ANNUAL REPORT - 2019/2020

merSETA

MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

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 2019 to 31 March 2020.

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

Yours sincerely

Wayne Adams
Acting Chief Executive Officer

CONTENTS

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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 2107
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Bankers :	Standard Bank Ltd
Company Secretary :	Lebogang Mahaye
ISBN Number :	978-0-621-48412-0
RP Number :	194/2020

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
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
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	Memorandum of agreement
NDP	National Development Plan
NGO	Non-governmental organisation
NLPE	Non-levy-paying entity
NPO	Non-profit organisation
NSDMS	National Skills Development Management System
NSDP	National Skills Development Plan
NSDS	National Skills Development Strategy
NDPWI	National Department of Public Works and Infrastructure
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
SOE	State-owned enterprise
SSP	Sector Skills Plan
TVET	Technical and vocational education and training
WSP	Workplace Skills Plan

Now, more than ever, skills development must fulfil its potential as one of the most influential levers to unlock economic opportunities for previously marginalised groups.

3. CHAIRPERSON'S FOREWORD

The 2019/20 financial year was a testing time for the merSETA. Already operating under the dark cloud of a seriously ailing economy, albeit not alone, the SETA experienced resource and systems constraints that affected its ability to meet targets against certain strategic objectives.

The situation was exacerbated towards the end of the last quarter of the year, when the world was plunged into an unprecedented social and economic crisis with the outbreak of the Covid-19 pandemic.

With the South African state of national disaster taking effect as our financial year ended, all minds had to stop what they were thinking and planning to focus on what the restrictions and economic shutdown would mean for the country. The manufacturing sector, locally and globally, was forced to take a hard look at its prospects, as one of Covid-19's significant victims.

Economic woes

Already in the midst of an economic depression, South Africa was hoping to clutch onto the fragile straw of 0.9% growth to end-2019, against an inflation rate of around 4.5%. The economy, instead, contracted by 1.4% in the fourth quarter of 2019 (Statistics South Africa, 2020).

Contributing factors included the revenue shortfall, debt and persistent electricity shortages. The effects of these have sent tidal waves across the manufacturing, engineering and related services sector. Against the country's marginal growth in the last three years, manufacturing has contracted by 8.8% due to declines in petroleum, transport, wood and paper industries.

Furthermore, the Industrial Development Corporation reports that manufacturing will be forced to lick its wounds for the foreseeable future, business confidence having plunged to just 16 points in the third quarter of 2019, a 20-year low.

Manufacturers, it states, are pessimistic about investment activity in the coming year. Worsening global conditions caused by Covid, trade wars and a looming global recession cast doubt on favourable export prospects.

To add to its current burden as a global citizen, South Africa has to contend with worsening levels of unemployment, poverty and inequality at home.

New skills landscape

It is here that a glimmer of hope exists – in the National Skills Development Plan (NSDP), which replaces the National Skills Development Strategy from 2020/21 and has been crafted to address the priorities of the National Development Plan (NDP) and the White Paper on Post-School Education and Training (WP-PSET). The NSDP comes with heavy responsibility, as it seeks to ensure that South Africa has adequate, appropriate and high-quality skills to stimulate economic growth, employment creation and social development.

The onus is on the SETAs to do so through meaningful and effective initiatives that walk the skills development talk and deliver the goods for those deserving of an opportunity to participate in the mainstream economy, with all the benefits that come with it.

Now, more than ever, skills development must fulfil its potential as one of the most influential levers to unlock economic opportunities for previously marginalised groups.

Several merSETA interventions respond directly to this imperative, designed as they are to support black-owned enterprises and promote entrepreneurship. These activities are described in this annual report.

Financial management

The merSETA maintained its sound financial footing during the review year, with total revenue of R1.8 billion, which was in line with budget and 2% above that of 2018/19. Total revenue comprises mainly levy income, interest income and penalties. Levy income received for the year was R1.47 billion, which, again, was on budget.

The pattern of levy breakdown per chamber remained almost unchanged from that of previous years, with the Metal Chamber contributing the largest share, at 57%. Most contributing companies are in the 'small' category, with 13 403 companies paying levies, mostly in Gauteng and North West.

The announcement by government of a four-month levy-payment holiday for all companies from 1 April 2020 will undoubtedly impact merSETA activities into the new year, but to what extent is still to be assessed.

Accounting Authority

At year-end, the tenure of the Accounting Authority that had taken the SETA through the final two years of its NSDS mandate, from 1 April 2018 to 31 March 2020, ended.

Lebogang Letsoalo was the Chairperson of the Accounting Authority during the year under review, with Xolani Tshayana and Jeanne Esterhuizen both having served as deputy chairpersons. Ms Lebogang Letsoalo resigned from the Accounting Authority in January 2020.

On 22 July 2019, the Minister of Higher Education, Science and Innovation, Dr Blade Nzimande, extended the SETAs' licences for a further 10 years to 2030 in line with the NSDP. The extension will bring stability and long-term focus to the merSETA's planning and strategic projects and will enable it to build on good work done over two decades.

The incoming Accounting Authority will play a pivotal role in guiding management to achieve its stated outcomes and the need for continuity led the Minister to reappoint some of the previous members for another term.

My appreciation for a job well done goes to the outgoing Accounting Authority members for their strategic guidance in confronting the issues faced by the sector and guiding the merSETA team to address them through appropriate programmes.

During the review year, the efforts of the Accounting Authority were strengthened by the work of the various committees that continued to operate in terms of the Skills Development Act, the Public Finance Management Act and the merSETA Constitution, being:

- 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, and
- ETQA Committee.

I thank the independent members of these committees for their part in ensuring the merSETA adheres to good governance principles such as those contained in King IV.

Ambitious strategy

Into 2020/21, the SETA has an ambitious new five-year strategy (2020/21 to 2024/25), developed with the NSDP, sector and national priorities as its backdrop.

The pillars of this strategy are its five strategic outcomes:

- Ethical governance and resourced, capable operations;
- Skills for productive enterprises within the social economy;
- PSET education, training and skills development responsive to changing occupations and skills demand;
- mer-Sector industry skills for employment equity demographics transformation, changing business models and diversification of ownership, control and management, and
- A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities.

The new Accounting Authority has its work cut out for it to steer the SETA through a new chapter in the skills development story of the country, while a pandemic continues to run riot across the globe. But the tools are in place in the NSDP and new merSETA strategy and I am confident that we will succeed in leaving South African society better for our contribution.

We eagerly await the appointment of a permanent Chief Executive Officer, who will bring much stability to the organisation as it sets off on new journeys and touches more lives.

Finally, without relationships and partnerships with those whose interests we serve and who look to us for assistance to develop their businesses through skills, our SETA cannot hope to make a lasting impact. Thus, to our stakeholders throughout South Africa, thank you for your support over the years.

Now, let's head into the future with resolve, optimism and the fighting spirit for which South Africans are known.

Kate Moloto
Chairperson

A large measure of our 2019/20 success arose from the policy certainty associated with the NSDP, which aims to ensure the country has adequate, appropriate and high-quality skills for economic growth, employment creation and social development.

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

In spite of sluggish economic growth for South Africa in 2019, the year under review proved the resilience of the merSETA in post-school education and training.

The world economy endured the weakest expansion in a decade in 2019 and there was a risk of the slowdown turning into outright contraction in 2020. The United Nations Conference on Trade and Development (UNCTAD) noted that warning lights were flashing around trade wars, currency gyrations, the possibility of a no-deal Brexit and movements in long-term interest rates.

Yet weak employment and market demand did not impare the merSETA's efforts to upskill and train entrants for the new economy. We are proud of our achievements under trying circumstances.

A large measure of our 2019/20 success arose from the policy certainty associated with the NSDP, which aims to ensure the country has adequate, appropriate and high-quality skills for economic growth, employment creation and social development. Further, the extension in 2019 of the SETAs' licences to 2030 by the Minister of Higher Education, Science and Innovation provided an anchor for our strategic planning and interventions in the manufacturing, engineering and related sectors.

Unemployment remains high, reflecting skill shortages, weak investment and inequalities in opportunities and incomes.

However, supportive economic policies and programmes, such as the Automotive Investment Scheme, the Manufacturing Competitiveness Enhancement Programme and the Manufacturing Investment Scheme, contributed to the resilience of the sector.

The policies have seen major multinational companies in the auto and new tyre sectors invest billions of Rands in South Africa.

The year under review saw the development of the Sector Skills Plan (SSP) aligned to NSDP 2030. The 2019/20 SSP formed the basis for the five-year Strategic Plan and the Annual Performance Plan (APP), whose development included extensive consultation with stakeholders and thorough primary and secondary research.

Skilling the sector

In the 2019/20 financial year, the merSETA provided support to almost 7000 employed learners to promote skills development in the workplace. Interventions included learnerships, apprenticeships, bursaries, recognition of prior learning and skills programmes.

Support was provided to almost 10 000 unemployed learners through similar learning interventions.

We entered into 1 434 partnerships with government departments, technical and vocational education and training (TVET) colleges, universities and employers in support of education and skills development. This year, responding to the growing scourge of gender-based violence, we used existing relationships and forged new ones to focus the spotlight on the plight of women and children in South African society. We subscribe to and support the Department of Higher Education and Training (DHET) Policy Framework to address Gender-based Violence in the Post-School Education and Training System.

Some 1 669 university students, lecturers and TVET students benefitted from short learning programmes, PhDs, master's scholarships, and other postgraduate bursaries. This is a significant increase compared to the prior financial year.

Our support for TVET centres of specialisation was ramped up during the year, in line with the DHET's focus on establishing these structures, which dedicate themselves to the delivery of specific occupational qualifications and the quality of apprentices exiting the system. This activity becomes a performance target from 2020/21, when support must be provided to two centres of specialisation.

The merSETA reached 1 822 civil society organisations, including 10 non-governmental organisations (NGOs), 10 community-based organisations (CBOs), six trade unions, 20 cooperatives, 1 503 small businesses and 267 non-levy-paying entities (NLPEs), providing training and support.

The merSETA is also finalising key partnerships/projects in its innovation portfolio. Among these is a project to develop Faculty of Engineering lecturers at Walter Sisulu University. This partnership also supports engineering-related small and medium enterprises in the Eastern Cape.

The ICT4APP project with the Council for Scientific and Industrial Research (CSIR) was delayed and the project plan was revised. The ICT4APP is a mobile application allowing distance learning on a step-up basis. Once completed, the mobile application will allow students who have completed their mobile courses to search for practical training in their specific areas with the support and guidance of a trained technical mentor..

The TVET college quality improvement project, which develops engineering diploma graduates as TVET college technical mentors and lecturers, now has all recruits on board. Nelson Mandela University has registered the student-lecturers for an advanced diploma and is supporting them via e-learning. The candidates have been provided with information and communication technology (ICT) support equipment and facilities.

Our partnership with the Department of Employment and Labour's Supported Employment Enterprises unit for people with disabilities is progressing well. Facilities at 13 factories countrywide could become centres of excellence for this training. The Black Female Management Development project for National Qualifications Framework levels 6 and 8 candidates is scheduled for completion in September 2020. This will provide industry with more graduates ready for middle to senior management positions, thus helping to transform the South African workplace in line with national imperatives.

During the year, steering committee meetings were held with the offices of the premiers in the Western Cape, Eastern Cape, KwaZulu-Natal, Limpopo, Free State and North West.

The merSETA took part in 50 nationwide career development events, including career expos, which provided career guidance to school learners, out-of-school youth and the unemployed in urban and rural areas, and promoted skills development.

Financial highlights

Management accounts show total revenue for the year to 31 March 2020 slightly below R1.8 billion. Total revenue is made up mainly of levy income, interest income and penalties. Levy income received for the year was R1.47 billion, which is in line with budget.

Total expenses are made up of mandatory, discretionary and administration costs. Total expenses were below budget, notwithstanding a second discretionary grant window opened in November 2019. This is because no discretionary grants were allocated for February and March 2020 due to the Business Unity South Africa (BUSA) court ruling, which created uncertainty around mandatory grant disbursements (BUSA argued for the retention of the 50% mandatory grant). Although the court ruling is open to interpretation, the merSETA Accounting Authority decided to continue with the 20% allocation.

Discretionary grant withdrawals for the year – at R227 million – dropped by 50% compared to 2018/19.

Information technology

The year under review saw the third submission of mandatory and discretionary grant applications via the electronic grant application system, the National Skills Development Management System (NSDMS). The system is constantly being enhanced for easier use and quicker payments of grants, while ensuring compliance and accountability.

The merSETA issued 1 934 memoranda of agreement (MoAs) electronically to companies by the end of March 2020, 1 604 of which were accepted. Some 1 361 MoAs were signed and first tranche payments to the value of R169 million processed paperlessly through the NSDMS.

The Covid-19 pandemic and subsequent lockdown delayed second tranche payments.

The mer-Sector

We remain confident about transformation in the manufacturing and engineering sectors in the light of structural reforms led by government. These include major reforms of key state-owned enterprises and opportunities associated with recent master plans for the automotive sector and the poultry, clothing, textiles, leather and footwear industries.

The public sector's localisation drive, including improved enforcement of product designations, is also set to increase local business confidence and investment.

Way forward

The declaration of a national state of disaster just before year-end affected all SETAs, not least through the four-month levy-payment holiday. We began a deep-dive into the effect on our mandatory and discretionary grant disbursements as well as our administrative costs. We are monitoring these costs closely.

In minimising the impact of this unprecedented event, the merSETA provided tools and capabilities for employees to work remotely and continued most of its operations

The lockdown, in fact, allowed the SETA to strengthen monitoring and evaluation systems, digital ecosystems, innovation systems, research and labour market intelligence and governance, risk management and compliance structures.

We also conceptualised the Viro-vent Skills Innovation Challenge, a partnership with five higher education institutions (HEIs) linked to the National Research Foundation and the National Ventilator Project. This merSETA-funded project will provide skills development and skills transfer through designing, developing and testing prototype products, particularly high-technology ventilators.

Two fast-track research concepts were developed to prepare the merSETA for post-Covid-19 initiatives – one for simulated training to counteract the lack of work-based learning spaces, and the other to improve the skills of community-based entrepreneurs and use TVET college infrastructure after hours for services to communities.

We also began to realign our strategy and plans, considering the gradual reopening of the economy to come and the launch of our sixth chamber, the Automotive Components Manufacturing Chamber.

The coming financial year will be a steep learning curve for the merSETA, as South Africa, hopefully, begins the see the light at the end of the bleak tunnel down which the economy has travelled in recent times. This reality shows clearly in our performance in the review year.

However, the promise of a new SETA landscape with its NSDP, a reconstituted Accounting Authority at the start of its tenure and a carefully thought-out and well-formulated five-year strategic plan, the merSETA – in its well-entrenched tradition – is ready for whatever challenges arise.

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 of omissions.
The Annual Report has been prepared in accordance with the Guidelines on annual reports 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 2020.

W Adams
Acting Chief Executive Officer
31 March 2020

K Moloto
Accounting Authority
Chairperson
31 March 2020

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 Plan (NSDP) gazetted by the DHET on 7 March 2019.

The NSDP 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 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, 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

- address skills shortages currently experienced, whilst accommodating planned growth, impact of technological changes and replacement demand; provide access to work experience opportunities; address transformation imperatives of race, gender, class, geography, disability and age, and increase 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; identify occupational pathways for existing workers and those at risk of retrenchment, thus implementing upskilling, reskilling and trans-skilling, and provide 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 Plan (NSDP);
- Human Resource Development Strategy for South Africa, 2015;
- New Growth Path, 2011;
- National Development Plan (NDP), 2011; and
- Industrial Policy Action Plan (IPAP).

8. Organisational Structure

Accounting Authority


KATE MOLOTO
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

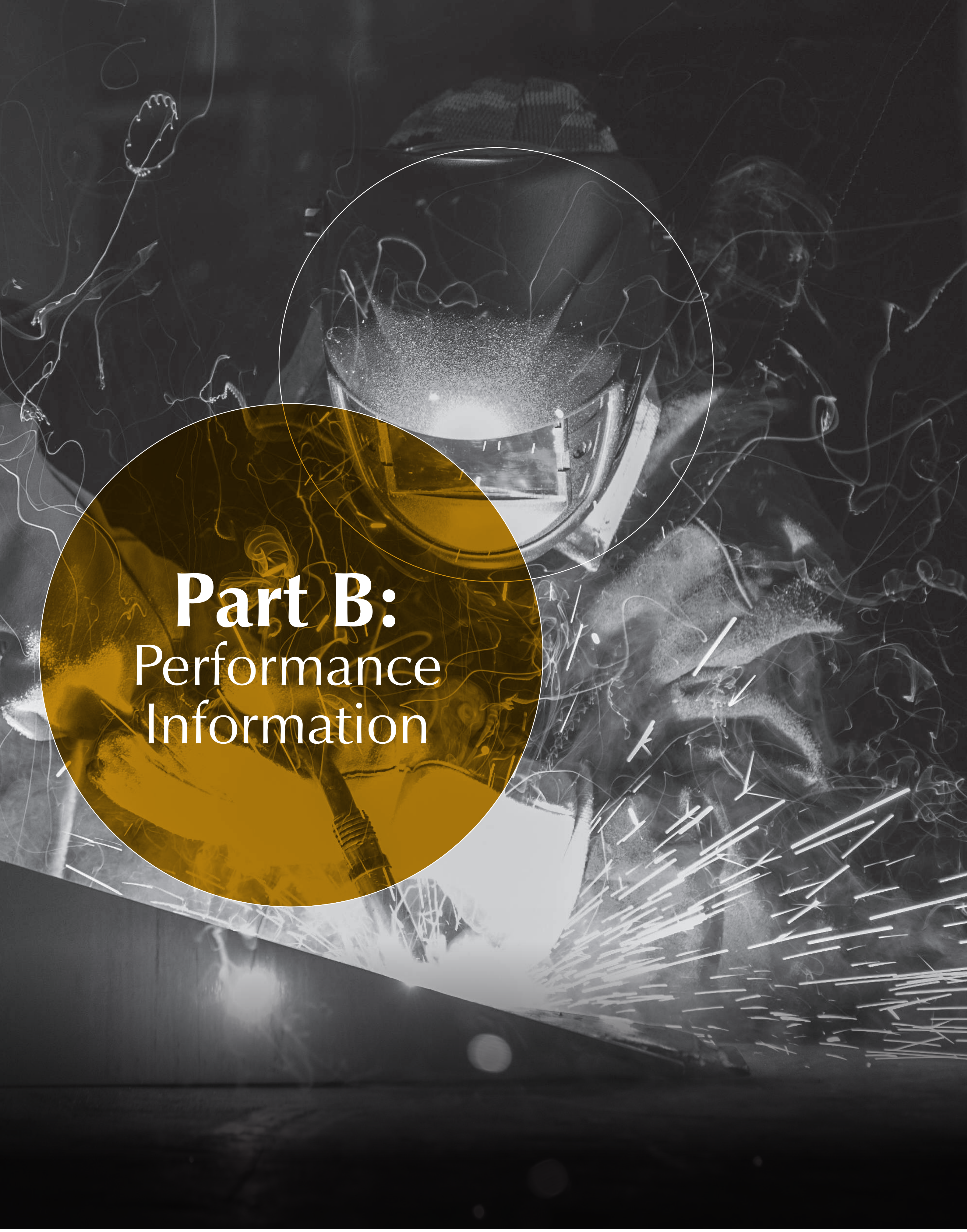
WAYNE ADAMS
Acting Chief Executive Officer

SEBOLELO NOMVETE
Executive: Strategy and Research

SHERYL PRETORIUS
Acting Chief Operations Officer

DISA MJIKELISO
Chief Financial Officer

ESTER VAN DER LINDE
Corporate Services Executive



Part B: Performance Information

1. Situational Analysis

In the year under review, South Africa experienced a number of significant events against the backdrop of unusual global developments such as slow economic growth. According to UNCTAD (2019), 2019 endured the weakest expansion in a decade and there was a risk of the slowdown turning into outright contraction in 2020. UNCTAD (2019) further noted that warning lights were flashing around trade wars, currency gyrations, the possibility of a no-deal Brexit and movements in long-term interest rates, but there was little sign that policymakers were prepared for the coming storm. Never has strong leadership been more necessary as South Africa moves through the coming financial year.

