinary steps were taken	Internal controls relating to supply chain procedures have been strengthened	4 838
merSETA failed to obtain an approval for deviation from a competitive bidding process.	Ongoing maintenance costs of mobile bus indicated above.	No disciplinary steps were taken	Internal controls relating to supply chain procedures have been strengthened. Expenditure was condoned in 2018/19.	1 077
merSETA failed to obtain a deviation for support service and maintenance for the Great Plains system.	Technical support for the accounting system used by merSETA	Disciplinary steps have been initiated	Deviation memo/ SLA to be drawn up for the 2018/19 financial year. Expenditure was condoned in 2018/19.	372
Lowest bidding provider unfairly disqualified and award made to a provider with higher quotes that did not meet the specification requirement	Acquisition of IT equipment	Disciplinary steps have been initiated	Internal controls relating to supply chain procedures have been strengthened/ Training of supply chain officials and management. Expenditure was condoned in 2018/19.	480
Goods and serviced procured without obtaining minimum number of quotations	Recruitment of personnel and catering	Disciplinary steps have been initiated	Internal controls relating to supply chain procedures have been strengthened/ Training of supply chain officials and management. Expenditure was condoned in 2018/19.	4
Various incidents of misconduct relating to procurement of goods and services	Forensic investigation into alleged misconduct	Disciplinary steps have been initiated	Internal controls relating to supply chain procedures have been strengthened	6 117
TOTAL				**12 888**

FRUITLESS AND WASTEFUL EXPENSES

merSETA incurred expenditure to the amount of R215 000 relating to penalties and interest charged by SARS as a result of a late payment of PAYE for the month of December 2018. An initial appeal was made to SARS which was unsuccessful but further engagements with SARS is underway to endeavour to have the penalties and interest revoked. Management has taken the necessary consequence management steps to avoid this reoccurring.

A former employer authorised expenditure to the value of R91 000 which was deemed fruitless and wasteful. Disciplinary action was taken against this employee. A civil claim will not be pursued due to the costs involved. A case has been opened with the SAPS.

27. TAXATION

No provision has been made for taxation as the merSETA qualifies for an exemption in terms of Section 10 of the Income Tax Act, 1962 (Act 58 of 1962).

28. SEGMENT REPORTING

The merSETA has identified the levy categories of mandatory, discretionary and admin levies as the reportable segments based on the type of expenditure that may be funded from each category of levies per legislation. Mandatory levies are utilised for mandatory grants paid to qualifying levy paying stakeholders in the sector who submit a Work Place Skills Plan and Annual Training Report in the prescribed format within the legislated time frames. This levy is currently 20% of the skills development levy received by the SETA. The discretionary levy is currently 49.5% of the levy received by the SETA and is utilised to fund discretionary projects and programmes within the sector that are aligned with the national skills and sector skills priorities and are approved by the sector.

Any investment and other income is swept into the discretionary grant reserves and funds discretionary projects. Administration levies accounts for 10.5% of the levies paid to the SETA. It is used to fund QCTO and administration cost of the SETA including research.

The assets and liabilities that are directly attributable to each segment are reported within the segment whilst those assets utilised across the entity are shown separately. The merSETA does not use geographical segments for reporting or decision-making, except to the extent that the concentration of stakeholders in any geographical area determines the positioning of regional offices. This method is also not used for internal reporting.

2018/19

				Reconciliation to the statement of financial performance			
Segment Reporting	Mandatory	Discretionary	Administration	Total segmental reporting	Non segmented amounts	Total	Note
Segment Revenue							
Total non-exchange revenue	361 650	931 777	191 006	1 484 433	-	1 484 433	1
Total exchange revenue	-	276 854	85	276 939	-	276 939	1
Total revenue	**361 650**	**1 208 631**	**191 091**	**1 761 372**	-	**1 761 372**	
Segment expenses							
Employer grant and project expenses	(251 583)	(807 037)	-	(1 058 620)	-	(1 058 620)	6
Administration expenses	-	-	(172 103)	(172 103)	-	(172 103)	7
Total expenses	(251 583)	(807 037)	(172 103)	(1 230 723)	-	(1 230 723)	
SURPLUS FOR THE PERIOD	**110 067**	**401 594**	**18 988**	**530 649**	**-**	**530 649**	
Assets							
Non-current assets							
Property and equipment	-	-	-	-	12 168	12 168	14
Intangible assets	-	-	-	-	734	734	15
Current assets							
Cash and cash equivalents	-	-	-	-	3 637 882	3 637 882	8
Receivables from exchange transactions	-	-	-	-	149 570	149 570	9
Receivables from non-exchange transactions	860	24 595	-	25 455	-	25 455	10
Prepayments	-	-	-	-	132	132	11
Consumables	-	-	-	-	612	612	12
Total assets	**860**	**24 595**	**-**	**25 455**	**3 801 098**	**3 826 553**	
Liabilities							
Current liabilities							
Payables from exchange transactions	-	2 519	7 194	9 713	-	9 713	16
Grants and transfers payable	39 118	186 701	-	225 819	2 554	228 373	17
Other payables	-	-	1 277	1 277	-	1 277	18
Provisions	13 575	12 761	16 382	42 718	-	42 718	19
Total liabilities	**52 693**	**201 981**	**24 853**	**279 527**	**2 554**	**282 081**	
NET ASSETS AND LIABILITIES	**(51 833)**	**(177 386)**	**(24 853)**	**(254 072)**	**3 798 544**	**3 544 472**	
Funds and reserves							
Administration reserve	-	-	12 902	12 902	-	12 902	
Employer grant reserve	758	-	-	758	-	758	
Discretionary reserve		3 530 812	-	3 530 812	-	3 530 812	
TOTAL FUNDS AND RESERVES	**758**	**3 530 812**	**12 902**	**3 544 472**	**-**	**3 544 472**	

