LEADERS IN CLOSING THE SKILLS GAP

merSETA

MANUFACTURING, ENGINEERING AND RELATED SERVICES SETA

ANNUAL REPORT 2021|2022

Minister of Higher Education,
Science and Innovation
Dr Blade Nzimande

HONOURABLE MINISTER

DR B E 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 2021 to 31 March 2022.

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.

Wayne Adams
Chief Executive Officer

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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/1/04/20
Registered Offices Address:	Metropolitan Block C, 8 Hillside Road, Parktown, Johannesburg, 2193
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Website Address:	www.merseta.org.za
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Bankers:	Standard Bank Ltd
Company Secretary:	Lebogang More
ISBN Number:	978-0-621-50330-2
RP Number:	RP132/2022

2. List of Abbreviations and Acronyms

4IR	Fourth Industrial Revolution
AET	Adult Education and Training
AGSA	Auditor-General South Africa
AI	Artificial Intelligence
APP	Annual Performance Plan
AR	Augmented Reality
ARC	Audit and Risk Committee
ARPL	Artisan Recognition of Prior Learning
ATR	Annual Training Report
B-BBEE	Broad-Based Black Economic Empowerment
CBO	Community-Based Organisation
CET	Community Education and Training
CoS	Centre of Specialisation
DG	Discretionary Grant
DHET	Department of Higher Education and Training
DPWI	Department of Public Works and Infrastructure
EE	Employment Equity
ETQA	Education, Training, Quality Assurance (Committee)
Exco	Executive Committee
FGC	Finance and Grants Committee
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
GSC	Governance and Strategy Committee
HEI	Higher Education Institution
HR	Human Resources
HRRC	Human Resources and Remuneration Committee
ICT	Information and Communication Technology
IPAP	Industrial Policy Action Plan
IRD	Innovation, Research and Development
ISA	International Standards on Auditing
ISO	International Organization for Standardization
merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MoA	Memorandum of Agreement
MR	Mixed Reality
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
OEM	Original Equipment Manufacturers
PSET	Post-School Education and Training
QCTO	Quality Council for Trades and Occupations
RPL	Recognition of Prior Learning
SDF	Skills Development Facilitator
SDLA	Skills Development Levies Act
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SLA	Service Level Agreement
SME	Small and Medium Enterprise
SOE	State-Owned Enterprise
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training
VR	Virtual Reality
WSP	Workplace Skills Plan

3. Chairperson's foreword

Kate Moloto
Chairperson

"Impressive upward trends in economic activity emerged in the 2021/22 financial year as the manufacturing, engineering and related sectors rallied from the sudden shock of the COVID-19 pandemic in the previous financial year."

Impressive upward trends in economic activity emerged in the 2021/22 financial year as the manufacturing, engineering and related sectors rallied from the sudden shock of the COVID-19 pandemic in the previous financial year.

Official statistics showed the gross domestic product (GDP) grew by 4.9% in 2021 compared to the dramatic 6.4% contraction in 2020.

The rise in economic activity is reflected in the merSETA's revenue. Levy income rose by a whole 54% in the year under review compared to the dramatic drop last year, due to a four-month levy holiday that ran from May to August 2020.

SETAs, as schedule 3A public entities, are crucial in helping government implement its policy agenda through skills development to among others ease unemployment.

In this regard, Finance Minister, Enoch Godongwana's announced increase in the employment tax incentive values for companies from 1 March 2022 is welcomed. This business tax benefit encourages employers to hire more young workers by reducing the overall pay-as-you-earn (PAYE) contribution without affecting individual employee wages. Employers receive the incentive if they hire staff between 18 and 29 years old. The incentive will also apply when an employer and employee have entered into a learning programme as defined in section 1 of the Skills Development Act.
The merSETA is encouraged by the latest version of the critical skills list, published in February 2022, which will allow SETAs to further streamline interventions to enable a highly skilled workforce. The new critical skills list comes after an eight-year consultation process with industry and labour.

The Steel Master Plan is also an appropriate mechanism for the mer-sector as it lays a solid foundation for the industry to re-energise through localisation.