Adding to South Africa's economic woes is that the sixth administration led by President Cyril Ramaphosa inherited a shaky economy. Political conditions play a significant role in the growth of the manufacturing sector and of the economy in general. The administration led by President Ramaphosa and a streamlined cabinet have brought much-needed change and, to some extent, political stability and policy certainty. A renewed effort to fight corruption in different sectors has been key to bring about political and economic stability. Good governance and leadership are pivotal in building a capable state to realise the NDP vision of eliminating poverty and reducing inequalities by 2030.

The South African government is intensifying its overarching focus on overcoming the underlying structural challenges of unemployment, poverty and inequality. Hence, emphasis has been placed on aligning national policies, plans and structures to transform the South African economy and society. In this political environment, SETAs are increasingly expected to contribute through skills development to resolving national economic and social development challenges. The NSDP, crafted in the policy context of the NDP and the White Paper on Post-School Education and Training (WP-PSET), will ensure that South Africa has adequate and appropriate high-quality skills to contribute to economic growth, employment creation and social development.

The last quarter in the year under review saw the world plunge into a social and economic crisis as a result of the Covid-19 pandemic. The South African government declared a national state of disaster and a national lockdown that resulted in restrictions and, in some instances, a complete shutdown of social and economic activities. The manufacturing sector, locally and globally, has been significantly impacted by Covid-19. Economically, South Africa was hoping to finish 2019 with economic growth of about 0.9% (average inflation around 4.5%). However, the economy contracted by 1.4% in the fourth quarter of 2019 (Statistics South Africa, 2020). According to IDC (2020), the outlook for the manufacturing sector remains weak, with business confidence having plunged to just 16 points in the third quarter of 2019, a 20-year low.

Manufacturers remain pessimistic about investment activity in the coming year. Worsening global conditions as a result of Covid-19, trade wars and a looming global recession cast doubt on positive export performance.

In the last financial year, in addition to the pandemic, the South African economy has had to deal with a revenue shortfall, debt and persistent electricity shortages. The manufacturing, engineering and related services sector has not been spared. Although South Africa experienced marginal growth in the last three years, manufacturing contracted by 8.8% due to declines in the petroleum, transport, wood and paper industries. The automotive, wholesale and retail sectors also contributed to the decline, by 3.6%, sending the South African trade sector into a recession.

The socio-economic impact has been felt. The second quarter of 2019 brought a 1.4% increase in unemployment, the highest level in 15 years (almost a staggering 30%). This reflects skill shortages and weak investment, and inequalities in opportunities and incomes in spite of the proposed new minimum wage. Accurate unemployment statistics remain a challenge as many businesses closed their doors in March 2020 and their future remains uncertain. Government's continued commitment to broad-based black economic empowerment was reflected in the proposed employee share ownership schemes (State of the Nation Address, 2019). Structural transformation as a catalyst to resolving South Africa's race- and gender-based inequality is, therefore, still high on government's agenda. Skills development remains one of the key levers for unlocking economic opportunities for previously disadvantaged groups, such as black people, women and the youth. The merSETA's responsiveness to these pertinent issues is reflected in this report.

Reforms to simplify doing business in South Africa, and boost industrialisation, entrepreneurship, job creation and trade have become a major focus of the new administration. One initiative is the job summit, whose aim is to improve growth, protect existing jobs and create new jobs. 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). Skills once more have been identified as pivotal in supporting efforts by government and social partners to stimulate job creation, localisation and industrialisation. Several merSETA interventions support black-owned enterprises and entrepreneurship.

Supportive economic policies and programmes (such as the Automotive Investment Scheme, the Manufacturing Competitiveness Enhancement Programme and the Manufacturing Investment Scheme) have contributed to the continued resilience of the sector. The strategic position of South Africa as the gateway to Africa continues to strengthen this sector – for example, the favourable climate has seen major multinational companies in the auto and new tyre sectors invest billions of Rands in South Africa. Government initiatives such as the Black Industrialists Programme, which is designed to promote black manufacturers, will also revitalise the mer-Sector .

The instability of the South African Rand is challenging to local consumers as future pricing is set to increase on imported goods, ultimately impacting the consumer. Consumers are bracing themselves for inevitable pricing increases post the Covid-19 global lockdown. Although much of what has been achieved during 2019/20 has been overshadowed by the recession and Covid-19, there is some positivity.

The IDC projects that growth prospects should improve gradually on the back of structural reforms led by government. These include major reforms of key state-owned enterprises, opportunities associated with the recently released master plans for the automotive sector, the poultry industry and the clothing, textiles, leather and footwear industries. The public sector's localisation drive, including improved enforcement of product designations, is also set to increase business confidence and investment spending.

Unemployment in South Africa has reached alarming levels, as the South African economy continues to shed jobs in critical sectors such as mining and manufacturing (the manufacturing sector alone lost 40 000 jobs in the fourth quarter of 2019). Currently, South Africa is facing the highest unemployment rate since 2003. Increasing unemployment has resulted in a shrinking tax revenue base, and this constrains the national fiscal, resulting in an increased number of people relying on social grants. According to earlier studies by the Institute of Race Relations (2017), the increase in numbers of grant recipients, compounded with high unemployment in South Africa, is potentially a recipe for social and political chaos. Youth unemployment remains high, with 6.5 million unemployed youths in the fourth quarter of 2019. Lack of skills among the youth is partly responsible for escalating the unemployment rate as the manufacturing, engineering and related industries digitise in line with the fourth industrial revolution. In the manufacturing sector, advances in manufacturing technology increasingly demand high level skills. A relatively poor basic education system remains the 'Achilles heel' of the socio-economic transformation agenda. The high cost of higher education also prevents many young people from obtaining skills to access the world of work or to become entrepreneurs.

Faced with the realities of rising unemployment and deindustrialisation in the year under review, the social economy (incorporating the township economy, informal sector and cooperatives etc) continued to play a significant role in the social and economic fabric of South Africa. According to the Department of Economic Development (2019), the social economy has the potential to stimulate economic activity, while fostering greater social cohesion, inclusion and solidarity. In the fourth quarter of the year under review, the informal sector, for example, increased jobs by 117 000, followed by agriculture with 6 000 jobs. Provincial governments such as the Gauteng Provincial Government and the Western Cape Provincial Government have acknowledged the role of the township economy in supporting government's vision of vibrant and sustainable township enterprises as part of building an inclusive, labour absorbing and growing economy. In the 2020 State of the Province Address, Gauteng Premier David Makhura announced that 30% of procurement will be set aside for black-owned companies and R40 billion for the township economy.

The Fourth Industrial Revolution is projected to bring major disruptions in the manufacturing, engineering and related services sector as a result of digitisation. Thus, a competitive manufacturing and engineering sector depends on the capacity of firms to master advanced technology domains, to innovate and to meet the precise needs of customers. However, South Africa's innovation research and development capability remains lower than that of other developing economies in BRICS, such as China. This has created an opportunity for the merSETA to partner with HEIs, research councils, non-profit organisations and employers to promote innovation and keep abreast of advanced manufacturing technologies, data analytics, the application of robotics, digital platforms and high-level skills development.

Unfortunately, in most cases, education curricula have failed to reflect these changes and have become outdated. Training institutions, especially TVET colleges that industry complains are not in sync with industry trends. Disruptive technologies, such as those emerging from 3D printing processes, are an indicator of future skills built from an entrenched approach to 'lifelong learning'. The role of technology in revolutionising teaching, learning and skills development cannot be overemphasised and calls for industry, training providers, SETAs and policymakers to devise new strategies to leverage the power of technology in skills development.

Environmentally, there is growing pressure for national and international policies to support sustainable development (economic development that meets the needs of the current generation without depleting natural resources for future generations). This has placed pressure on the manufacturing sector, one the major contributors to the depletion of natural resources, environmental waste and climate change. The green, blue and circular economies have been identified as sustainable development imperatives with the potential for job creation, and new business and manufacturing opportunities. Recent drought conditions in the Western Cape, Eastern Cape and Northern Cape have awakened environmental awareness, as resource scarcity is prompting farmers, manufacturers and constructors to look at more efficient and effective ways of using natural resources.

The legal framework in South Africa plays a pivotal role in achieving government's priorities, such as ending poverty and unemployment, and promoting equity. Moreover, in the country's maturing democracy, the notions of social cohesion, social justice and active citizenship underpin the transformation agenda, and have become deeply infused in skills development. Transformative intent and participation in various fora remain essential in ensuring fair and equitable implementation. Total involvement in legislative processes of this nature remains crucial. Technological developments have also cast a spotlight on privacy and security in the digital environment.

With an understanding of this context, the merSETA in the year under review implemented several research projects aimed at understanding the current challenges and opportunities. Research is key in enabling the SETA to respond to its strategic priorities with relevant initiatives. Examples include:

- **Green partnerships study**, which explores mechanisms to better monitor the demands of the green economy to allow the merSETA to be more responsive to the needs of its stakeholders over time;
- **Development Policy Research Unit understanding economic complexity project**, whose aim is to better understand economic complexity in the merSETA environment, with a focus on small, medium and micro enterprises to assess both the role and impact in frontier spaces. This project will identify and address economic opportunities that build economic complexity, which will help in diversifying the economy and stimulating growth;
- **Retrenched workers feasibility study**, focusing on retrenched workers, unemployed youth and people living with disabilities as they attempt to gain entry or re-entry into the labour market. The aim is to go beyond skills development to facilitate partnerships that will enable those trained to gain employment or self-employment, or to start a business or cooperative;
- **DHET work-based learning-tracer study** to understand the outcomes of workplace-based learning programmes through the tracking and tracing of learners in the mer-Sector . The study provides information on where learners go after graduating from learning institutions or programmes, and follows their success in the labour market;
- **Atlas of occupations for the manufacturing, engineering and related services sector** – a reference guide for learners, workers, employers and skills planners to occupations and jobs in demand in the metals, plastics, auto, motor and new tyre sub-sectors; and
- **Retrenchment assistance programme evaluation study** to assess processes, outcomes and impact of programme to inform merSETA decision-making and determine whether the initiative achieves its objectives for the sector and the economy.

1.1 Organisational Environment

On 22 July 2019, the Minister of Higher Education, Science and Innovation, Dr Blade Nzimande, extended the merSETA licence and those of 20 other SETAs for 10 years from 1 April 2020 in line with the NSDP. The extension is expected to bring stability and long-term focus to the merSETA's planning and strategic projects. The term of the Accounting Authority appointed in 2018/19 ended on 31 March 2020. The outgoing Accounting Authority and its various sub-committees played a crucial role in strengthening governance and leadership at the SETA. The Accounting Authority was integral to the development of the new five-year strategy (2020/21 to 2024/25) in the context of the NSDP, and sector and national priorities.

The new Accounting Authority to take office from 1 April 2020 is expected to play a pivotal role in guiding management in the implementation of priorities identified in the five-year strategy and in realising its mission of increasing 'access to high quality and relevant skills development and training opportunities, in order to reduce inequalities and unemployment and to promote employability and participation in the economy'. The merSETA's management in the year under review continued to develop systems and structures to support the implementation of the strategy. Strengthening monitoring and evaluation systems, digital ecosystems, innovation systems, research and labour market intelligence systems and governance, risk management and compliance systems will remain primary focuses in the implementation of the new five-year strategy.

1.2 Strategic-outcome Oriented Goals

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

GOAL STATEMENT

Ensure that the merSETA establishes transparent and best practice governance, leadership and management in accordance with the King Code, the PFMA, the merSETA Constitution and policies, and that it has in place adequate resources (human, financial, infrastructure, systems and 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; and
- 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

Ensure the establishment of research approach and practice that strengthens evidenced-based decision-making for skills development in the mer-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 THE FOLLOWING:

- 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, digital transformation, new work processes, industrial policies and sector trends for skills development; and
- 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

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 mer-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 sizes would be the main target beneficiaries.

THIS GOAL IS ADDRESSED THROUGH THE FOLLOWING:

- Designing and delivering accredited learning programmes that respond to the scarce and critical skills needs of the sector outlined in the Sector Skills Plan, Strategic Plan, NDP, IPAP 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. The merSETA is one of the major contributors to artisan development in South Africa;
- 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; and
- Establishing training partnerships to increase the number of trainees on PIVOTAL learning programmes, with a particular focus on increasing work placements.

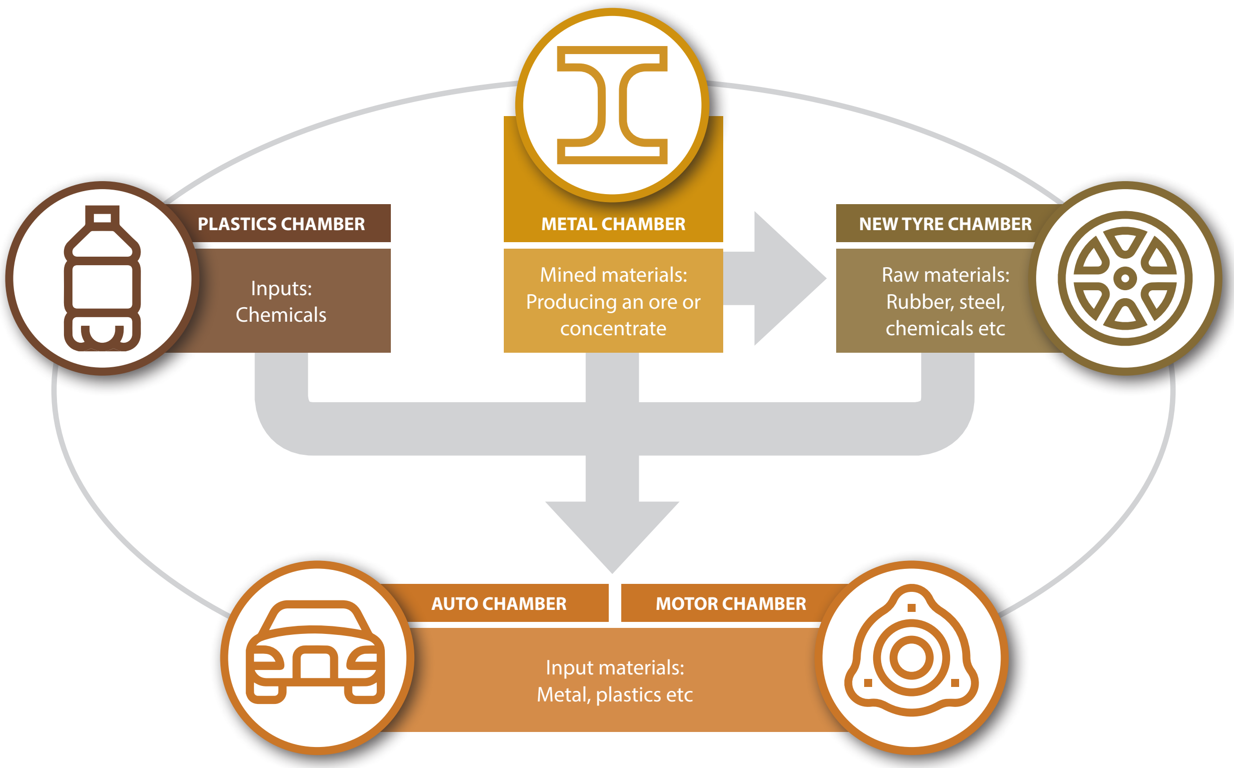
1.3 Sector Profile

The merSETA is one of 21 SETAs established through the Skills Development Act (No 97 of 1998). It covers a range of manufacturing activities and related service and retail activities. It facilitates skills development in the following six sub-sectors:

1. Metals and engineering;
2. Auto manufacturing;
3. Motor retail;
4. Tyre manufacturing;
5. Plastics manufacturing; and
6. Components manufacturing (to be introduced in the 2020/21 financial year).

On the basis of the three-digit standard industrial classification (SIC) codes used in capturing data for the national accounts, the figure 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 the flow of inputs.

merSETA Scope of Coverage by SIC Code and Chamber



CHAMBER	DESCRIPTION	SIC CODES
METAL CHAMBER	**Basic iron and steel:** non-ferrous metals and metal products	351-355, 372-375, 384-387, 882
	Machinery	356-357
PLASTICS CHAMBER	Plastic products	334, 338, 390, 395
NEW TYRE CHAMBER	Rubber products	337
AUTO CHAMBER	Motor vehicles, parts and accessories	381-383, 387
MOTOR CHAMBER	Sale, maintenanece and repair of motor vehicles	631-634, 361-363, 365-366

The industry is shaped primarily by government, business, organised labour and civil society. The key role-players in the mer-Sector include industry bodies, employer associations, labour unions, government departments, and education and training institutions that provide policy direction or play a regulatory role. In its role as an intermediary for skills development, the merSETA recognises the importance of civil society as a key role-player. All these role-players play a crucial role in building an integrated PSET system that is responsive to the needs of employees, employers and national priorities. This is core to the implementation of the NSDP.

Workplace Skills Plan (WSP) data to end-May 2019 show 5 350 companies. These include levy-exempt companies, but exclude training providers, non-profit organisations, universities and TVET colleges. The sample, therefore, represents the majority of levy-paying employers operating in the mer-Sector as manufacturers, retailers and service providers. Most companies in the mer-Sector are small and medium, employing 33% of all employees, whilst large companies account for around 67% of employment.

Table 1. MerSETA companies by size (merSETA WSP data)

Company Size	No of companies	% Companies	Employement	% Employment
Large (150+)	634	11.95%	367 869	67.28%
Medium (50 – 149)	1 219	22.79%	103 682	18.69%
Small (less than 50)	3 497	65.36%	75 252	13.76%
Total	5 350	100%	546 803	100%

The 5 350 companies that submitted WSPs constitute the majority of employees in the mer-Sector . Comparing data from the Quarterly Employment Survey, which represents 888 000 employees in the merSETA scope of coverage and 1 212 000 employees for the total manufacturing sector, the mer-Sector accounts for 73% of total manufacturing employment (Quarterly Employment Survey data, own calculations). WSP data account for about 547 000 employees, 67% in large companies and 19% in medium-sized companies. Small companies account for only 13% of total employment as per the 2019 WSP data. Statistics based on WSP data are, therefore, representative of the designated companies that participate in the merSETA mandatory grant process.

1.4 merSETA Contributions against NSDS Goals

The 2019/20 financial year saw the last year of the NSDS, which has guided the development and implementation of merSETA programme, projects and other interventions. The merSETA arguably remains one of the leading SETAs in its contribution to the realisation of NSDS goals. The table below summarises SETA interventions that responded directly to NSDS goals.

Table 2: merSETA contribution to the NSDS goals

1	**Establishing a credible institutional mechanism for skills planning**	The year under review saw the development of the Sector Skills Plan aligned to the National Skills Development Plan 2030. The SSP also guided discussions for setting strategic priorities of the SETA. The 2019/20 SSP formed the basis for developing the five-year Strategic Plan and APP. 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 improve planning.
2	**Increasing access to occupationally directed programmes**	During the 2019/20 financial year, the merSETA supported almost 10 000 unemployed learners through various learning interventions such as learnerships, bursaries, internships, candidacy, skills programmes and artisans to address scarce skills within the mer-Sector.
3	**Promoting the growth of a public TVET college system that is responsive to sector, local, regional and national skills needs and priorities**	In the 2019/20 financial year, the merSETA entered into 1 434 partnerships with government departments, TVET colleges, universities and employers to support education and skills development. Some 1 669 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.
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 over 931 learners to access AET programmes.
5	**Encouraging better use of workplace-based skills development**	The merSETA provided support to almost 7000 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, bursaries, RPL and skills programmes.
6	**Encouraging and supporting cooperatives, small enterprises, work initiated, non-governmental organisation (NGO) and community training initiatives**	During the 2019/20 financial year, the merSETA supported 1 822 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 10 NGOs, 267 NLPEs, 10 CBOs, six trade unions, 20 cooperatives and six rural development projects, and engagement with 1 503 small businesses.
7	**Increasing public sector capacity for improved service delivery and supporting the building of a developmental state**	During the 2019/20 financial year, the merSETA implemented several training programmes aimed at enhancing the skills of its staff and management in delivering services. The contract management training and Bid Committee training conducted by the National School of Government, for example, were key training interventions implemented to strengthen financial management in the organisation to ensure that 'all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management as stipulated' in the PFMA Act.
8	**Building career and vocational guidance**	The merSETA took part in 50 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:** Effective and efficient governance and leadership practice implemented;
- **Strategic Objective 2:** Improved financial and corporate management;
- **Strategic Objective 3:** Improved quality of organisational planning, budgeting, performance monitoring and reporting; and
- Enterprise content management (ECM) system for the efficient governance and management of data, records and knowledge assets of the merSETA for 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 mer-Sector , pertaining particularly to shortages and gaps in occupations and skills in demand.