2017/18

Segment Reporting	Mandatory	Discretionary	Admin	Total segmental reporting	Non segmented amounts	Total	Note
Segment Revenue							
Total non-exchange revenue	349 021	892 583	182 649	1 424 253	-	1 424 253	1
Total exchange revenue	-	227 448	82	227 530	-	227 530	1
Total revenue	**349 021**	**1 120 031**	**182 731**	**1 651 783**	-	**1 651 783**	
Segment expenses							
Employer grant and project expenses	(249 777)	(736 447)	-	(986 224)	-	(986 224)	6
Administration expenses	-	-	(161 432)	(161 432)	-	(161 432)	7
Total expenses	**(249 777)**	**(736 447)**	**(161 432)**	**(1 147 656)**	-	**(1 147 656)**	
SURPLUS FOR THE PERIOD	**99 244**	**383 584**	**21 299**	**504 127**	**-**	**504 127**	
Assets							
Non-current assets							
Property and equipment	-	-	-	-	12 957	12 957	14
Intangible assets	-	-	-	-	306	306	15
Current assets							
Cash and cash equivalents	-	-	-	-	3 005 195	3 005 195	8
Receivables from exchange transactions	-	-	-	-	130 111	130 111	9
Receivables from non-exchange transactions	1 018	19 155	-	20 173	-	20 173	10
Consumables	-	-	-	-	799	799	12
Total assets	**1 018**	**19 155**	**-**	**20 173**	**3 149 368**	**3 169 541**	
Liabilities							
Current liabilities							
Payables from exchange transactions	-	20 659	741	21 400	-	21 400	16
Grants and transfers payable	33 377	62 374	-	95 751	1 625	97 376	17
Other payables	-	-	1 185	1 185	-	1 185	18
Provisions	6 727	12 219	16 811	35 757	-	35 757	19
Total liabilities	**40 104**	**95 252**	**18 737**	**154 093**	**1 625**	**155 718**	
NET ASSETS AND LIABILITIES	**(39 086)**	**(76 097)**	**(18 737)**	**(133 920)**	**3 147 743**	**3 013 823**	
Funds and reserves							
Administration reserve	-	-	13 263	13 263	-	13 263	
Employer grant reserve	992	-	-	992	-	992	
Discretionary reserve		2 999 568	-	2 999 568	-	2 999 568	
TOTAL FUNDS AND RESERVES	**992**	**2 999 568**	**13 263**	**3 013 823**	**-**	**3 013 823**	

29. EVENTS AFTER THE REPORTING DATE

Application to National Treasury to seek approval for the retention of accumulated surpluses as at 31 March 2019 has been made.

National Treasury condoned irregular expenditure amounting to R4.9 million in May 2019. This related disciplinary costs on legal proceedings.

30. NEW ACCOUNTING PRONOUNCEMENTS

The Accounting Standards Board (ASB) has issued the following standards of GRAP with effective dates as indicated.

Statement		**Effective date**
GRAP 20	Related party disclosures	1 April 2019
GRAP 32	Service Concession Arrangements: Grantor	1 April 2019
GRAP 108	Statutory Receivables	1 April 2019
GRAP 109	Accounting by Principals and Agents	1 April 2019
GRAP 110	Living and Non Living Resources	1 April 2020
IGRAP 1	Applying the probability test on initial recognition of revenue (amendments)	1 April 2020
IGRAP 17	Service concession arrangements where a grantor controls a significant residual interest in an asset	1 April 2019
IGRAP 19	Liabilities to pay levies	1 April 2019
IGRAP 20	Accounting for adjustments to revenue	1 April 2020

The ASB has approved the following Directive, which is not yet effective, but can be early adopted:

Directive 12 – The selection of an appropriate reporting framework by public entities

An entity shall apply Standards of GRAP for Annual Financial Statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the PFMA.

GRAP 20 : Related Parties Disclosures

This standard provides guidance on related-party disclosures to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

GRAP 32 : Service Concession Arrangements: Grantor

This standard prescribes the accounting for service concession arrangements by the grantor, a public sector entity.

GRAP 108: Statutory Receivables

This standard prescribes accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

GRAP 109 :Accounting by Principals and Agents

This standard outlines principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement

GRAP 110 : Living and Non Living Resources

This standard prescribes (a) recognition, measurement, presentation and disclosure requirements for living resources; and (b) disclosure requirements for non-living resources .

IGRAP 1: Applying the probability test on initial recognition of revenue (amendments)

This Interpretation provides guidance on how an entity applies the probability test on initial recognition of revenue where credit is extended for the settlement of an exchange or non-exchange revenue transaction and uncertainty exists about the entity's ability to collect such revenue based on past history or because discretion about collectability is exercised subsequently.

IGRAP 17: Service concession arrangements where a grantor controls a significant residual interest in an asset

This interpretation prescribes accounting requirements where a grantor controls a significant residual interest in an asset.

IGRAP 19: Liabilities to pay levies

This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

IGRAP 20: Accounting for adjustments to revenue

This Interpretation clarifies the accounting for adjustments to: (a) exchange and non-exchange revenue charged in terms of legislation or similar means; and (b) interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process.


SCANIA


Selogadi
SCANIA

merSETA

MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

LEADERS IN CLOSING THE SKILLS GAP

95, 7th Avenue, cnr Rustenburg Road, Melville, Johannesburg 2092

PO Box 61826, Marshalltown, Johannesburg

010 219 3000

info@merseta.org.za

www.merSETA.org.za

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