The programme is also about the implementation of applied research and innovation projects, which test and pilot innovations and new ideas with the intention of taking such projects to scale if successful. The programme also supports the implementation of different types of evaluation studies (drawing on research approaches and methodologies) to assess processes, systems and the impact of merSETA skills development programmes and projects. This informs the merSETA of its successes and non-achievements, thus influencing ongoing decisions on strategic skills development interventions. These different types of research-based activities must be assessed for their value to evidence-based decision-making capability. Outputs of this programme include research projects conducted, the SSP, established research partnerships to increase the research capability of the merSETA, research papers and publications.

The programme is supported by Strategic Objective 5: Increased publication of research products that inform 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 6:** Increased contribution to employment and growth opportunities through skills facilitation;
- **Strategic Objective 7:** Strengthened partnerships for improved responsiveness to the needs of the sector; and
- **Strategic Objective 8:** 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; and
- **Strategic Objective 11:** Diversified career development, advice and guidance.

Table 3: merSETA programmes, strategic objectives, performance indicators, planned targets and actual achievements

PROGRAMME 1: ADMINISTRATION						
Strategic Objective 1	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 Achievements**	**Deviation from Planned Targets to Actual**	**Comment on deviation**
Effective and efficient governance and leadership practice implemented	% of AA and AA Committee meetings held as stipulated by the constitution & terms of reference.	N/A	100%	100%	0	Annual target achieved
	Number of Governance Charter Reports submitted to DHET.	N/A	4 Governance Charter Reports submitted to DHET.	4	0	Annual target achieved
Strategic Objective 2	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 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.	74%	100%	85%	-15%	There were delays in the implementation of systems for strengthening internal controls. The SETA will finalise the implementation of supporting systems e.g. risk & compliance management/ Leaner management systems and enhance processes for managing implementation of recommendations.
	Level of data integrity extracted from the Management Information System (MIS) as defined by the user specification requirements.	80%	100%	23%	-77%	Data and systems related challenges as a result of delays in implementation of Learner Management Systems (NSDMS). The ICT unit is in the process of finalising the implementation of the NSDM system as well as building data management and governance capability.
	% of merSETA Workplace Skills Plan (WSP) implemented.	85%	80%	59%	-21%	The target was not achieved due to capacity issues within the HR unit to monitor implementation. Measures are being put in place to address capacity issues for the implementation of HR related projects and programmes.

PROGRAMME 1: ADMINISTRATION (CONTINUED)

Strategic Objective 3	Performance Indicators	2018/19 Achievement	2019/20 Target	2019/20 Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Improved quality of organisational planning, budgeting, performance monitoring and reporting.	Reliability of reported performance information in alignment with the Annual Performance Plan.	100%	85%	23%	-77%	Data and systems related challenges as a result of delays in the implementation of Learner Management Systems (NSDMS) have compromised the reliability of reported performance information due to incompleteness. The merSETA is finalising the implementation of the performance Information reporting procedure as well as enhancement of the Leaner Management Systems, and merSETA digital ecosystem
Strategic Objective 4	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 Achievements**	**Deviation from Planned Targets to Actual**	**Comment on deviation**
Enterprise Content Management (ECM) System for the efficient governance and management of data records and knowledge assets of the merSETA.	The merSETA Enterprise Content Management System implemented.	Scale rating of 2	Approved ECM implementation road map by MANCO.	Roadmap approved by MANCO	N/A	Annual target achieved

PROGRAMME 2: SKILLS PLANNING

Strategic Objective 5	Performance Indicators	2018/19 Achievement	2019/20 Target	2019/20 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 Executive Authority.	SSP was accepted and approved by the Minister.	SSP that is recorded as accepted and approved by Executive Authority.	SSP was accepted and approved by Executive Authority.	N/A	Annual target achieved
	Number of primary Research studies contained in the research agenda that are implemented.	9	3 research studies	4	1	One study which had been planned to be implemented in the previous financial year was implemented in the year under review
	Number of evaluation studies implemented based on the merSETA evaluation plan.	4	5 evaluation projects	2	-3	The target could not be achieved as three Terms of Reference are still in the tender process, once finalised the evaluation studies will be reported.
	Number of internal desktop research projects based on merSETA data tabled at MANCO.	3	3 internal research projects tabled at MANCO.	3	0	Annual target achieved

PROGRAMME 3 : LEARNING PROGRAMMES AND PROJECTS						
Strategic Objective 6	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 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.	4 016	2 500	2 363	-137	Due to the SETMIS requirements on NSDMS, a number of organisations could not capture and upload the learner information on the system. The different information being required was not originally catered for during their recruitment process and needs to be obtained from learners. The unavailability of evidence at the stage of lockdown resulted in a number of learner records not being captured manually and resulted in lower numbers being reported on. Due to the economic down turn, organisations were reluctant to take on new learners. A large amount of both internal and external users had different interpretations of the SETMIS requirements which resulted in applications being rejected.
	Number of unemployed learners completing learnerships.	2 800	3 000	1821	-1 179	A number of moderation reports are on hand however the lack of records being available due to the lockdown has resulted in lower numbers being reported.
	Number of employed learners entering learnerships.	2 023	1 900	1 550	-350	Changes in SETMIS requirements & the unavailability of evidence at the stage of lockdown resulted in a number of learner records not being captured. Due to the economic down turn mainly in the Metal Sector, organisations were reluctant to take on new learners. Training and the enhancement of NSDMS where organisations will be required to upload evidence prior to submission will curb this challenge.
	Number of employed learners completing learnerships.	1 448	3 230	894	-2 336	A number of moderation reports are on hand however the lack of records being available due to the lockdown has resulted in lower numbers being reported.

PROGRAMME 3 : LEARNING PROGRAMMES AND PROJECTS (CONTINUED)						
Strategic Objective 6 (Continued)	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 Achievements**	**Deviation from Planned Targets to Actual**	**Comment on deviation**
Increased contribution to employment and growth opportunities through skills facilitation.	Number of unemployed graduates placed on internships (Entered).	419	400	170	-230	Due to the SETMIS requirements on NSDMS, a number of organisations could not capture and upload the learner information on the system. The different information being required was not originally catered for during their recruitment process and needs to be obtained from learners. The unavailability of evidence at the stage of lockdown resulted in a number of learner records not being captured manually and resulted in lower numbers being reported on. Due to the economic down turn, organisations were reluctant to take on new learners. A large amount of both internal and external users had different interpretations of the SETMIS requirements which resulted in applications being rejected.
	Number of unemployed graduates placed on internships (Completed).	247	250	251	1	Annual target achieved
	Number of TVET students placed for work experience (Entered).	1 746	3 000	291	-2 709	Changes in SETMIS requirements & the unavailability of evidence at the stage of lockdown resulted in a number of learner records not being captured. Due to the economic down turn mainly in the Metal Sector, organisations were reluctant to take on new learners.
	Number of TVET students placed work for experience (Completed).	934	700	428	-272	The lack of records being available due to the lockdown has resulted in lower numbers being reported.
	Number of graduates who entered candidacy programmes.	22	20	20	0	Annual target achieved
	Number of graduates who completed candidacy programmes.	4	20	29	9	The candidacy programme is over a minimum of 3 years and therefore, candidates are currently still in the programme. The first group started in 2018/19 financial period.

PROGRAMME 3 : LEARNING PROGRAMMES AND PROJECTS (CONTINUED)						
Strategic Objective 6 (Continued)	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 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 skills programmes.	3 309	4 000	277	-3 723	Due to the SETMIS requirements on NSDMS, a number of organisations could not capture and upload the learner information on the system. The different information being required was not originally catered for during their recruitment process and needs to be obtained from learners. The unavailability of evidence at the stage of lockdown resulted in a number of learner records not being captured manually and resulted in lower numbers being reported on. Due to the economic down turn mainly in the Metal Sector, organisations were reluctant to take on new learners. A large amount of both internal and external users had different interpretations of the SETMIS requirements which resulted in applications being rejected.
	Number of Unemployed learners completing skills programmes.	2 631	2 633	915	-1 718	A number of moderation reports are on hand however the lack of evidence being available due to the lockdown has resulted in lower numbers being reported.
	Number of employed learners entering skills programmes.	5 483	4 000	2 287	-1 713	Due to the SETMIS requirements on NSDMS, a number of organisations could not capture and upload the learner information on the system. The different information being required was not originally catered for during their recruitment process and needs to be obtained from learners. The unavailability of evidence at the stage of lockdown resulted in a number of learner records not being captured manually and resulted in lower numbers being reported on. Due to the economic down turn mainly in the Metal Sector, organisations were reluctant to take on new learners. A large amount of both internal and external users had different interpretations of the SETMIS requirements which resulted in applications being rejected.
	Number of employed learners completing skills programmes.	3 182	3 100	412	-2 688	A number of moderation reports are on hand however the lack of evidence being available due to the lockdown has resulted in lower numbers being reported.

PROGRAMME 3 : LEARNING PROGRAMMES AND PROJECTS (CONTINUED)

Strategic Objective 6 (Continued)	Performance Indicators	2018/19 Achievement	2019/20 Target	2019/20 Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Increased contribution to employment and growth opportunities through skills facilitation.	Number of employed learners on bursaries (Entered).	133	98	323	225	These learners were reported manually and the increase in numbers was due to the year 20 discretionary grant awards being made in the 2nd quarter.
	Number of employed learners on bursaries (Completed).	25	97	13	-84	The results are usually received in March of each year. The evidence for reporting is unavailable due to the early closure of the institutions prior to March.
	Number of unemployed learners on bursaries (Entered).	194	475	279	-196	The universities closed early due to COVID-19 and registration documents for 2020 academic year were not available at the time of closure.
	Number of unemployed learners on bursaries (Completed).	120	475	53	-422	The universities closed early due to COVID-19 and academic record or certificates were not available at time of closure.
	Number of learners entered for artisan trade qualifications.	4 217	4 366	644	-3 722	Due to the SETMIS requirements on NSDMS, a number of organisations could not capture and upload the learner information on the system. The different information being required was not originally catered for during their recruitment process and needs to be obtained from learners. The unavailability of evidence at the stage of lockdown resulted in a number of learner records not being captured manually and resulted in lower numbers being reported on. Due to the economic down turn mainly in the Metal Sector, organisations were reluctant to take on new learners. A large amount of both internal and external users had different interpretations of the SETMIS requirements which resulted in applications being rejected.
	Number of learners completing artisan trade qualifications.	3 315	3 400	2 763	-637	The number of trade test reports are on hand however the lack of evidence being available due to the lockdown has resulted in lower numbers being reported.

PROGRAMME 3 : LEARNING PROGRAMMES AND PROJECTS (CONTINUED)						
Strategic Objective 6 (Continued)	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 Achievements**	**Deviation from Planned Targets to Actual**	**Comment on deviation**
Increased contribution to employment and growth opportunities through skills facilitation.	Number of candidates completing Recognition of Prior Learning (RPL).	2 057	1 500	1 387	-113	The number of applications have reduced due to the need for additional information which candidates would not have available at the time of application. Added to this is the requirement for candidates to approach the trade test centres prior to applying at the SETA to go through the tool kit process.
	Number of learners accessing and completing AET programmes (Entered).	498	600	485	-115	Due to the SETMIS requirements on NSDMS, a number of organisations could not capture and upload the learner information on the system. The different information being required was not originally catered for during their recruitment process and needs to be obtained from learners. The unavailability of evidence at the stage of lockdown resulted in a number of learner records not being captured manually and resulted in lower numbers being reported on. The organisations experienced challenges with the understanding of the new requirements and the fact that they had not interacted with the system previously.
	Number of learners accessing and completing AET programmes (Completion).	388	400	446	46	Due to the SETMIS requirements on NSDMS, a number of organisations could not capture and upload the learner information on the system. The different information being required was not originally catered for during their recruitment process and needs to be obtained from learners. The unavailability of evidence at the stage of lockdown resulted in a number of learner records not being captured manually and resulted in lower numbers being reported on. Due to the economic down turn mainly in the Metal Sector, organisations were reluctant to take on new learners. A large amount of both internal and external users had different interpretations of the SETMIS requirements which resulted in applications being rejected.
	Number of companies being paid mandatory grants: large (150+ employees).	528	500	545	45	The target has been reached due to the number of applications that have met the criteria.

PROGRAMME 3 : LEARNING PROGRAMMES AND PROJECTS (CONTINUED)						
Strategic Objective 6 (Continued)	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 Achievements**	**Deviation from Planned Targets to Actual**	**Comment on deviation**
Increased contribution to employment and growth opportunities through skills facilitation	Number of companies being paid mandatory grants: medium (50 – 149 employees).	860	833	919	86	The target has been reached due to the number of applications that have met the criteria.
	Number of companies being paid mandatory grants: small (49 and less employees).	1 750	2 135	2 148	13	The target has been reached due to the number of applications that have met the criteria.
Strategic Objective 7	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 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 the national diploma (Entered).	427	325	659	334	The delayed registration of learners where discretionary grants and the various projects has had an impact on this over achievement.
	Number of students accessing WIL to achieve the national diploma (Completion).	378	325	4	-321	Due to the SETMIS requirements on NSDMS, a number of organisations could not capture and upload the learner information on the system. The different information being required was not originally catered for during their recruitment process and needs to be obtained from learners. The unavailability of evidence at the stage of lockdown resulted in a number of learner records not being captured manually and resulted in lower numbers being reported on. The organisations experienced challenges with the understanding of the new requirements and the fact that they had not interacted with the system previously.
	Number of new TVET college partnerships established.	12	8	16	8	There was an overwhelming response to calls for applications aligned to our priorities due to increased awareness of SETA offerings due to DHET and SETA campaigns.
	Number of new SETA/ HEI partnerships established.	24	6	5	-1	Some responses to calls for applications did not align to priorities identified by the merSETA.
	Number of SETA / employer partnerships established.	1 569	1 600	1 413	-187	Delays in signing of agreements for awards issued has contributed to not achieving this target. The SETA is expecting to receive some of the signed agreements in the new financial year (2020/21)
	Number of lecturers developed (Entered).	262	50	134	84	The increase in numbers is due to the project rolled out in the Free State with the University of the Free State.

PROGRAMME 3 : LEARNING PROGRAMMES AND PROJECTS (CONTINUED)						
Strategic Objective 7 (Continued)	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 Achievements**	**Deviation from Planned Targets to Actual**	**Comment on deviation**
Strengthen partnerships for improved responsiveness to the needs of the sector.	Number of lecturers developed (completed).	216	50	153	103	Lecturers are exposed to short learning programmes which resulted in all learning being closed out.
	Number of new SETA/ government partnerships established.	4	2	2	0	Annual target achieved
Strategic Objective 8	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 Achievements**	**Deviation from Planned Targets to Actual**	**Comment on deviation**
Improved competency levels of Small and Medium Enterprises (SMEs), township and village enterprises and co-operatives entrepreneurs.	Number of co-operatives supported through skills development.	11	20	20	0	Annual target achieved
	Number of small businesses supported through skills development.	545	1 500	1 503	3	Annual target achieved
	Number of Non-Profit Organisations (NPOs) supported through skills development (NGOs{7} and registered Community Based Organisations (CBOs {5})	26	12	20	8	There was an overwhelming response to calls for applications aligned to our priorities due to increased awareness of SETA offerings due to increased engagement with the stakeholder group
	Number of NLPEs supported through skills development.	103	200	267	67	There was an overwhelming response to calls for applications aligned to our priorities due to increased awareness of SETA offerings due to increased engagement with the stakeholder group
	Number of trade unions supported through skills development.	4	4	6	2	There was an overwhelming response to calls for applications aligned to our priorities due to increased awareness of SETA offerings due to increased engagement with the stakeholder group. This target is also key in the achievement of the AET indicator and hence it was a strategic decision to go beyond the planned target.
	Number of rural development projects supported through skills development.	4	4	6	2	There was an overwhelming response to calls for applications aligned to our priorities due to increased awareness of SETA offerings due to increased engagement with the stakeholder group

PROGRAMME 4: QUALITY ASSURANCE

Strategic Objective 9	Performance Indicators	2018/19 Achievement	2019/20 Target	2019/20 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.	25	10	11	1	Annual target achieved
Strategic Objective 10	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 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 providers implementing merSETA occupational qualifications monitored.	72%	75%	75%	0	Annual target achieved
Strategic Objective 11	**Performance Indicators**	**2018/19 Achievement**	**2019/20 Target**	**2019/20 Achievements**	**Deviation from Planned Targets to Actual**	**Comment on deviation**
Diversified career development, advice and guidance.	Number of career awareness events implemented/in which merSETA participated.	48	50	50	0	Annual target achieved
	Number of innovation projects implemented.	N/A	3	1	-2	Project proposals related to career guidance were invited through DG2 funding window. This process did not yield the required quality of proposal. For the coming year focus will be on the training of practitioners in line with the NSDP.

merSETA Chambers

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

The merSETA has six chamber committees representing economic sub-sectors in its domain. A new sixth chamber was approved in 2019 by the Accounting Authority. It will represent the merSETA companies, business and labour associations in the automotive components manufacturing sub-sectors. It will start operating in the 2020/21 SETA financial year.

The merSETA six chamber committees are:

- Automotive components manufacturing;
- Automobile manufacturing;
- Metal engineering;
- Motor retail;
- New tyre manufacturing; and
- Plastics manufacturing

Composition

Except for the plastics chamber, which comprises a maximum of nine members each from organised employers and organised labour, chamber committees comprise a maximum of 10 members from organised employers and organised labour.

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 and innovation project proposals prior to submission to the Governance and Strategy 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 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; and
- 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.

During the period under review, chamber committees met and exceeded expectations of the responsibilities and targets set in individual chamber work plans. All chamber meetings were held in accordance with the annual calendar of meetings. Chamber research projects continue to play a strategic role in guiding and supporting chambers to meet local and global socio-economic demands in the sector.

Research assignments completed during the period included:

- **Plastics chamber** – 'Improving the competitiveness of the plastics pipe sector in South Africa'.
- **Auto chamber** – 'Investigating the cause of skills mismatch in the automotive sector where the sector is unable to meet supply and demand, and if there is a shortage/surplus of artisans in the automotive industry, establish the extent of the surplus and shortage per trades'.
- **Motor chamber** – 'Investigation of the relevancy of occupations and skills required for the motor industry, with specific reference to the aftermarket sales, maintenance, refurbishment and repairs sub-sectors'.
- **Metal chamber** – 'The readiness of the metal Industry for the fourth industrial revolution'.
- **New tyre chamber** – 'Career path development in the new tyre chamber: Options for career mobility in the tyre manufacturing industry'.


Part C:
Governance

LEBOGANG MAHAYE
Company Secretary and Compliance Officer

1. Introduction

The merSETA Accounting Authority is appointed by the Minister of Higher Education, Science and Innovation 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 the DHET. It reports to Parliament through the Portfolio Committee on Higher Education, Science and Innovation.

3. Executive Authority

The Minister of Higher Education, Science and Innovation is the merSETA's Executive Authority and the Minister is accountable to Parliament for the activities of the merSETA. During the review year, the merSETA made all the required submissions to the Executive Authority, which included quarterly reports (financial and performance), the Annual Report, the APP and the service level agreement.

4. Accounting Authority

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

Lebogang Letsoalo was the Chairperson of the Accounting Authority during the year under review, while Xolani Tshayana and Jeanne Esterhuizen both served as deputy chairpersons. Ms Lebogang Letsoalo resigned from the Accounting Authority in January 2020.

The following members served as independent non-executive members: Alex Mashilo, Andrew Chirwa, Kirtida Bhana, Dr Lesley Lee, Thandeka Phiri, Neil Rademan, Pierre Bezuidenhout, Lee Coetzee and Renai Moothilal.

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); and
- Chamber committees and regional committees.

All committees have been conferred with specific delegated powers outlined in their terms of references, which 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 and Xolani Tshayana.

Roles and Responsibilities

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

B. THE AUDIT AND RISK COMMITTEE (ARC)

Composition

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

Roles and Responsibilities

ARC provides oversight of the company's financial affairs, monitors compliance with laws, 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, and addresses 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, Matheta Swafo and Juliana Makapan.

Roles and Responsibilities

The committee provides oversight on matters relating to human resource strategy and policy as well as remuneration and the review of the Chief Executive Officer's performance. It also oversees compliance with labour market legislation.

D. FINANCE AND GRANTS COMMITTEE (FGC)

Composition

The FGC comprises seven members, including Accounting Authority members Lee Coetzee (Chairperson), Jeanne Esterhuizen, Xolani Tshayana 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 they are aligned to the SSP and NSDS III, 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, 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 service level agreement.

6. Attendance at the Accounting Authority and Committee Meetings

Details of attendance at meetings during 2019/20 are summarised in the table below:

Name	Accounting Authority*	Audit And Risk Committee	Executive Committee	Human Resources and Remuneration Committee	Finance and Grants Committee	Governance and Strategy Committee	Other Meetings**
Lebogang Letsoalo	5/7		3/4	2/5			6
Jeanne Esterhuizen	7/7		4/4		3/3	4/5	3
Xolani Tshayana	7/7		4/4		3/3	5/5	13
Kirtida Bhana	7/7					5/5	5
Dr Lesley Lee	5/7			4/5			3
Neil Rademan	7/7					5/5	6
Leon Coetzee	3/7	1/6			1/3		5
Andrew Chirwa	4/7			5/5		3/5	1
Alex Mashilo	6/7	1/6				5/5	6
Pierre Bezuidenhout	4/7					2/5	2
Thandeka Phiri	7/7		3/4	5/5			4
Renai Moothilal	7/7	6/6					3
Juliana Makapan	3/3			5/5			0
Mathetha Swafo	3/3			5/5			0
Bongi Masinga	2/3				2/3		0
Mochele Noge	3/3				3/3		0
Siyabonga Msweli	2/3					2/5	1
Kholeka Zama	2/3	6/6					0
Collin Nciki	1/3	6/6					0
Khumo Mzozoyana	3/3	6/6					0
Dr Len Konar	2/3					5/5	0

* Includes Accounting Authority activities (annual general meeting and Accounting Authority strategy session)
** Includes chamber meetings

Remuneration of the Accounting Authority and Committee Members

The payments in the table below were made to members of the Accounting Authority and its committees in accordance with the remuneration rates stipulated by National Treasury as well as the merSETA Accounting Authority and Committee Remuneration Policy.

Name	Remuneration R	Other Allowances	Other Reimbursements R	Total R
Lebogang Letsoalo (Accounting Authority and Exco Chairperson)	178 000			178 000
Jeanne Esterhuizen (Accounting Authority Deputy Chairperson and Motor Chamber Chairperson)	199 000			199 000
Xolani Tshayana (Accounting Authority Deputy Chairperson and Motor Chamber Chairperson)	292 000		14 976	306 976
Kirtida Bhana*	151 000			151 000
Dr Lesley Lee	114 000			114 000
Neil Rademan (New Tyre Chamber Chairperson)	168 000		5 670	173 670
Leon Coetzee** (Plastics Chamber and FGC Chairperson)	88 000		981	88 981
Andrew Chirwa	104 000			104 000
Alex Mashilo (GSC Chairperson)	166 000			166 000
Pierre Bezuidenhout**	69 000		1 410	70 410
Thandeka Phiri (HRRC Chairperson)	190 000			190 000
Renai Moothilal	134 000			134 000
Juliana Makapan***	69 000			69 000
Mathetha Swafo***	69 000			69 000
Bongi Masinga***	35 000			35 000
Mochele Noge***	52 000			52 000
Siyabonga Msweli***	43 000			43 000
Kholeka Zama*** (ARC Chairperson)	183 000			183 000
Collin Nciki***	133 000			133 000
Khumo Mzozoyana***	176 000			176 000
Dr Len Konar***	60 000			60 000
Total	2 673 000		23 037	2 696 037

*Board fees for these members were paid to the employer body or representative union
**These members resigned before the end of the Accounting Authority term
***Independent committee members paid for attending Accounting Authority activities (annual general meeting and Accounting Authority strategy session)

7. Accounting Authority and Accounting Authority Committee Assessment

The Compliance Officer and Company Secretary conducted the Accounting Authority internal performance assessment during the second quarter of 2019. The new Accounting Authority was appointed on 1 April 2020 and its assessment will be conducted in 2021. This will ensure that the Accounting Authority and its committees continue to comply with Principle 9 of the King IV Report.

8. Legislative Compliance, King IV and Ethics

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

Systems are in place to detect changes in legislation as and when they occur. Changes in legislation and statutory requirements are reported to the Audit and Risk Committee quarterly and as and when it becomes necessary.

The merSETA has an updated and 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 the Audit and Risk Committee, 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 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, the Audit and Risk Committee reviews the performance of the 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 the Audit and Risk Committee. The internal control environment of the merSETA was found to be in good standing.

11. Fraud and Corruption

The merSETA has a Fraud Prevention Plan, which is regularly reviewed to ensure effectiveness. The entity has a fraud and corruption hotline, which 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 where allegations are found to be true. The fraud and corruption report is a standing item for the Audit and Risk Committee.

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 an indirect interest that conflicts, or possibly may conflict, with the organisation's interests. A new Conflict of Interest Policy was approved by the Accounting Authority in March 2020. It outlines policy imperatives for disclosure by the Accounting Authority and staff. Members and 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 to and assess the impact on social transformation, environmental preservation and economic upliftment. Initiatives during the period under review were linked to the NSDP.

14. Health and Safety

A national Occupational Health and Safety Committee ensures compliance to the Occupational Health and Safety Act No 85 of 1999, ISO 9001:2015 Quality Management System and the National Environment Management Act No 107 of 1998. Now with the challenges presented by Covid-19, the organisation has ensured compliance with the Disaster Management Act 57 of 2002, its Regulations as amended and the national directives issued by ministers from time to time.

15. Compliance Officer and Company Secretary

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

Part D:
Human Resource Management

1. Introduction

Fundamentally, it is through the efforts of its people that the merSETA is able to meet and deliver its mandate and continue to achieve at a high level. In the modern fourth industrial revolution era, driven by technology and data, the human resources unit encourages and optimises employee behaviour through implementing human resources activities and initiatives that foster a culture of connection, safety, confidence and high performance.

2. Human Resource Achievements

2.1. Recruitment, Selection and Placement

Vacancies were advertised nationally. Selection interviews were conducted by representative interview panels using competency-based interviewing methodology so as to match the right person to the vacancy. Selection decisions are informed by extensive background and reference checks before a placement is made.

2.2. Employee Engagement

Enhancing internal communication was a key focus during the year under review. To this end, interactive engagements such as regular team meetings, national leadership roadshows, wellness poster campaigns and events, video broadcasts, newsletters, bulletins and a centralised information-sharing platform were successfully implemented.

The annual merSETA staff recognition awards recognised long-serving staff and above-average performers.

2.3. Employee Relations

A constructive and stable relationship with National Education, Health and Allied Workers' Union (NEHAWU) shop stewards led to robust and proactive collaboration. Shop stewards attended externally facilitated capacity building, the annual human resources policy indaba and quarterly bilateral meetings. Wage negotiations were successfully concluded and no loss of productivity and morale due to disputes and strikes was recorded.

2.4. Legislative Compliance

The merSETA Employment Equity Plan and Report, and the merSETA Workplace Skills Plan and Annual Training Report were developed and submitted as regulated.

By year end, all human resources policies were reviewed, aligned and approved by the Accounting Authority. Policy standard operating procedures were developed.

2.5. Compensation

Fair and equitable remuneration practice was achieved through the benchmarking of salaries against the public and private sectors. Minor anomalies identified were addressed by management. A salary range progression policy was approved at year-end.

2.6. Staff Satisfaction

An independently conducted staff satisfaction survey reported a 67% satisfaction rate, which was 1% higher than in the previous year.

2.7. Performance Management

Biannual results-driven performance reviews contained clear key performance indicators and evidence requirements linked to merSETA strategic objectives and values.

Moderation eliminated bias from the rating system and employees with below-standard performance were supported to improve performance. Performance bonus payments were determined by the performance score recommended by the moderation panel.

2.8. Training and Development

Job- and career-related training and development were conducted throughout the organisation. Post-school bursaries were awarded to the children of qualifying employees.

2.9. Occupational Health and Safety

Occupational health and safety compliance continued to be paramount in the year under review. In line with Occupational Health and Safety Act of 1993 prescripts, evacuation procedures were conducted in all regional offices and at head office.

The Occupational Health and Safety Committee continued to ensure that the merSETA preserves a healthy, safe and conducive workplace that supports the achievement of strategic goals. Quarterly committee meetings took place and risks were identified and mitigated. Emergency protocols and safety awareness campaigns were rolled out to staff, stakeholders and members of the public through videos, pamphlets and posters.

3. Human Resource Oversight Statistics

	% African	% Coloured	% Indian	% White
merSETA	74.03%	13.42%	3.46%	9.09%
National	78.5%	9.6%	2.8%	9.1%

3.1. Personnel Costs

Total expenditure for the entity R'000	Personnel expenditure R'000	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee R'000
1 186 344	139 519*	11.7%	229	609

* Includes project costs of R10 442 000

3.2. Personnel cost by salary band

Levels	Males				Females				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Top management	-	-	-	-	-	-	-	-	-
Senior management	-	1 841	-	-	3 296	-	-	1 496	6 633
Professional qualified	14 136	2 099	1 139	4 017	7 806	3 496	1 681	4 733	39 107
Skilled	20 652	6 440	2 431	3 411	15 116	2 999	514	1 207	52 770
Semi-skilled	6 844	355	-	-	13 260	1 543	-	1 372	23 374
Unskilled	123	-	-	-	1 243	246	-	-	1 612
Total	41 755	10 735	3 570	7 428	40 721	8 284	2 195	8 808	123 496

3.3. Training costs

Programme/ activity/objective	Personnel expenditure R'000	Training expenditure R'000	Training expenditure as % of personnel cost	Number of employees	Average annual training cost per employee R'000
Staff training	139 519	2 692	1.9%	229	R11 755

3.4. Employment and vacancies

Programme/ activity/objective	2019/20 number of employees	2019/20 approved posts	2018/19 number of employees	2019/20 vacancies	Percentage of vacancies
Recruitment	229	229	228	19	6.9

3.5. Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	-	-	-	-
Senior management	4	-	-	4
Professional qualified	39	3	3	39
Skilled	93	11	5	98
Semi-skilled	79	5	5	76
Unskilled	13	-	1	12
Total	228	19	14	229

3.6. Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	-	-
Resignation	8	57.14%
Dismissal	-	-
Retirement	5	35.72%
Ill health	1	7.14%
Other – contract ended	-	-
Total	14	100%

3.7. Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	3
Written warning	10
Disciplinary hearing – not guilty	-
Disciplinary hearing – verdict pending	2
Dismissal	-
Resignation during hearing	1
Grievance	2

3.8. Equity target and employment equity status

	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	-	-	-	-	-	-	-	-
Senior management	-	-	1	1	-	-	-	-
Professional qualified	14	11	2	4	1	1	4	3
Skilled	38	29	10	14	4	3	6	7
Semi-skilled	24	27	1	1	-	-	-	2
Unskilled	1	1	-	-	-	-	-	1
Total	77	68	14	20	5	4	10	13

	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	-	1	-	-	-	-	-	-
Senior management	2	2	-	-	-	-	1	1
Professional qualified	8	10	4	4	2	2	4	5
Skilled	31	32	6	4	1	1	2	2
Semi-skilled	42	40	5	8	-	1	4	4
Unskilled	9	9	2	1	-	-	-	1
Total	99	94	17	17	3	4	11	13

3.9. Disabled staff

	Male		Female	
	Current	Target	Current	Target
Top management	-	1	-	1
Senior management	-	1	1	1
Professional qualified	1	1	1	1
Skilled	4	1	7	1
Semi-skilled	1	1	3	1
Unskilled	-	1	1	1
Total	6	6	13	6

DEAF ASSEMBLER'S ACHIEVEMENTS SPEAK VOLUMES

'I was able to buy myself a house and support my family. This shows that I am abled.'

These are the words of Madlenkosi Mchunu, a deaf aluminium assembler at Alugro Aluminium in Pretoria, Gauteng.

Having attained his matric certificate from Kwa-thinkwa School for the Deaf in 2011, Mchunu completed a merSETA-funded learnership at Wispecco Aluminium in 2012, after which he was permanently employed by Alugro Aluminium. There, through hard work and dedication, he has dispelled all myths about other-abled people.

He describes the learnership as a 'lifeline'. 'Had it not been for this opportunity, I would not have realised my abilities,' he says.

He adds that he continuously motivates himself by reading about the achievements of other-abled people, among them the late

Stephen Hawking, the English theoretical physicist, cosmologist and author who was director of research at the Centre for Theoretical Cosmology at the University of Cambridge.

Mchunu shares Hawking's sentiments: 'The human spirit is one of ability, perseverance and courage that no disability can steal away' Hawking said, 'Concentrate on things your disability does not prevent you doing well and don't regret the things it interferes with. Don't be disabled in spirit as well as physically.'

The enthusiasm he portrays in his work has won the hearts of his employers. His manager, Sakkie Nicholson, says: 'If there ever came a time where the company had to retrench staff, Mchunu would definitely be one of the employees we would keep.'

Nicholson describes Mchunu as the hardest working employee in the factory, willing to do everything expected of him. 'He is always eager to learn and takes pride in his work. I initially thought that it would be difficult to communicate with him, but this was not the case. I actually find myself interacting with him more than with other employees.'

Born and bred in Mooi River, KwaZulu-Natal, Mchunu was raised by a single mother and had three siblings. 'I come from humble beginnings and had a tough upbringing,' he recalls. 'However, I always imagined myself leading a fulfilling life because I looked beyond my disability to self-empowerment.'

Nicholson applauds partnerships such as that of the merSETA and Wispeco that empower other-abled people. 'More organisations should forge such partnerships if the country is to become successful in bridging the inequality gap,' he states.

Mchunu concludes: 'My goal is to one day build my own business with the skills I have acquired. This, I realise, can be achieved only through further study to continuously empower myself.'

FROM CURIOUS CLEANER TO ACCOMPLISHED APPRENTICE

Mopping floors seemed to be her destiny until she sacrificed her lunch hours to learn how mechanics worked on cars.

Nomthandazo Petrus, a motor mechanics apprentice at Taylor's Automotive Services in Cape Town, was employed as a cleaner, but her quest for knowledge led her to an apprenticeship opportunity. 'I was interested in knowing how mechanics stripped car parts, fixed them and reassembled them, so I asked my manager, William Taylor, if he could get someone to teach me,' she explains.

Petrus was given an opportunity to work on cars during her lunch hour and when a motor mechanics apprenticeship opportunity arose, she was first in line. 'This was a success-defining moment for me,' she says. 'I knew that the struggles I had endured over the years were about to become a thing of the past.'

She started her merSETA-funded apprenticeship training in March 2019 and describes it as an exciting opportunity because, although she has been working on cars for four years, having a formal qualification will boost her chances of a successful career. Following matric in 2012, Petrus could not study further due to financial problems, but that didn't stop her handing out CVs left, right and centre. 'I lost count of the number I handed out, but eventually, I had to settle for odd jobs, such as babysitting,' she says.

Petrus had a difficult upbringing, having been separated from her mother following the death of her father when she was only three years old. She was raised by her aunt, who already had five children, with her husband the only breadwinner.

'I had to share whatever was available with my cousins but I continuously reminded myself that I had to better my life. This passion became even stronger after the birth of my son, who is now five years old. Realising my dreams means that I will be able to provide him with a foundation to realise his.'

Petrus believes that funded programmes such as that provided by the merSETA alleviate the pressure on learners and parents who cannot afford further education. She explains: 'With this kind of support, learners are able to push themselves to succeed and develop rare skills that may otherwise be brought in from other countries.

'My journey shows how important it is to gear one's mind to success. I want my story to serve as a beacon of hope for other young people who feel hopeless due their circumstances, financial or otherwise. Our disadvantaged backgrounds should not define our future. What is important is not the challenges we have endured growing up, but what we do with them going forward.'

After completing her apprenticeship, Petrus wants to move on to an auto-electrical qualification. 'In this industry, various opportunities are linked,' she stresses. 'I want to be in a better position to access opportunities easily and one day own an engineering workshop.'

HIS HANDS DO THE TALKING

'I was not made for white collar jobs, so I built a career with my hands.'

These are the words of Kyle Keightley, workshop manager at Glow Innovations in Cape Town.

Keightley qualified as a welding artisan in 2015, his programme having been funded by the merSETA. His passion for engineering dates back to high school. 'I was fortunate to have figured out my passion early, so I chose engineering subjects and as I expected, cruised through them until I dropped out of high school in Grade 11,' he says.

In 2012, Keightley enrolled for a mechatronics course at False Bay College and studied to level 3 before a series of events threatened to derail his plans. His brother was killed in a car accident and his father lost his company in 2014 and could no longer pay tuition fees.

He takes up the story: 'My mother became the only breadwinner and I could see that the burden was too heavy for her. The only thing that kept me going during that time was the desire to see my parents retire comfortably – this is still my dream, and I see it becoming more tangible with each day.

'If hell could be described, it would be the period when my father lost his company, but I knew I could not give up. I started a small woodwork business, servicing communities in my area.'

The funds he earned enabled him to continue studying. He ran his business until he received his learnership, when he decided to concentrate exclusively on learning welding.

'In this learnership, the merSETA handed me a stepping stone to keep my head above water and stay afloat,' he says thankfully.

Keightly spent two years going from door to door until finally, at the beginning of 2019, a door finally opened, at Glow Innovations. 'I am particularly grateful to my managers, Michael McLaren and Daniel Enticot, who taught me how to become a good manager,' he concludes.

BUSINESS VENTURE BLOSSOMED UNDER THE SUN

No amount of heat could stop Rachel Matlhamela from following her dream of becoming an entrepreneur; this in spite of the time she spent working on a pavement under the blazing hot sun of Thohoyandou in Venda, Limpopo.

In 2007, Matlhamela was studying boilermaking at Skills College in Eersterust, east of Pretoria, and, two years later, was offered a metal engineering learnership opportunity by Wispeco Aluminium, funded by the merSETA.

'The stipend I received was enough to cover only transport and food, but my plans of creating a better life for myself kept me soldiering on,' she states.

Matlhamela wanted to become an entrepreneur upon completion of her learnership, but lack of funds forced her to search for a job to support her three children.

'Wispeco always reiterated that we were being trained to become employers not employees, but I realised that I needed capital to start a business,' she continues.

It was at Raymond Glass in Louis Trichardt, Polokwane, where she had landed a job, that she began putting her entrepreneurial aspirations in motion.

'I worked very hard and gained the trust of my customers. It came as no surprise that when I started marketing my business, even with no place to operate, I received an order within a week. The customer gave me a deposit, with which I bought material. I started working on the street, with no shade.

'Wispeco was very proud of me and presented me with a fully equipped container workshop.'

She then won R55 000 worth of equipment through a Wispeco competition and was given a brand new bakkie branded with her name.

'My life changed for the better,' she enthuses. 'I was able to extend and renovate my RDP house, which was one of the greatest moments in my life. I can never thank the merSETA and Wispeco enough.'

Matlhamela's spazal northwest of Polokwane is thriving, with five employees to whom she is passing on her knowledge of the aluminium glass window and door industry.

On her current shopping list is a piece of land on which she can expand her business.

Her advice to aspiring entrepreneurs is to never give up on their dreams and to explore every opportunity. 'I made it this far as an orphan, so I can confidently say that nothing in life is impossible if one is determined enough,' she insists..

Part E:
Financial Information

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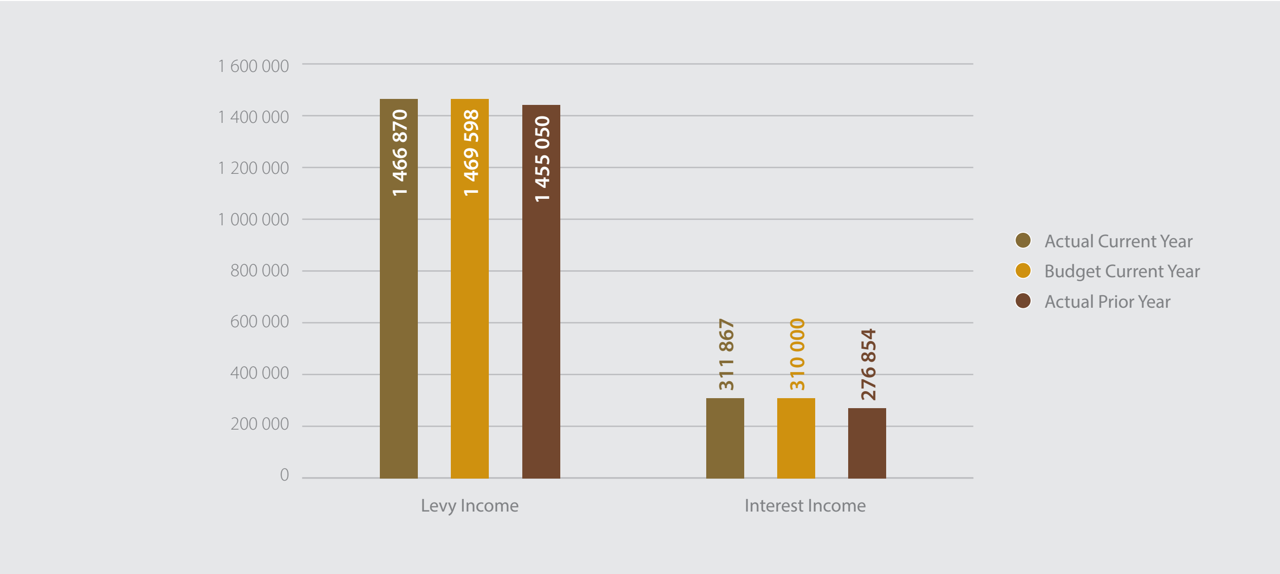
The audited Annual Financial Statements for the year ended 31 March 2020, set out on pages 66 to 117, have been approved by the Accounting Authority in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 (as amended) on 29 September 2020, and are signed on their behalf by:

K Moloto
(Chairperson)

W Adams
(Acting Chief Executive Officer)

1. Financial Performance Review

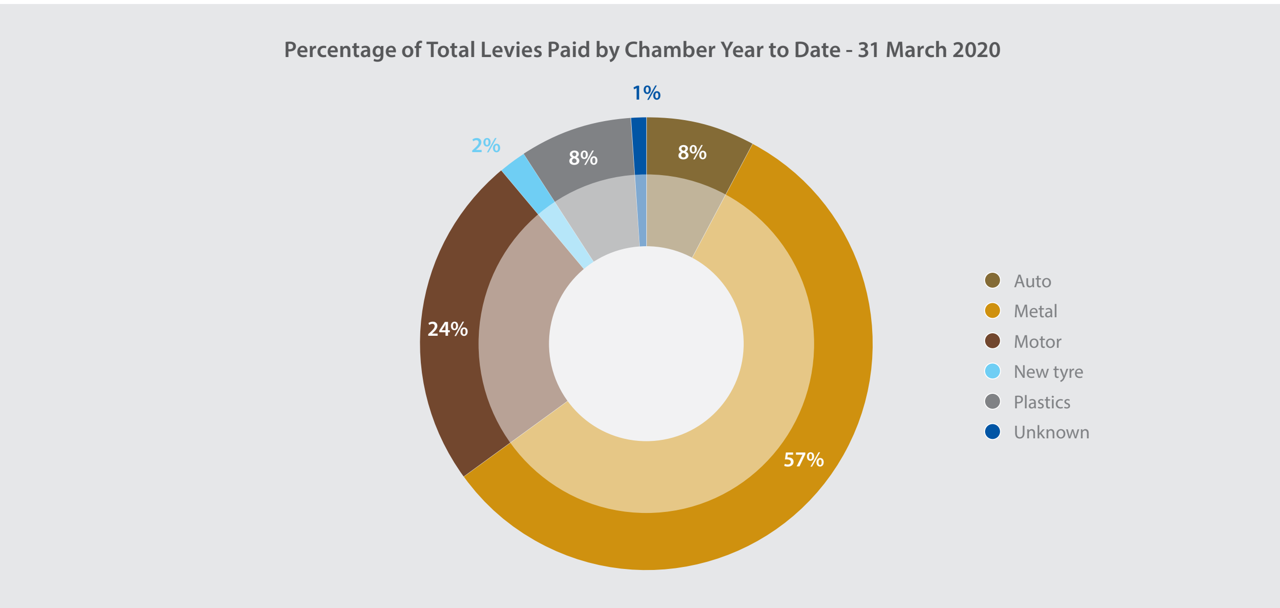
Revenue collection by category is shown in the table and graph below:



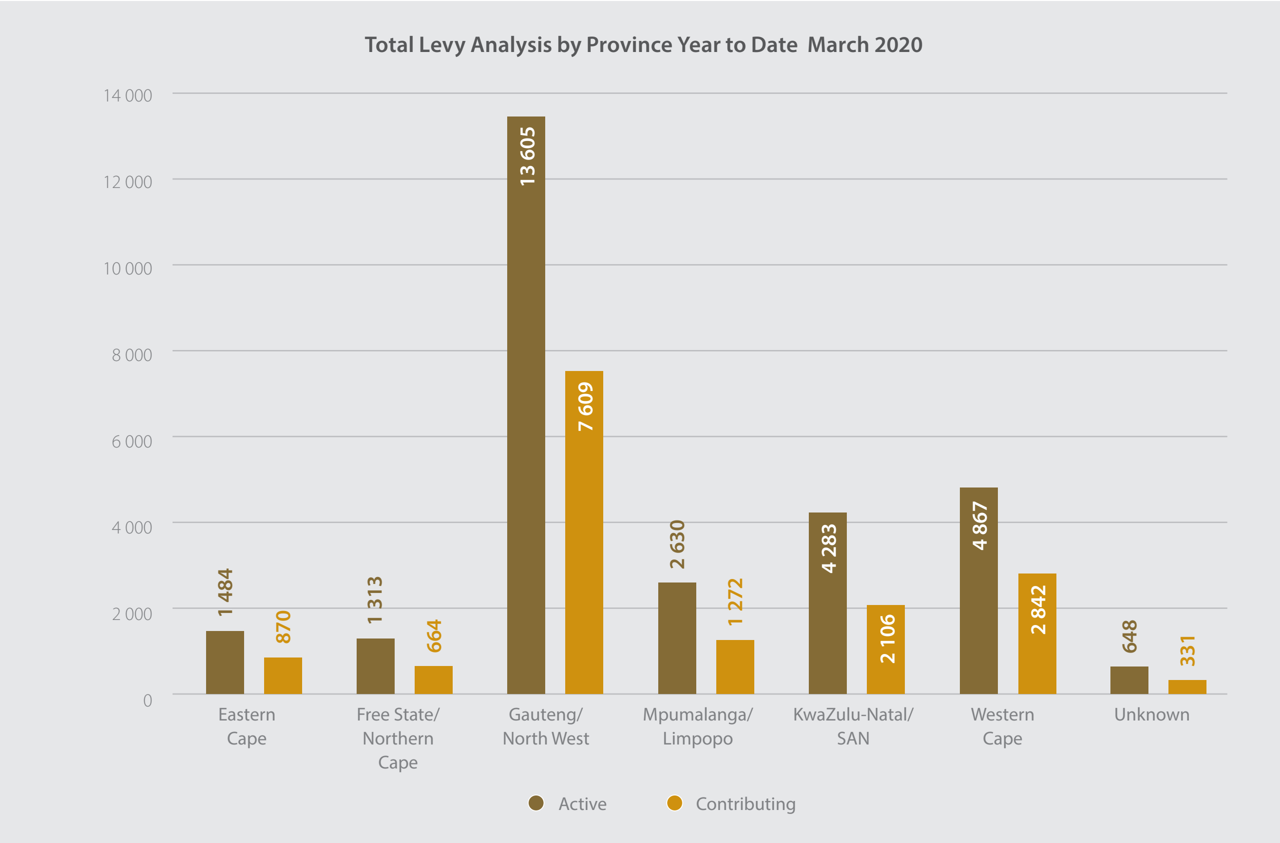
Actual levy income came very close to budget, showing only a marginal increase over the previous year. Penalties and interest on skills development levy income have dropped by 33% compared to the previous year.

Net gains from financial instruments relate to interest earned on bank balances and fixed notice deposits held by the merSETA on a short-term basis. These investments are for 12 months or fewer. Notice deposits have yielded good returns, the average being close to 8%. The overall weighted average interest rate for the year was 7.9% compared to 8.3% in the previous year. The resulting interest income was R312 million compared to R277 million in the previous year. This increase of 13% is due mostly to increasing cash reserves.

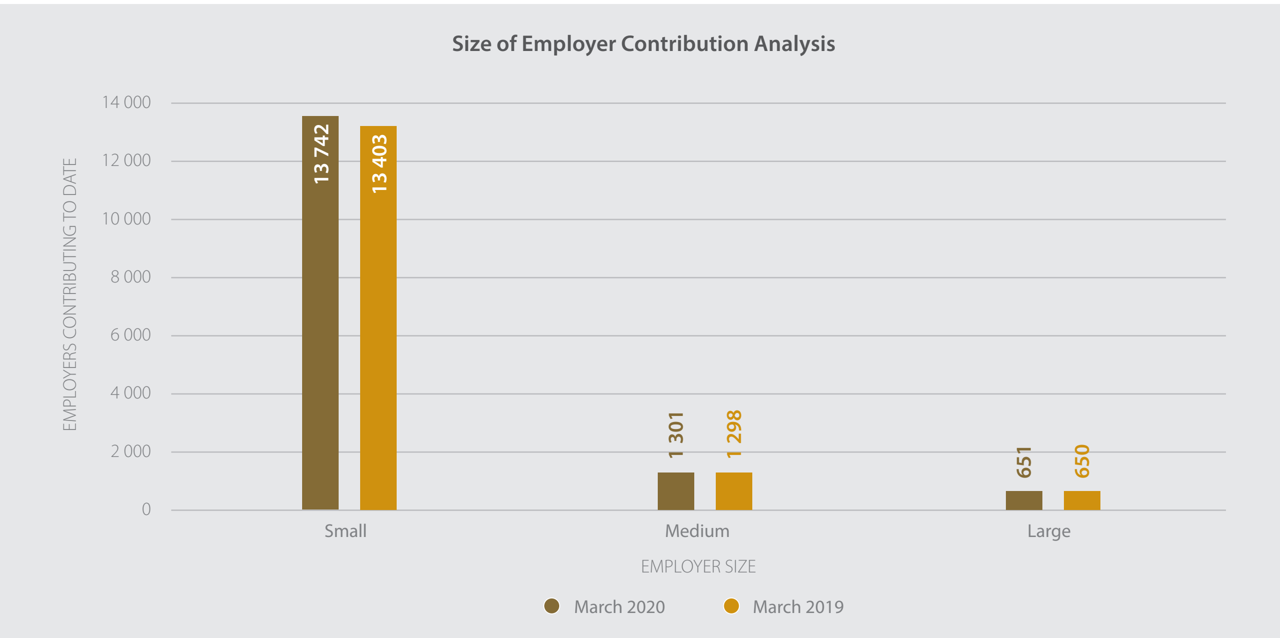
The breakdown of levies received per chamber, as shown in the graph below, shows a similar pattern as in the previous year, with the metal chamber contributing the largest share of the levies at 57%.



From the graph below one can see that most active and contributing companies were based in Gauteng and North West.



The largest number of contributing companies is in the 'small' category, with 13 742 small companies contributing levies.



The table below shows expenditure by programme:

Programme Expenditure vs Budget 2020

Programme Name	2019/20 Budget R'000s	2019/20 Actual Expenditure R'000s	2019/20 (Over-/ Underexpenditure R'000s	2018/19 Budget R'000s	2018/19 Actual Expenditure R'000s	2018/19 (Over-/ Underexpenditure R'000s
Administration	262 376	213 653	48 723	244 696	214 207	30 489
Skills Planning	132 281	51 340	80 941	76 939	39 527	37 412
Learning Programmes and Projects	1 147 988	919 794	228 194	1 236 899	973 050	263 849
Quality Assurance	6 160	1 557	4 603	7 561	3 939	3 622
Total	1 548 805	1 186 344	362 461	1 566 095	1 230 723	335 372

Twenty percent of levies received are for mandatory grants. Companies can claim mandatory grants provided they submit a valid WSP, which needs to be done by 30 April each year. The mandatory grant provides an incentive for employers to plan and implement training for their workforce and to provide credible data about their employees and training needs for the merSETA to include in the merSETA SSP.

Of the 4 032 mandatory grant applications received, 3 766 companies were approved for mandatory grants against the previous year's 3 704.

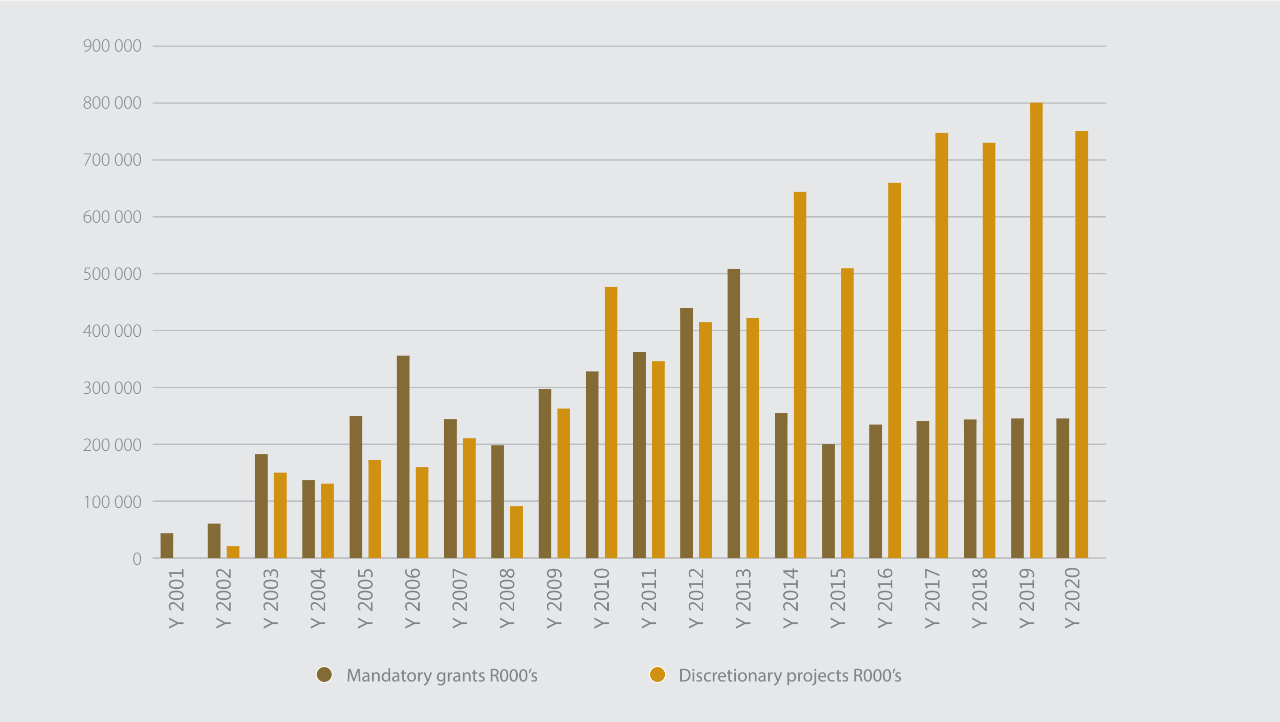
Mandatory grant payments were made throughout the year and amounted to R252 million, the same as in the previous year even though the mandatory grant claims ratio increased from 67% in 2018/19 to 71% in 2019/20. The ratio measures the mandatory grants paid as a percentage of mandatory levies received.

Discretionary grants absorb 49.5% of levy income. The discretionary grant supports the training of both employed and unemployed learners and apprentices, and facilitates special projects that address critical sector needs and strategic priorities outlined in the Strategic Plan and APP.

Discretionary grants and projects disbursements amounted to R763 million, 25% below budget and a drop of 5.4% from the previous year.

Several factors contributed to this. The 2020 discretionary grants made up a substantial percentage of total discretionary grants and projects and only 83% of the allocation for 2020 was taken up by companies. There were no disbursements of the second tranche payments for memoranda of agreement (MoA) grants allocated in the current financial year, due mainly to challenges with the NSDMS. The BUSA case created uncertainly about potential mandatory grant payments that might become due and spending was curtailed as a result. There were significant reductions in MoA contracts in the current financial year amounting to R226 million. No disbursements were made for a project with Eastcape Midlands College, with which merSETA has a project valued at R120 million. This was due to challenges the college had in setting up a service level agreement with the Council for Scientific and Industrial Research.

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



The growth in grants paid over the period is largely influenced by growth in levies received. Discretionary project expenditure increased significantly over the period, which reflects the increasing drive by companies and training providers to implement the MoA deliverables more effectively and to make a significant contribution to the achievement goals of the SSP and APP.

The drop in mandatory grants from 2013/14 was due to changes in the Grant Regulations, which reduced the percentage allocation to mandatory grants from levies received from 50% to 20%. The participation ratio declined in the first two years of the changes. Although ongoing support and awareness by the merSETA resulted in a marked increase in 2016, there has been little growth in mandatory grant disbursements since. Over the last four years, expenditure on discretionary grants and projects has levelled off, mostly attributable to the shrinking economy.

The discretionary grant reserves of R4.1 billion are 76% committed to multiyear learnerships, apprenticeships and projects stretching over an average of four years.

2. Report of the Auditor-General to Parliament on Manufacturing, Engineering and Related Services Sector 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 set out on pages 66 to 117, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information 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 Manufacturing, Engineering and Related Service Sector Education and Training Authority as at 31 March 2020, and their financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa No.1 of 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 Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matter

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

Events after the reporting date

7. I draw attention to note 27 in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of Covid-19 on public entity's future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances.

Responsibilities of the accounting authority for the financial statements

8. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the SDA and the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

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

of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa 2004 (Act No 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 3 - learning programmes and projects	29 - 35

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. The material findings in respect of the usefulness and reliability of the selected programme is as follows:

Programme 3 - learning programmes and projects

17. The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicators listed below:

Performance indicator description	Reported achievement	Audited Value
Number of employed learners entering learnership programme	1 550	1 395
Number of employed learners completing learnerships programmes	894	388
Number of unemployed learners on bursaries (Completed)	53	28
Number of students accessing WIL to achieve the national diploma (Completed)	4	3
Number of learners accessing and completing AET programmes (Completion)	440	306

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 26 to 36 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 15 of this report.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 3 - learning programmes and projects. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

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 public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material finding on compliance with specific matters in key legislation is as follows:

Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R17 640 000 as disclosed in note 25 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non compliance with contract management and Treasury Regulations.

Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
26. 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.
27. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

28. 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.
29. Action plans have been approved and implemented; however, the action plans have not been monitored adequately to ensure that repeat findings on performance information did not occur.
30. Proper recordkeeping was not maintained to ensure that all reported achievements were supported by sufficient appropriate evidence related to Programme 3.

Other reports

31. I draw attention to the following engagements conducted by various parties that had, or could have had, 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.
32. 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

Pretoria

30 September 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure - Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgment 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 board of directors, which constitutes the accounting authority, of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the merSETA to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

2. The Report of the Audit and Risk Committee

KHOLEKA ZAMA
Chairperson of the Audit and Risk Committee

Mandate and Terms of Reference

The Audit and Risk Committee presents its report in terms of the requirements of the PFMA and in accordance with the King IV Report on Corporate Governance for South Africa for the financial year ended 31 March 2020. The role of the committee is defined in its mandate as outlined in its charter. It covers, among others:

- its statutory duties and assistance to the Accounting Authority with the oversight of financial and non-financial reporting and disclosure,
- internal control system,
- risk management,
- internal and external audit functions.

The committee fulfilled all its statutory duties as required by the Treasury Regulations. The committee reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities contained therein.

Oversight of financial and disclosure

The committee considered the Annual Financial Statements for fair presentation with the relevant requirements of the PFMA, Companies Act and Generally Recognised Accounting Practice (GRAP). In executing of functions in the conduct of its duties, the committee has, inter alia, reviewed the following areas: Oversight of financial and non-financial reporting and disclosure. The committee considered the Annual Financial Statements for fair presentation with the relevant requirements of the PFMA, Treasury Regulations and Generally Recognised Accounting Practice (GRAP).

The committee considered the key judgments, estimates and accounting for significant transactions in the Annual Financial Statements. Where appropriate, the committee sought the input and views of the external auditors and encouraged rigorous challenging of control, accounting and disclosure matters.

The committee recognises the minister's extension of the SETA licence for the next 10 years until 2030, thereby rendering the merSETA a going concern.

The committee focused on specific control issues, in particular, the controls relating to the PFMA reporting. The committee concluded that the internal control environment is satisfactory and appreciates management's concerted efforts to detect irregular expenses even though improvement is necessary in the prevention of irregular expenses.

The committee notes the decision of the courts on the BUSA matter and its impact on the merSETA and the possible liabilities as highlighted in note 20.1.4. The committee further notes the impact of Covid-19 on the functioning of the finance department and the organisation at large.

The committee considered the following:

- effectiveness of internal control systems and governance processes,
- legal matters that could have a material impact on the merSETA,
- effectiveness of the system and process of risk management,
- financial reporting,
- internal financial controls,
- the effectiveness of the entity's compliance with legal and regulatory requirements,
- audit charter,
- annual audit plan,
- independence, effectiveness, coordination with external auditors .

Opinion

The committee is of the opinion, based on the information and explanations provided by management, that:

- the expertise, resources and experience of the finance function under the leadership of the Chief Financial Officer are adequate,
- the system and process of risk management and adequate even,
- the compliance framework is adequate and there is continued focus on the application thereof, especially in terms of PFMA requirements,
- the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements and accountability for assets and liabilities is maintained,
- the internal audit charter approved by the committee was adhered to, and
- the information contained in the annual report is reliable and does not contradict the information in the annual financial statements (will be further confirmed at final reporting).

The committee is satisfied, notwithstanding the aspects considered in relation to the Annual Financial Statements, that nothing significant has come to the attention of the committee to indicate any material breakdown in the functioning of the controls, procedures and systems during the year under review and that the controls are still appropriate to ensure compliance with the requirements of the PFMA and GRAP.

Recommendation

The committee has evaluated the Annual Financial Statements of merSETA for the year ended 31 March 2020 and, based on the information provided to it, considers that they comply, in all material respects, with the requirements of the PFMA and GRAP. The committee concurs that the adoption of the going-concern premise in the preparation of the Annual Financial Statements is appropriate. The committee has therefore recommended the adoption of the financial statements by the Accounting Authority.

The committee concurs and accepts the Auditor-General's opinion regarding the Annual Financial Statements and proposes that the audited financial statements be accepted and read together with the report from the Auditor-General.

The merSETA is proud to have once again produced an Unqualified Audit Opinion for the 2019/20 financial year.

Kholeka Zama
Chairperson of the Audit and Risk Committee
21 September 2020

Statement of Financial Performance

for the Year Ended 31 March 2020

	Note	2020			2019		
		Actual R'000	Budget R'000	Variance R'000	Actual R'000	Budget R'000	Variance R'000
REVENUE							
Non-exchange revenue							
Skills development levy income	2	1 466 870	1 469 598	(2 728)	1 455 050	1 485 301	(30 251)
Skills development penalties and interest	3	19 620	19 374	246	29 351	40 635	(11 284)
Total non-exchange revenue		1 486 490	1 488 972	(2 482)	1 484 401	1 525 936	(41 535)
Exchange revenue							
Net gains from financial instruments	4	311 867	310 000	1 867	276 854	264 200	12 654
Other income	5	66	122	(56)	117	220	(103)
Total exchange revenue		311 933	310 122	1 811	276 971	264 420	12 551
Total revenue		1 798 423	1 799 094	(671)	1 761 372	1 790 356	(28 984)
EXPENSES							
Employer grant and project expenses	6	(1 014 780)	(1 346 309)	331 529	(1 058 620)	(1 370 767)	312 147
Administration expenses	7	(171 564)	(202 496)	30 932	(172 103)	(195 328)	23 225
Total expenses		(1 186 344)	(1 548 805)	362 461	(1 230 723)	(1 566 095)	335 372
Net surplus for the year	1	612 079	250 289	361 790	530 649	224 261	306 388

*

* Accounting Authority approval for the year 2019/20 budgets as well as National Treasury approval for the retention of surplus funds for the year ended 31 March 2019 were obtained as per the requirements of Section 53 of the PFMA.

Statement of Financial Position
as at 31 March 2020

	Note	31 March 2020 R'000	31 March 2019 R'000
ASSETS			
Current assets			
Cash and cash equivalents	8	4 267 369	3 637 882
Receivables from exchange transactions	9	81 262	149 570
Receivables from non-exchange transactions	10	18 485	25 455
Prepayments	11	191	132
Consumables	12	601	612
		4 367 908	3 813 651
Non-current assets			
Property and equipment	13	12 425	12 168
Intangible assets	14	354	734
		12 779	12 902
Total Assets		4 380 687	3 826 553
LIABILITIES			
Current liabilities			
Payables from exchange transactions	15	4 670	9 713
Grants and transfers payable	16	183 231	228 373
Other payables	17	1 296	1 277
Provisions	18	34 939	42 718
		224 136	282 081
Net Assets		4 156 551	3 544 472
Administration reserve		12 779	12 902
Employer grant reserve		1 304	758
Discretionary reserve		4 142 468	3 530 812
Total Net Assets		4 156 551	3 544 472

Statement of Changes in Net Assets

for the Year Ended 31 March 2020

	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 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
Net surplus for the year per statement of financial performance		-	-	-	612 079	612 079
Allocation of unappropriated surplus for the year	1	20 901	114 178	477 000	(612 079)	-
Excess reserves transferred to discretionary reserve		(21 024)	(113 632)	134 656	-	-
Balance at 31 March 2020		12 779	1 304	4 142 468	-	4 156 551
		*	**			

* 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 20.1.2.

Cash Flow Statement

for the Year Ended 31 March 2020

		2020			2019		
		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		1 484 620	1 488 644	(4 024)	1 485 946	1 526 984	(41 038)
Levies, interest and penalties received		1 484 554	1 488 522	(3 968)	1 485 829	1 526 764	(40 935)
Other income	5	66	122	(56)	117	220	(103)
Cash paid to stakeholders, suppliers and employees		(1 232 301)	(1 616 789)	384 488	(1 108 496)	(1 557 398)	448 902
Direct grants and project payments		(1 026 403)	(1 378 749)	352 346	(901 160)	(1 327 072)	425 912
Employment costs		(128 402)	(144 236)	15 834	(122 644)	(133 056)	10 412
Payments to suppliers		(77 496)	(93 804)	16 308	(84 692)	(97 270)	12 578
Cash generated from (utilised in)/operations	19	252 319	(128 145)	380 464	377 450	(30 414)	407 864
Interest received		380 578	288 305	92 273	257 390	263 041	(5 651)
Net cash inflow from operating activities		632 897	160 160	472 737	634 840	232 627	402 213
CASH FLOW FROM INVESTING ACTIVITIES							
Purchase of property and equipment	13	(3 058)	(10 849)	7 791	(1 413)	(5 133)	3 720
Purchase of intangible assets	14	(367)	(5 482)	5 115	(774)	(1 420)	646
Proceeds from disposal of property and equipment		15	-	15	34	-	34
Net cash outflow from investing activities		(3 410)	(16 331)	12 921	(2 153)	(6 553)	4 400
Net increase in cash and cash equivalents		629 487	143 829	485 658	632 687	226 074	406 613
Cash and cash equivalents at beginning of year		3 637 882	3 637 882	-	3 005 195	3 005 195	-
Cash and cash equivalents at end of year	8	4 267 369	3 781 711	485 658	3 637 882	3 231 269	406 613

Statement of Comparison of Budget and Actual Amounts

for the Year Ended 31 March 2020

	Original budget R'000	Revisions R'000	Final approved budget R'000	Actual R'000	Variance R'000
REVENUE					
Skills development levy income	1 534 095	(64 497)	1 469 598	1 466 870	(2 728)
Skills development penalties and interest	34 133	(14 759)	19 374	19 620	246
Total non-exchange revenue	1 568 228	(79 256)	1 488 972	1 486 490	(2 482)
Net gains from financial instruments	295 904	14 096	310 000	311 867	1 867
Other income	201	(79)	122	66	(56)
Total exchange revenue	296 105	14 017	310 122	311 933	1 811
Total revenue	1 864 333	(65 239)	1 799 094	1 798 423	(671)
EXPENSES					
Employer grant and project expenses	(1 660 376)	314 067	(1 346 309)	(1 014 780)	331 529
Administration expenses	(202 445)	(51)	(202 496)	(171 564)	30 932
Total expenses	(1 862 821)	314 016	(1 548 805)	(1 186 344)	362 461
Net surplus for the year	1 512	248 777	250 289	612 079	361 790

REVISIONS TO THE ORIGINAL BUDGET

After the approval of the rollover of surplus funds by National Treasury, a revised budget for the 2019/20 financial year was submitted to DHET for approval. This was subsequently approved.

COMPARISON OF BUDGET VERSUS ACTUAL

Levy income is slightly below budget. The actual levy income for the year is 1.467 billion compared to a budget R1.470 billion.

Net gains from financial instruments represent interest received from investments. The increase is slightly higher than budget (0.6%).

Statement of Comparison of Budget and Actual Amounts
for the Year Ended 31 March 2020

Disbursements of employer grants and projects is 24.6% below budget. Some of the main contributing factors are as follows:

- The 2020 discretionary grants make up a substantial percentage of total discretionary grants and projects and only 83% of the allocation for 2020 was taken up by companies.

- There were no disbursements of the second tranche payments for MoA grants allocated in the current financial year.

- The BUSA case created some uncertainly regarding potential mandatory grant payments that might become due and spending was curtailed as a result.

- There were significant reductions in MoA contracts in the current financial year amounting to R226 million.

- No disbursements were made for a project with Eastcape Midlands College, with which merSETA has a project valued at R120 million. This was due to challenges the college had in setting up an SLA with the CSIR.

Administration expenses are 15.3% below budget and slightly below the expenditure of the previous year. This is mainly due to employment expenditure being 14% below budget as a result of delays in filling vacancies. Only 41% of the R6.3 million computer services budget was spent. This was largely due to some aspects of the implementation of the NSDMS system being behind anticipated progress. 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 R612 million. This was mainly driven by employer grant and project expenses, which was R332 million below budget.

ACCOUNTING POLICIES

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 financial statements fairly present the entity's financial position, financial performance and cash flows as per the requirements of GRAP 1.

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 80% of skills development levies to the merSETA: 18% is paid to the is paid to the National Skills Fund (NSF) and remaining 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 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.

REVENUE RECOGNITION (continued)

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 are 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 be paid only 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 are 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 maximumof 10% of levy income may be used for operational administration expenses. A maximum of 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.

FINANCIAL INSTRUMENTS (continued)

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, NPDWI 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 - 7 years
- Office furniture and fittings	5 - 14 years	5 - 14 years
- Office equipment	5 - 8 years	5 - 7 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 have 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 office equipment was changed from 5 - 7 years to 5 - 8 years. All other classes of assets remained unchanged.

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.

PROPERTY AND EQUIPMENT (continued)

An item of property and equipment is derecognised when the asset is disposed of 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 follows:

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 that could still potentially be approved.

12.3 Provision for employee-related entitlements

The cost of other employee benefits (not recognised as retirement benefits – see accounting policy note 15) is 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:

RESERVES (continued)

	2020 %	2019 %
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 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 states that an entity may not accumulate surpluses unless the prior written approval of 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 workplace 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 it 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:

- Public Finance Management Act (PFMA), No 1 of 1999 (as amended)
- 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 provisionis held for only five years as in terms of section 190(4) of the Tax Administration Act a person is entitled to a refund only 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 DHET, 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.

Notes to the Annual Financial Statements
for the year ended 31 March 2020

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

	Total per statement of financial performance R'000	Administration reserve R'000	Employer grants reserve R'000	Discretionary grants R'000
Year ended 31 March 2020				
Total revenue	1 798 423	192 465	365 711	1 240 247
Skills development levy income				
Admin levy income (10.5%)	192 430	192 430	-	-
Grant levy income (69.5%)	1 274 440	-	365 711	908 729
Skills development levy: penalties and interest	19 620	-	-	19 620
Investment income	311 867	-	-	311 867
Other income	66	35	-	31
Total expenses	1 186 344	171 564	251 533	763 247
Employer grants and project expenses	1 014 780	-	251 533	763 247
Administration expenses	171 564	171 564	-	-
Net surplus per the statement of financial performance allocated	612 079	20 901	114 178	477 000
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

	Note	2020 R'000	2019 R'000
2. SKILLS DEVELOPMENT LEVY INCOME			
The total levy income per the statement of financial performance is as follows:			
Levy income: Administration		192 430	191 006
Levies received from SARS		192 576	191 428
InterSETA transfers – admin		45	(301)
Provision for refund SARS		(191)	(121)
Levy income: Employer grants		365 711	361 650
Levies received from SARS		365 861	362 517
InterSETA transfers – mandatory		15	(624)
Provision for refund SARS		(165)	(243)
Levy income: Discretionary grants		908 729	902 394
Levies received from SARS		908 819	904 329
InterSETA transfers - discretionary		214	(1 328)
Provision for refund SARS		(304)	(607)
		1 466 870	1 455 050
3. SKILLS DEVELOPMENT LEVY PENALTIES AND INTEREST			
Penalties		10 676	14 396
Interest		8 944	14 980
InterSETA transfers		-	(25)
		19 620	29 351
4. NET GAINS FROM FINANCIAL INSTRUMENTS			
Interest income from cash and cash equivalents		311 867	276 854

Notes to the Annual Financial Statements

for the year ended 31 March 2020

	Note	2020 R'000	2019 R'000
5. OTHER INCOME			
Income from re-certification		31	32
Management fee income		35	75
Interest on lease deposit		-	10
		66	117

Management fee income constitutes income from the NDPWI 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.

	Note	2020 R'000	2019 R'000
6. EMPLOYER GRANT AND PROJECT EXPENSES			
Mandatory grants		251 533	251 583
Mandatory grants		250 309	253 443
Bad debts written off – mandatory		1 083	742
Movement in allowance for doubtful debts – mandatory		141	(2 602)
Discretionary projects		763 247	807 037
Discretionary projects	6.1, 21.1	758 868	806 323
Bad debts written off - discretionary		1 324	1 176
Movement in allowance for doubtful debts		3 055	(462)
		1 014 780	1 058 620

	2020 R'000	2019 R'000
6.1 Discretionary project expenses consists of:		
Direct project costs	720 777	768 567
Indirect project administration costs	38 091	37 756
	758 868	806 323

Notes to the Annual Financial Statements
for the year ended 31 March 2020

	Note	2020 R'000	2019 R'000
7. ADMINISTRATION EXPENSES			
Advertising, marketing and promotions, communication		3 463	4 077
Amortisation – intangible assets		747	346
Audit costs – internal audit		685	395
Audit costs – external audit		4 218	3 620
Audit costs – other audits		79	141
Bad debts		-	9
Bank charges		452	383
Accounting Authority and sub-committee costs		3 041	4 691
Remuneration to members of the audit committee		493	278
Accounting Authority and sub-committee members' fees		2 181	4 034
Secretarial services		367	379
Cleaning and groceries		710	779
Depreciation		2 281	1 782
Employment costs		133 067	126 174
Recruitment costs		233	758
Salaries, wages and benefits	7,1	129 077	122 594
Staff training, development and welfare		3 757	2 822
Entertainment expenses		5	15
Gifts, donations and sponsorships paid		6	12
Insurance and licence fees		1 699	1 809
Investigations and forensic costs		108	-
Legal fees		1 048	3 903
Loss on disposal of property and equipment	19	142	22
Operating lease rentals		13 102	13 046
Buildings		11 450	11 394
Parking		1 652	1 652
Penalties and interest		-	215
Printing, stationery and postages		2 106	3 010
QCTO administration cost		9 171	9 489
Rates, water and electricity		4 445	3 933
Rental – office equipment		-	8

Notes to the Annual Financial Statements
for the year ended 31 March 2020

			2020 R'000	2019 R'000
	ADMINISTRATION EXPENSES (continued)	Note		
	Repairs, maintenance and running costs		4 471	4 045
	Buildings		2 708	2 394
	Property and equipment		1 763	1 651
	Service provider administration fees		4 215	9 796
	Special functions		921	451
	Storage		387	348
	Telecommunication expenses		7 454	5 805
	Travel, conferences and meeting expenses		11 632	11 555
			209 655	209 859
	Less: amounts allocated to project expenses	6.1	(38 091)	(37 756)
	Net administration cost		171 564	172 103
7.1	Salaries and wages		112 297	106 811
	Basic salaries		100 182	93 509
	Performance awards		8 373	7 370
	Other non-pensionable allowance		2 949	2 912
	Temporary staff		743	826
	Leave payments		50	2 194
	Social contributions		16 780	15 783
	Medical aid contributions		4 447	4 301
	Pension contributions: defined contribution fund		10 631	9 747
	UIF		394	386
	Insurance		175	253
	Other salary-related costs		1 133	1 096
			129 077	122 594
	NUMBER OF EMPLOYEES			
	Average number of employees during the year		271	262
	Permanent staff		231	229
	Interns		40	33
	Number of employees at the end of the year		272	266
	Permanent staff		231	228
	Interns		41	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 2020 R'000	31 March 2019 R'000
8 CASH AND CASH EQUIVALENTS			
Cash on hand		30	30
Cash at bank		16 902	21 980
Call accounts		850 437	215 872
Fixed notice deposits		3 400 000	3 400 000
		4 267 369	3 637 882

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 7.89% (2019: 8.26%).

Fixed notice deposits are held at various banks as approved by 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 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.

9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	31 March 2020 R'000	31 March 2019 R'000
Deposits	1 268	1 255
Sundry receivables	400	10
Interest receivable	79 594	148 305
	81 262	149 570
Allowance for doubtful debts:		
Opening carrying amount	-	216
Reversal of provision	-	(216)
Closing carrying amount	-	-

		Note	31 March 2020 R'000	31 March 2019 R'000
10.	**RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**			
	Employer receivable	10.1	5 892	11 433
	Receivable – discretionary projects (UIF)	10.2	11 743	13 253
	NDPWI	10.2	-	769
	Receivable - QCTO	10.3	850	-
			18 485	25 455
10.1	**Employer receivable**			
	Employer receivable		19 641	21 987
	Allowance for doubtful debts	10.1.1	(13 749)	(10 554)
	Net receivable from employers		5 892	11 433

The employer receivable of R 19.6 million (March 2019: R 22.0 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 R 13.7 million (March 2019: R 10.6 million) was provided against such employer receivables.

10.1.1 Allowance for doubtful debts:

	31 March 2020 R'000	31 March 2019 R'000
Opening carrying amount	(10 554)	(13 618)
Amount utilised	4 860	10 144
Additional provision during the period	(8 055)	(7 080)
Closing carrying amount	(13 749)	(10 554)

<u>Ageing of receivables:</u>

	2020		2019	
	Gross	Impairment	Gross	Impairment
Current	1 799	(1 259)	2 976	-
30 days	1 000	(700)	2 955	-
60 days	320	(224)	2 346	-
90 days	242	(169)	310	-
91 days to 6 Months	3 379	(2 365)	4 550	(1 704)
6 months to 1 year	1 153	(807)	2 746	(2 746)
1 year plus	11 748	(8 225)	6 104	(6 104)
Total	19 641	(13 749)	21 987	(10 554)

10.2 Receivable – UIF and NPDWI

Ageing of receivables:	2020		2019	
	UIF	NPDWI	UIF	NPDWI
Current	75	-	263	-
30 days	-	-	131	-
60 days	225	-	-	-
90 days	468	-	150	153
91 days to 6 months	3 263	-	131	192
6 months to 1 year	-	-	713	38
1 year plus	7 712	-	11 865	386
Total	11 743	-	13 253	769

10.3 Receivable – QCTO

The QCTO receivable is based on QCTO admin fees paid in excess of QCTO levies received. QCTO income is 0.5% of the total levy allocation as stipulated in accounting policy note 13. The receivable is current as the determination can only be made at the end of the financial year.

	31 March 2020 R'000	31 March 2019 R'000
11. PREPAYMENTS		
Prepayments – insurance	191	132
12. CONSUMABLES		
Opening carrying value	612	799
Consumables purchased	1 006	1 071
Consumables issued and adjustments	(1 017)	(1 258)
Closing carrying value	601	612

13. PROPERTY AND EQUIPMENT

	Cost R'000	Accumulated depreciation/ impairments R'000	Closing carrying amount R'000
Year ended 31 March 2020			
Owned assets			
Computer equipment	13 021	(7 171)	5 850
Office furniture and fittings	7 601	(4 916)	2 685
Office equipment	4 156	(2 475)	1 681
Motor vehicles	4 794	(2 585)	2 209
Total owned assets	29 572	(17 147)	12 425
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
Balance at end of year	27 337	(15 169)	12 168

PROPERTY AND EQUIPMENT (Continued)

	Opening carrying amount R'000	Additions R'000	Disposals cost R'000	Depreciation charge R'000	Accumulated depreciation on disposals R'000	Re-classification of assets R'000	Closing carrying amount R'000
Movement summary 2020							
Owned assets							
Computer equipment	4 926	2 600	(723)	(1 478)	589	(64)	5 850
Office furniture and fittings	2 995	51	(16)	(360)	15	-	2 685
Office equipment	1 613	407	(85)	(381)	63	64	1 681
Motor vehicles	2 634	-	-	(425)	-	-	2 209
Total owned assets	12 168	3 058	(824)	(2 644)	667	-	12 425
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	-	-
Balance at end of year	12 957	1 413	(535)	(2 146)	479	-	12 168

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

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

Notes to the Annual Financial Statements
for the year ended 31 March 2020

14. INTANGIBLE ASSETS – COMPUTER SOFTWARE

	Cost R'000	Accumulated amortisation R'000	Closing carrying amount R'000
Year ended 31 March 2020			
Intangible assets	648	(294)	354
Year ended 31 March 2019			
Intangible assets	1 035	(301)	734

	Opening carrying amount R'000	Additions R'000	Disposals cost R'000	Amortisation charge R'000	Accumulated amortisation on disposals R'000	Closing carrying amount R'000
Movement summary 2020						
Intangible assets	734	367	(754)	(747)	754	354
Movement summary 2019						
Intangible assets	306	774	(1 055)	(346)	1 055	734

	Note	31 March 2020 R'000	31 March 2019 R'000
15. PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade payables from exchange transactions		4 670	9 713
16. GRANTS AND TRANSFERS PAYABLE			
Grants payable		175 753	224 879
Payable – Training Layoff Scheme (UIF)		7 478	940
InterSETA payables	23.1	-	2 554
		183 231	228 373
17. OTHER PAYABLES			
Accruals salaries and wages		1 296	1 277

Notes to the Annual Financial Statements
for the year ended 31 March 2020

		Note	31 March 2020 R'000	31 March 2019 R'000
18.	PROVISIONS			
	Provision for SARS refund	18.1	18 264	17 646
	Provision for mandatory grants	18.2	352	9 405
	Provision for leave pay	18.3	6 943	7 379
	Provision for Workman's Compensation	18.3	287	276
	Provision for performance bonuses	18.3	9 093	8 012
			34 939	42 718
18.1	Provision for SARS refund			
	Opening carrying amount		17 646	17 147
	Amount utilised		(3 517)	(3 732)
	Additional provision during the period		4 135	4 231
	Closing carrying amount	18	18 264	17 646

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 2020 R'000	31 March 2019 R'000
18.2	Provision for mandatory grants			
	Opening carrying amount		9 405	2 800
	Amount utilised		(4 222)	(176)
	Provision reversal/additional provision during the period		(4 831)	6 781
	Closing carrying amount	18	352	9 405

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.

18.3 Payroll-related provisions

	Leave pay R'000	Workman's Compensation R'000	Performance bonuses R'000
Opening carrying amount 2019	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
Amounts utilised 2020	(7 011)	(301)	(7 892)
Additional provision during the period	6 575	312	8 973
Closing carrying amount 2020	6 943	287	9 093

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

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

	Note	2020 R'000 Actual	2020 R'000 Budget	2019 R'000 Actual	2019 R'000 Budget
Net surplus per the statement of financial performance		612 079	250 289	530 649	224 261
Adjusted for non-cash items:					
Depreciation property and equipment	13	2 644	4 044	2 146	3 683
Amortisation of intangible assets	14	747	911	346	778
Loss on disposal of property and equipment	7	142	-	22	-
Movements in provisions		(7 779)	1 682	6 961	1 060
Adjusted for items separately disclosed					
Net gains from financial instruments		(380 578)	(288 305)	(257 390)	(263 041)
Adjusted for working capital changes:					
(Increase) in prepayments		(59)	(10)	(132)	-
Decrease/(increase) in receivables from non-exchange transactions		6 970	(3 545)	(5 282)	(1 527)

	Note	2020 R'000 Actual	2020 R'000 Budget	2019 R'000 Actual	2019 R'000 Budget
Decrease/(increase) in receivables from exchange transactions		68 308	(21 860)	(19 459)	(1 239)
Decrease/(increase) in consumables		11	12	187	(51)
(Decrease)/increase in grants and transfers payable		(45 142)	(71 723)	130 997	3 777
(Decrease)/increase in payables from exchange transactions from exchange transactions		(5 043)	287	(11 687)	1 800
Increase in other payables		19	73	92	85
Cash utilised in operations		252 319	(128 145)	377 450	(30 414)
		-	-	-	-

20. CONTINGENCIES

20.1 Contingent liabilities

20.1.1 Refunds to National Treasury

In terms of the PFMA, public entities may not accumulate surpluses unless the prior written approval of National Treasury has been obtained. Approval for the retention of surpluses as at 31 March 2020 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 2020 R'000	31 March 2019 R'000
Cash and cash equivalents at the end of the year	8	4 267 369	3 637 882
Add: Receivables from exchange transactions	9	81 262	149 570
Add: Receivables from non-exchange transactions	10	18 485	25 455
Less: Current liabilities		(224 136)	(282 081)
Less: Commitments	21.1	(3 153 971)	(2 918 165)
Total surplus		989 009	612 661

The discretionary reserves of merSETA amount to R4.142 billion. MerSETA is 76% committed in terms of these reserves.

20.1.2 Mandatory grants for newly registered companies

Contingent liabilities comprise an employer grant reserve of R1 304 000 (2019: R758 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.

20.1.3 Pending litigations

A dispute arose between the merSETA and a service provider in 2018. This is being resolved through an arbitration process. Due to the uncertainty of the outcome and the amount involved, the potential liability cannot be reliably estimated.

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

In December 2012, the Minister promulgated Regulation 4(4) of the 2012 Grant Regulations, which reduced the mandatory grant payable to employers from 50% to 20%. This led to BUSA challenging the reduction of grants at the Labour Court. The litigation between the parties began in 2015 and was finally settled by the Labour Appeals Court (LAC) in October 2019, which held that Regulation 4(4) was 'irrational and lacking in any legal justification' and was consequently set aside. Despite the said regulation being set aside, the LAC ruling is silent on the percentage quantum that must be paid back to employers, which creates uncertainty as to what percentage of mandatory grants should be paid or accrued by the SETA during the reported year.

The effect of the ruling is that the Minister, in consultation with employers and BUSA, would have to decide on the percentage for mandatory grants in consultation with the sector. To date, no communication has been received from the Minister regarding the approved mandatory grant percentage that SETAs should pay. Consequently, the merSETA continued to pay and accrue mandatory grants at 20% in the 2019/20 financial year, which is aligned to the approved APP. The mandatory grant expenditure in note 6 as well as the mandatory grant liability included in the grants payable amount in note 16 were calculated at a rate of 20%. This may give rise to a potential dispute by employers disputing the basis of the 20% mandatory grant payments made by the SETA post the ruling. Pending the final agreement between the Minister and the employers through BUSA on the approved rate, there is therefore a possible liability due to additional grant payments over the amounts already paid and accrued in the current year based on a payment rate of 20%. Due to the uncertainty of the approved rate and effective date application of the approved rate, the amount of the possible liability cannot be reliably estimated.

21. COMMITMENTS

21.1 Discretionary reserve commitments – contractual

Of the balance of R4.142 billion available in the discretionary reserve on 31 March 2020 an amount of R3.154 billion has been approved for future discretionary projects as set out below. This represents a commitment ratio of 76%. 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 2019 R'000	Administration expenses/other adjustments 2019 R'000	Approved contractual expenses and reductions 2019 R'000	Charged to statement of financial performance 2019 R'000	Opening balance 2020 R'000	Administration expenses/other adjustments 2020 R'000	Approved contractual expenses and reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Closing balance 2020 R'000
PROG 1: ADMINISTRATION									
Discretionary grant administration expenses	-	32 196	-	(32 196)	-	31 872	-	(31 872)	-
Project administration expenses	-	5 567	-	(5 567)	-	5 414	-	(5 414)	-
Media symposiums	-	3 358	-	(3 358)	-	2 140	-	(2 140)	-
ETQA Committee	-	-	-	-	-	38	-	(38)	-
Knowledge Management Project	-	997	-	(997)	-	1 964	-	(1 964)	-
	-	42 118	-	(42 118)	-	41 428	-	(41 428)	-

Project/discretionary grant programmes	Opening balance 2019 R'000	Administration expenses/other adjustments 2019 R'000	Approved contractual expenses & reductions 2019 R'000	Charged to statement of financial performance 2019 R'000	Opening balance 2020 R'000	Administration expenses/other adjustments 2020 R'000	Approved contractual expenses & reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Closing balance 2020 R'000
PROG 2: SKILLS PLANNING									
SSP Strategy and Research	2 085	2 045	2 340	(5 779)	691	1 930	-	(2 220)	401
Chamber Development Programme	1 000	2 997	1 000	(4 247)	750	3 771	2 158	(5 179)	1 500
Monitoring and Evaluation Project	-	1 519	4 077	(3 341)	2 255	901	462	(2 872)	746
Dual System Apprenticeship Pilot Project	6 132	3 291	500	(6 067)	3 856	3 511	(3 856)	(3 511)	-
Walter Sisulu University	18 169	-	-	(9 747)	8 422	-	(1 534)	(6 888)	-
University of Johannesburg – Multi Year Project	1 527	-	-	(753)	774	73	(423)	(424)	-
Research Project - Skills 4.0	-	-	28 844	(4 660)	24 184	-	-	(5 553)	18 631
Career Development Framework	-	-	12 621	(3 553)	9 068	-	-	(2 261)	6 807
CIPSET Student Association	-	-	7 901	(1 089)	6 812	-	-	(699)	6 113
Atlas of Occupations	-	-	2 000	-	2 000	-	-	(1 400)	600
Post School Educ (PSET Cloud)	-	-	3 397	(365)	3 032	-	47 352	(15 831)	34 553
Black Industrialists	-	-	4 000	-	4 000	-	-	(1 750)	2 250
UWC Professional TVET Lecturer	-	-	-	-	-	-	3 856	(1 185)	2 671
Skills for Entrepreneurs	-	-	-	-	-	-	6 676	(1 003)	5 673
NUMSA Research Project	-	-	-	-	-	-	1 755	(850)	905
DHET WBL Tracer Study	-	-	-	-	-	-	1 084	(899)	185
	28 913	9 852	66 680	(39 601)	65 844	10 186	57 530	(52 525)	81 035

Discretionary reserve commitments – contractual (continued)	Opening balance 2019 R'000	Admin-istration expenses/ other adjustments 2019 R'000	Approved contractual expenses and reductions 2019 R'000	Charged to statement of financial performance 2019 R'000	Opening balance 2020 R'000	Admin-istration expenses/ other adjustments 2020 R'000	Approved contractual expenses and reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Closing balance 2020 R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS									
Partnership Wits University	17 319	-	-	(8 374)	8 945	-	(4 745)	(4 200)	-
Institute of Motor Industry	1 143	-	(288)	(855)	-	-	-		-
University of Western Cape	-	-	1 323	-	1 323	-	-	(1 323)	-
Durban University of Technology	2 537	-	6 504	(3 760)	5 281	-	-	-	5 281
Department of Basic Education - Technology	16 551	-	(1 045)	(6 769)	8 737	-	(1 709)	(2 950)	4 078
Innovation, Research and Support - Univeristy of the Free State	6 525	-	-	(4 344)	2 181	-	(24)	(2 157)	-
Innovation, Research and Sup - University of Venda	7 610	-	-	(2 325)	5 285	-	-	(395)	4 890
Resolution Circle - P1, P2 and Intern Development	6 112	-	12 975	(8 957)	10 130	-	(633)	(9 497)	-
Mangosuthu University Of Technology	1 679	-	8 875	(3 541)	7 013	-	4 620	(1 155)	10 478
Bursaries	2 256	-	30 479	(18 176)	14 559	-	(1 228)	(8 872)	4 459
UIF/MerSETA Artisan Development	39 929	(1 309)	(1 350)	(1 170)	36 100	(4 730)	(4 800)	(4 515)	22 055
KZN - Office of Premier Project	9 487	-	54 979	(6 493)	57 973	-	18 151	(14 093)	62 031
Eastern Cape - Office of Premier	13 731	-	-	(2 090)	11 641	-	-	(5 709)	5 932
MoA Project DG4 (Year 2012)	240	(42)	(53)	-	145	124	(269)	-	-
MoA Project DG5 (Year 2013)	-	(30)	-	30	-	-	-	-	-
MoA Project DG6 (Year 2014)	107 984	(35)	(63 550)	(44 399)	-	132	(146)	14	-
MoA Project DG7 (Year 2015)	209 184	(59)	(58 369)	(44 675)	106 081	(462)	(65 333)	(40 286)	-
MoA Project DG8 (Year 2016)	283 323	(29)	(29 831)	(37 065)	216 398	287	(39 448)	(46 605)	130 632
MoA Project DG9 (Year 2017)	435 645	54	(67 492)	(43 206)	325 001	447	(29 912)	(18 594)	276 942

Discretionary reserve commitments – contractual (continued)	Opening balance 2019 R'000	Admin-istration expenses/ other adjustments 2019 R'000	Approved contractual expenses and reductions 2019 R'000	Charged to statement of financial performance 2019 R'000	Opening balance 2020 R'000	Admin-istration expenses/ other adjustments 2020 R'000	Approved contractual expenses and reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Closing balance 2020 R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS									
MoA Project DG10 (Year 2018)	495 202	185	(73 858)	(66 361)	355 168	628	(20 309)	(36 219)	299 268
MoA Project DG11 (Year 2019)	-	62	749 293	(203 170)	546 185	315	(9 149)	(41 621)	495 730
MoA Project DG12 (Year 2020)	-	-	-	-	-	(38)	697 895	(174 370)	523 487
School Support	3 336	-	-	-	3 336	-	(3 092)	(244)	-
Limpopo Department of Public Works	1 367	-	2 433	(432)	3 368	-	-	(825)	2 543
Western Cape - Department of Economic Development and Trade	15 109	-	(2 575)	(646)	11 888	-	-	(1 022)	10 866
Correctional Services Kimberly	250	-	-	-	250	-	-	-	250
National Department of Public Works (NDPW)	27 263	(1 419)	(5 247)	(4 842)	15 755	(483)	(3 337)	(3 722)	8 213
NMMU Marine Engineering	12 369	5	15 669	(9 454)	18 589	-	(12 488)	(5 325)	776
North West Office of Premier	15 416	-	(227)	(761)	14 428	-	-	-	14 428
Gauteng Dept of Education (GDE)	38 702	-	41 029	(9 345)	70 386	-	6 525	(7 223)	69 688
Matric Support Programme	25 960	(24)	(14 007)	(5 264)	6 665	24	(5 471)	(1 218)	-
Free State Office of Premier	19 685	-	-	-	19 685	-	-	(1 902)	17 783
Chinese Cultural Training Centre	24 280	-	64 648	(18 820)	70 108	98	-	(12 455)	57 751
Offenders Awaiting Parole (FS)	3 000	-	-	(1 000)	2 000	-	-	(1 500)	500
Offenders Awaiting Parole (KZN)	2 198	-	-	-	2 198	-	-	-	2 198
Offenders Awaiting Parole (GAU)	9 072	-	-	-	9 072	-	(9 072)	-	-
School Children - Land Speed Record	253	-	-	(253)	-	-	-	-	-
Office of Premier - Limpopo	14 925	-	-	-	14 925	-	-	-	14 925
False Bay Public FET College	5 007	1 337	(2 761)	(2 163)	1 420	-	-	(343)	1 077

Discretionary reserve commitments – contractual (continued)	Opening balance 2019 R'000	Admin-istration expenses/ other adjustments 2019 R'000	Approved contractual expenses and reductions 2019 R'000	Charged to statement of financial performance 2019 R'000	Opening balance 2020 R'000	Admin-istration expenses/ other adjustments 2020 R'000	Approved contractual expenses and reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Closing balance 2020 R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS									
ISOEs	6 269	-	1 093	(5 014)	2 348	-	(598)	-	1 750
TVET Lecturer Development	2 125	210	(1 568)	(453)	314	-	(244)	(70)	-
TVET NCV Learners	68 391	(1 546)	115 267	(24 999)	157 113	-	71 565	(33 346)	195 332
The British Council	2 700	6	-	(1 626)	1 080	-	-	(1 080)	-
Central University of Technology	7 478	-	(16)	(3 446)	4 016	-	7 369	(4 790)	6 595
Cooperatives and TVETs	3 574	-	(1 321)	(2 253)	-	-	-	-	-
NC(V) learners to Artisan – TVET	9 000	-	(9 000)	-	-	-	-	-	-
Spray painting Simulator – TVET	13 500	-	-	(750)	12 750	-	(3 000)	-	9 750
Offenders Awaiting Parole – Eastern Cape	1 344	-	-	-	1 344	-	(1 344)	-	-
Innovation, Research & Support - University of North West	17 228	-	-	(7 579)	9 649	-	14 778	(6 871)	17 556
Programme implementation - work-integrated	144	-	-	(144)	-		-	-	-
Cape Peninsula University of Technology	1 984	-	3 962	(1 390)	4 556	-	-	-	4 556
Maths and Science Student Project	-	-	-	-	-	-			-
ABET Project - Phase 3 and 4	247	7	(150)	(26)	78	-	(58)	-	20
Tshwane University of Technology - Institute for Advanced Tooling	1 232	-	4 463	(2 495)	3 200	-	(35)	(418)	2 747
University of Johannesburg Project	-	-	-	-	-	-	-	-	-
Internships	-	2 239	-	(2 239)	-	2 285	-	(2 285)	-
Retrenchment Assistance Programme	35 313	208	(9 667)	(7 127)	18 727	-	8 458	(10 466)	16 719

Discretionary reserve commitments – contractual (continued)	Opening balance 2019 R'000	Admin-istration expenses/ other adjustments 2019 R'000	Approved contractual expenses and reductions 2019 R'000	Charged to statement of financial performance 2019 R'000	Opening balance 2020 R'000	Admin-istration expenses/ other adjustments 2020 R'000	Approved contractual expenses and reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Closing balance 2020 R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS									
People with Disabilities	3 295	-	(512)	(778)	2 005	-	1 174	(194)	2 985
Saldanha Bay - Industrial Development Zone	734	-	7 993	(734)	7 993	-	-	(1 999)	5 994
Black Female Management Project	275	-	1 659	(689)	1 245	37	-	(452)	830
Non Levy Paying NGOs and CBOs	4 101	-	13 974	(5 603)	12 472	-	58 044	(17 739)	52 777
Mpumalanga Education Depart.	6 285	-	15 150	(1 986)	19 449	-	(244)	(10 374)	8 831
Small, Medium Enterprise (SME) Project	2 097	(36)	(1 534)	(527)	-	-	-	-	-
Green Skills	-	66	6 317	(721)	5 662	-	-	(2 774)	2 888
Department of Small Business Development	4 447	-	780	(2 396)	2 831	-	6 771	(879)	8 723
Worker Initiated Project	12 281	-	10 188	(5 309)	17 160	-	1 020	(10 356)	7 824
Skills Conferences and Competitions	16 763	3 447	15 537	(33 604)	2 143	1 971	(2 143)	(1 971)	-
Career Path and Development	5 302	1 118	(6 066)	(354)	-	1 314	-	(1 314)	-
Mobile Skills Development	-	1 014	-	(1 014)	-	528	-	(528)	-
National Students Financial Aid scheme (NSFAS)	75 000	-	-	-	75 000	-	127 500	-	202 500
Corporate Social Investment	-	349	-	(349)	-	898	-	(898)	-
ISFAP Bursaries	-	-	160 626	(13 315)	147 311	-	-	(48 611)	98 700
Centre of Specialisations	-	-	15 015	(3 589)	11 426	-	9 570	(2 681)	18 315
TVET Quality Prog Skills 4.0	-	-	23 050	(993)	22 057	-	33 000	(3 684)	51 373
East Cape Mid College 4.0	-	-	120 000	(12 000)	108 000	-	-	-	108 000
Univ FS Chair in Engin 4.0	-	-	36 661	(3 666)	32 995	-	-	(10 821)	22 174

Discretionary reserve commitments – contractual (continued)	Opening balance 2019 R'000	Admin-istration expenses/ other adjustments 2019 R'000	Approved contractual expenses and reductions 2019 R'000	Charged to statement of financial performance 2019 R'000	Opening balance 2020 R'000	Admin-istration expenses/ other adjustments 2020 R'000	Approved contractual expenses and reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Closing balance 2020 R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS									
False Bay C Swartklip Artisan	-	-	29 919	(2 990)	26 929	-	-	-	26 929
Univ WC IDC Hub	-	-	18 000	-	18 000	-	-	(5 800)	12 200
CUT Chair in Innovation	-	-	6 000	-	6 000	-	-	(250)	5 750
Work Integrated Learn (UNISA)	-	-	7 040	(1 760)	5 280	-	(5 280)	-	-
College CT Welding Centre	-	-	3 992	-	3 992	-	-	(399)	3 593
Learning factories (CSIR)	-	-	68 987	(6 899)	62 088	-	-	(13 415)	48 673
Chair on Intelligent Man (TUT)	-	-	29 148	(2 915)	26 233	-	-	(8 153)	18 080
Labour representatives training on legislation - Rhodes	-	-	2 259	(226)	2 033	-	-	-	2 033
Ind 4.0 Dev. Cen Supp (NMU)	-	-	10 949	-	10 949	-	-	(3 775)	7 174
Train and mentor small bus (RMI)	-	-	1 738	-	1 738	-	-	(682)	1 056
Robotics trn high School-FSDOE	-	-	15 571	-	15 571	-	-	-	15 571
Prog Raspberry PI (DUT)	-	-	7 060	-	7 060	-	-	(2 469)	4 591
NMU Chair in Engineering	-	-	-	-	-	-	12 488	(5 489)	6 999
Engineering Development	-	-	-	-	-	-	26 695	-	26 695
	2 175 758	5 778	1 390 118	(720 638)	2 851 016	3 375	881 512	(663 359)	3 072 544

	Opening balance 2019 R'000	Admin-istration expenses/ other adjustments 2019 R'000	Approved contractual expenses and reductions 2019 R'000	Charged to statement of financial performance 2019 R'000	Opening balance 2020 R'000	Admin-istration expenses/ other adjustments 2020 R'000	Approved contractual expenses and reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Closing balance 2020 R'000
PROG 4: QUALITY ASSURANCE									
Courseware and Curriculum Development	800	176	1 014	(1 049)	941	85	7	(1 033)	-
QCTO CEP Pilot Project	467	1 137	1 394	(2 634)	364	269	128	(369)	392
Assessment Quality Partner	-	283	-	(283)	-	154	-	(154)	-
	1 267	1 596	2 408	(3 966)	1 305	508	135	(1 556)	392
TOTAL CONTRACTUAL COMMITMENTS	2 205 938	59 344	1 459 206	(806 323)	2 918 165	55 497	939 177	(758 868)	3 153 971

21.2 COMMITMENTS NOT YET CONTRACTED

Bursaries	9 386	(9 386)	-	-	-	-	-	-	-
				-					

This represents bursary commitments where the original contracts have expired and the addendums were not yet signed at 31 March 2019. The addendums were signed in the 2019/20 financial year and are now shown in the commitments.

21.3 FUNDING AGREEMENTS

UIF - Project 2	39 391	-	506	-	39 897	-	(2 175)	-	37 722
NDPWI	5 748	-	-	-	5 748	-	(5 748)	-	-
GDE Apprent Support Programme	7 182	-	(7 182)	-	-	-	-	-	-
TOTAL	52 321	-	(6 676)	-	45 645	-	(7 923)	-	37 722

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 cannot be disclosed as commitments but the funds have been set aside for the public institutions listed.

Notes to the Annual Financial Statements
for the year ended 31 March 2020

21.4 Operational commitments

	2020		2019	
	Not later than one year	Later than one year but not later than 5 years	Not later than one year	Later than one year but not later than 5 years
Operating leases	-	-	13 994	-
Maintenance of NSDMS	684	-	1 390	-
Healthcare services	-	-	266	-
NSDMS hosting	227	38	-	-
Quality management system	41	36	-	-
Annual report	400	-	-	-
Sundry facilities	28	-	-	-
	1 380	74	15 650	-

The amount shown as operating leases represents the total of future minimum lease payments under non-cancellable operating leases. Operating leases relate to premises utilised for office space. All the lease contracts expired on 31 March 2020.

22. 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 is 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:

FINANCIAL INSTRUMENTS (continued)

	Floating rate		Fixed Rate			Non-interest bearing		TOTAL R'000
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	
Year ended 31 March 2020								
Assets								
Cash and cash equivalents	16 932	6.32%	4 250 437	7.95%	12 months	-	-	4 267 369
Receivables from exchange transactions	-	-	-	-	-	81 262	12 months	81 262
Total financial assets	16 932		4 250 437			81 262	-	4 348 631
Liabilities								
Trade payables	-	-	-	-	-	4 670	30 days	4 670
Net financial assets	16 932		4 250 437			76 592	-	4 343 961
Year ended 31 March 2019								
Assets								
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

SENSITIVITY ANALYSIS

The year 2019 was a generally difficult one for South Africa's economy and it was equally difficult for the mer-Sector. Despite the cluster of industries in the mer-Sector being able to weather economic difficulties, and remain resilient and expand in 2017 and 2018, this was not the case in 2019, which proved to be a very difficult year for businesses with the sector surprisingly contracting by 0.7%. The operating environment has been tough for local businesses, underpinned by non-descript domestic demand, increasing input costs (including electricity costs), a generally downward revision of real GDP growth prognostic since 2018 and the global coronavirus pandemic. Challenges facing the sector include high volatility in production, lack of investment and job losses. Inequality and high unemployment also remain major challenges the economy is facing. Inflation has remained within the Reserve Bank's target range of 3% to 6% decreasing to 4.1% in March 2020 from 4.6% in the previous month. Although a decline was recorded in March, the inflation rate is still ahead of the South African Reserve Bank's medium term forecast which was revised to an average of 3.6% for 2020.

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 2020, if the weighted average interest rate was 25 basis points higher with all other variables held constant, then the surplus would have been R18 million higher from R612 million to R631 million, arising from the increase in net gains on financial instruments. If the weighted average interest rate was 25 basis points lower with all other variables held constant, then the surplus would have been R2 million lower from R612 million to R610 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.

Levy income growth in 2020 was 0,8% over prior year when compared to 4% growth in 2019. This is an indication of the challenges facing the mer-Sector. Management determines that a variant of 1% to 5% fluctuation in levy income is reasonable for the sensitivity analysis. At 31 March 2020, if skills development levy income grew by 2% from the previous financial year, instead of the 0.8% growth and all other variables held constant, then a surplus of R630 million would have been earned. If the skills development levy income declined by 2% and all other variables held constant, then a surplus of R572 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 counterparties 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 MoA have been met.

FINANCIAL INSTRUMENTS (continued)

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 counterparty. 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	2020 R'000	2019 R'000
Employer receivable	10	5 892	11 433
		5 892	11 433

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 :

2020	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
Trade payables from exchange transactions	4 670	4 670	4 670	-	-	-

2019	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
Trade payables from exchange transactions	9 713	9 713	9 713	-	-	-

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.

23. RELATED PARTY TRANSACTIONS

23.1 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:

		2020 R'000		2019 R'000	
	Note	Net transfers in/(out) during the year	Amount receivable/ (payable)	Transfers in/(out) during the year	Amount receivable/ (payable)
Payables	16	274	-	(2 253)	(2 554)
CHIETA		-	-	(152)	(152)
FASSET		-	-	6	-
LGSETA		-	-	(297)	(322)
MQA		-	-	26	-
PSETA		61	-	-	-
W&R SETA		213	-	(1 836)	(2 080)
Total		274	-	(2 253)	(2 554)

RELATED PARTY TRANSACTIONS (continued)

23.2 Accounting Authority and independent committee members fees

	2020 R'000		2019 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) ****	(178)	-	(327)	(11)
X Tshayana (Deputy Chair, AA/Chairperson, Auto Chamber) ***	(292)	(9)	(417)	(9)
J Esterhuizen (Deputy Chair, AA/Chairperson, Motor Chamber)	(199)	(11)	(212)	-
J Swarts **	-	-	(8)	-
M Lebona **	-	-	(9)	-
A Hanekom * **	-	-	(9)	-
T Molapo **	-	-	(9)	-
F Tregenna **	-	-	(8)	-
K Bhana *	(152)	(9)	(187)	(17)
P Bezuidenhout	(69)	-	(117)	-
L Coetzee (Chairperson, Finance & Grants and Plastics Chamber)	(88)	-	(268)	(20)
N Chirwa	(104)	-	(199)	(7)
S Gina **	-	-	(149)	-
L Konar (Independent)	(60)	-	(37)	(1)
L Lee	(114)	(9)	(155)	(147)
J Makapan (Independent)	(69)	-	(155)	-
M Mulholland (Chaiperson, Metal Chamber)	-	-	(244)	(11)
B Masinga (Independent)	(35)	-	(52)	-
R Moothilal	(134)	(17)	(160)	(7)
T Mashanda (Independent) **	-	-	(72)	-
K Mzozoyana (Independent)	(176)	(19)	(164)	-
A Mashilo (Chairperson, Governance and Strategy)	(166)	(9)	(173)	(7)
C Nciki (Independent)	(133)	(19)	(128)	-
M Noge (Independent)	(52)	-	(69)	-
T Phiri **** (Chairperson, HRRC)	(190)	(9)	(370)	(7)
M Pillay	-	-	(65)	-
N Rademan	(168)	(17)	(197)	(9)
M Swafo (Independent)	(69)	-	(164)	-
S Msweli (Independent)	(43)	-	(43)	-
H Von Maltitz **	-	-	(8)	-
K Zama (Independent - chairperson, Audit and Risk Committee)	(183)	(20)	(137)	-
	(2 674)	(148)	(4 312)	(253)

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

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

** These members have resigned or are deceased

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

**** Comparative amounts 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.

23.3 Key management personnel costs

Key Personnel	Basic salary R000's	Travel allowance R000's	Medical aid R000's	Pension fund R000's	Performance aonus R000's	Acting allowance R000's	Total 2020 R000's	Total 2019 R000's	Notes
Chief Executive Officer	-	-	-	-	-	-	-	1 558	Vacant Apr 2019 to Mar 2020
Chief Financial Officer	1 531	45	33	146	205	-	1 960	1 778	
Chief Operating Officer	1 598	96	-	153	221	375	2 443	2 158	"Acting CEO Apr 2019 to Mar 2020"
Executive: Corporate Services	1 266	72	35	126	180	-	1 679	1 612	
Executive: Strategy and Research	1 417	-	28	149	191	-	1 785	1 765	
TOTAL	5 812	213	96	574	797 *	375	7 867	8 871	

* 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 2020.

23.4 Educational institutions

		2020 R'000			2019 R'000		
		Net transfers in/(out) during the year	Amount receivable/ (payable)	Commitment value at end of year	Net transfers in/(out) during the year	Amount receivable/ (payable)	Commitment value at end of year
Type of entity	Nature of transaction						
Colleges	Bursaries and Training	(37 364)	(12 790)	346 359	(49 081)	(15 601)	317 747
CSIR	Research	(16 703)	-	12 957	(10 327)	(1 388)	17 920
Department of Education	Training interventions	(9 038)	(9 037)	45 245	-	-	54 283
NSFAS/ISFAP	Bursaries and training	(45 750)	-	301 200	-	-	219 450
QCTO	Administration fees	(10 020)	850	1 000	(9 489)	-	1 000
Schools	Student exposure	(581)	-	-	(890)	(15)	3 336
Universities	Bursaries and training	(93 156)	(25 971)	197 134	(140 745)	(23 358)	250 717
Total		(212 612)	(46 948)	903 895	(210 532)	(40 362)	864 453

Notes to the Annual Financial Statements

for the year ended 31 March 2020

24. 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 for 10 years. In terms of the Government Gazette No 42589 issued 22 July 2019 the merSETA has been established up to 31 March 2030. Accordingly, the merSETA has drawn up and presented these financial statements on a going concern basis.

As a result of the Covid-19 pandemic the State President announced the economic stimulus package which included a four month skills development levy contribution holiday for employers effective 1 May 2020 to 31 August 2020. Following the announcement of the four month contribution holiday the merSETA assessed its impact in particular on the administration budget as well as the annual performance plan and prepared an adjustment budget and annual performance plan for the 2020/21 financial year. The adjusted budget indicates that the four month contribution holiday will severely affect the merSETA's ability to meet administration expenditure in line with its original budget and in line with legislated spending on administration.

The merSETA has re-organised its administration budget in light of the situation, but still will not be able to meet its administration obligations in line with the legislated 10.5% (including QCTO) spend on administration. The merSETA, in order to meet legal obligations on administration is likely to exceed the 10.5% thus resulting in a material non-compliance with laws and regulations. The matter is being discussed at the level of the Department of Higher Education, Science and Technology as well as National Treasury. The merSETA will still be able to deliver on its mandate and meet its legal obligations in the foreseeable future.

25. 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

	2020	2019
Opening balance	40 141	12 888
Add: Irregular expenses identified in current year relating to:	17 640	29 186
Current year	5 343	9 113
Prior years	12 297	20 073
less: expenses where condonation obtained	(21 104)	(1 933)
Irregular expenses awaiting condonation	36 677	40 141
Analysis of expenses awaiting condonation per age classification		
Current year	5 343	9 113
Prior years	31 334	31 028
Total	36 677	40 141

Notes to the Annual Financial Statements

for the year ended 31 March 2020

Year ended 31 March 2020

Incident	Nature of transaction	Disciplinary steps taken/ criminal proceedings	Remedial actions taken	Amount R000's
A security service company was procured by way of a tender process and appointed in May 2012. The initial contract expired in 2015 and continued on a month to month basis until 2017. Tender process initiated but was halted until tender for office accommodation is finalised.	Security services	No disciplinary steps were taken	Awaiting National Treasury approval of condonation application.	1 924
A telecommunications service provider was appointed by way of RFQ procurement process. The initial contract commenced in April 2016 and expired in March 2018. The merSETA continued use of services on a month-to-month basis from the 1 April 2018 to date. On 01 October 2018 disciplinary action was taken against the manager. The required internet services has now been sourced via the RT15 Transversal contract with National Treasury.	Tele-communications and ICT support	No disciplinary steps were taken	Awaiting National Treasury approval of condonation application.	507
A service provider was appointed via the RFQ process in August 2018, on a month-to-month basis not exceeding R500 000, while the tender process was underway. This threshold was exceeded. Disciplinary action was taken against the manager for not monitoring the contract spend, that resulted to overrun the cost thereof. The tender will be re-advertised in the 2020/21 financial period.	merSETA Career Bus	Disciplinary steps have been taken	Awaiting National Treasury approval of condonation application.	202
A telecommunications company was appointed by way of RFQ process. The initial contract commenced in 2012 and expired in 2015. The merSETA continued use of these services on a month-to-month basis. On 01 October 2018, disciplinary action was taken against manager for extending the Vodacom contract without following a proper procurement process.	Tele-communications and ICT support	No disciplinary steps were taken	Awaiting National Treasury approval of condonation application.	11 192

Incident	Nature of transaction	Disciplinary steps taken/ criminal proceedings	Remedial actions taken	Amount R000's
Internal audit services were appointed by way of an open tender process. The contract expired 31 May 2019. The merSETA continued to use the internal audit services whist the tender process was underway. The tender was advertised in October 2019. The bid evaluation process is still in progress. All bid meetings were delayed due to the Covid-19 lockdown.	Internal Audit	No disciplinary steps were taken	To be taken to the Accounting Authority for condonation	893
An SCM process was not followed to appoint a service provider relating to transactions from 2013 to 2017. Auditors were appointed to quantify the amount of the irregularity. In 2018/19 financial year this was reported as R17 million. As at March 2020 the amount has been revised to R22m. Quantification is still underway.	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.	21 959
TOTAL				36 677

Year ended 31 March 2019

Incident	Nature of transaction	Disciplinary steps taken/ criminal proceedings	Remedial actions taken	Amount R000's
The 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. This was condoned on 19 February 2019.	4 838
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

Incident	Nature of transaction	Disciplinary steps taken/ criminal proceedings	Remedial actions taken	Amount R000's
Continuation of services after contracts expired	Tele-communications and ICT support	Disciplinary actions were taken against the employee	R 1.688 million was condoned by National Treasury on 16 March 2020. R 1.475 million was condoned by the Accounting Authority on 26 November 2019. Awaiting response from National Treasury for the remainder.	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 concluded only 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. This has been condoned by National Treasury and the Accounting Authority.	8 151
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				40 141

Irregular expenditure of R17.6 million (2018/19 R29.2 million) was identified during the 2019/20 financial year. Application for condonation of these expenses was made to National Treasury. At 31 March 2020, R21.1 million relating to prior year irregular expenditure has been condoned.

FRUITLESS AND WASTEFUL EXPENSES

A former employee authorised expenditure to the value of R91 000 which was deemed fruitless and wasteful. Disciplinary action was taken against this employee and the fruitless and wasteful expenditure will be recovered from his outstanding leave pay.

An overpayment of R111 720 was made to a merSETA organisation for an MoA in 2017/18, resulting in fruitless and wasteful expenditure. This was dscovered only in the current financial period. The organisation this was paid to has acknowledged the overpayment and have committed to refund the merSETA in full in the next financial year.

Penalty bank fees of R3000 incurred by urgent payment without notice to the bank regarding Worldskills payment for merSETA delegation.

DHET asked the merSETA to transport the merSETA virtual stand to Parliament for the DHET July Budget Vote Debate but the stand was not used and had to be returned without being utilised. This resulted in fruitless and wasteful expenditure amounting to R114 000.

26. 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).

27. EVENTS AFTER THE REPORTING DATE

Application to National Treasury to seek approval for the retention of accumulated surpluses as at 31 March 2020 has been made.

The global and local economies have been severely impacted by the Covid-19 pandemic. In South Africa the national state of disaster was declared by the State President on 15 March 2020. This was an adjusting event at reporting date however management determined that the financial position and results of operations of the merSETA did not require any adjustment. In responding further to the impact of the pandemic on the South African economy and business in general, the State President announced, on 21 April 2020, the economic relief stimulus package which included a four month skills development levy contribution holiday for employers effective 1 May 2020 until 31 August 2020. The merSETA's revenue consists of skills development levy contributions from employers in the manufacturing and related services sectors. While the four month contribution holiday may impact future cash flows of the organisation, it has no impact on the financial position and results of operations of the merSETA at 31 March 2020.

The merSETA has therefore determined that these events are non-adjusting events after the reporting date. Accordingly, the financial position and results of operations as of and for the year ended 31 March 2020 have not been adjusted to reflect their impact. The duration and impact of the Covid-19 pandemic, as well as the impact on the country, remains unclear at this time. The severity of these consequences, as well as their impact on the financial position and results of the merSETA for the foreseeable future are documented in the going concern note (note 24).

28. NEW ACCOUNTING PRONOUNCEMENTS

The following GRAP standards relevant to the merSETA are under review by the Accounting Standards Board (ASB) with effective dates as indicated:

Statement		Effective date
GRAP 1	Presentation of financial statements	1 April 2020
GRAP 104	Financial Instruments	Still to be determined

GRAP 1 Presentation of financial statements

The objective of this Standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

GRAP 104 Financial Instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

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MANUFACTURING, ENGINEERING AND RELATED SERVICES SETA