The country's economy was, however, disturbed by the July 2021 civil unrest in KwaZulu-Natal and Gauteng, a cyberattack on Transnet, which is a major logistics provider for the mer-sector, a three-week strike in the steel and engineering sector, record fuel prices and the first interest rate increase in three years.

Strategic Relationships

Initiatives during the period under review were linked to the

National Skills Development Plan (NSDP).

Partnerships with labour, industry and state organs/ enterprises are the vehicle through which the merSETA is able to fulfil its skills development mandate.

All partnerships were aligned to national priorities of development and transformation to address social and economic demands.

The merSETA continued its agreements with higher education institutions (HEIs), technical and vocational education and training colleges (TVET), government departments and their entities, civil society, labour as well as employers in the sector. The Grants Policy, Criteria and Guideline documents are being revised to include B- BBEE compliance.

Strategic Overview

In the year under review, the merSETA aligned its skills development strategy with Government's Economic Reconstruction and Recovery Plan (ERRP).

As the Fourth Industrial Revolution (4IR) marches on, our strategic interventions are now focused on

- reskilling workers to enable access to jobs and to take up opportunities in lateral and changing careers;
- upskilling and multi-skilling workers to enable them to remain in their jobs;
- ensuring skills can be transferred across sectors, especially to communities, townships and rural economies; with special attention on the youth, women and vulnerable groups, particularly people with disabilities;
- skills for a technologically advanced economy – skills for the adoption of new technologies and new products (diversity);
- interventions developed to support future skills, including micro-credentials;
- supporting entrepreneurship in manufacturing and social entrepreneurship within townships and rural economies;
- exploring the potential of the green and circular economies within the mer-sectors, rural and township economies;
- types of learner support needed to transition to new methods of teaching and learning; and
- research on simulated and virtual factories for learning and quick on-boarding of related recommendations to assist with transition to work in the absence of a workplace

Going forward, the merSETA organisational structure is undergoing a review to create a one-stop-shop for the core business of the entity and ensure cross-functional integration across the organisation.

Challenges

Sluggish economic growth will remain a serious challenge in the near future with Government estimating a rise in GDP by 2.1% in the 2022/23 financial year.

The pervading effects of COVID-19 and its mutations will still hamper local and global economies, negatively affecting the socio-economic sustainability of the population, communities and families.

Climate change and its impact on communities will have to be confronted without impacting deep industrialisation plans and projects. Therefore, the merSETA's focus on the green, blue and circular economies will be critical to training for jobs for the future.

Tributes

The Accounting Authority wishes to pay tribute to a member of the AA, Mr Johan van Niekerk and a member of the Audit and Risk Committee, Mr Colin Nciki who passed on during the year under review.

Ms Jeanne Esterhuizen retired from the Accounting Authority and Mr Neil Rademan was appointed during the year under review.

I thank all members of the Accounting Authority, the chamber committees, the merSETA staff and stakeholders for their valued support and engagement in the 2021/22 financial year.

Kate Moloto
Chairperson

4. Chief Executive Officer's Overview

Wayne Adams
Chief Executive Officer

> "The stresses and strains of high unemployment in a struggling economy amid the persistent COVID-19 pandemic are still staring down South Africa's education and training sphere despite bright spurs in the metal, engineering and related industries."

The stresses and strains of high unemployment in a struggling economy amid the persistent COVID-19 pandemic are still staring down South Africa's education and training sphere despite bright spurs in the metal, engineering and related industries.

The phased lifting of the national state of disaster saw the mer-sector gradually grow as international companies, particularly in the automotive and related industries, invested billions in new production lines.

After a dismal 2020, which saw the economy contract by 6.4%, economic activity increased by 4.9% in 2021, Statistics SA reported. This raised the bar for renewed post-school education and training compared to the previous year.

Mining, agriculture and manufacturing recorded the highest growth rates in 2021, with finance, personal services and manufacturing the largest positive contributors to overall growth.

Vehicle exports, a key driver of economic activity, reflected a gain of 8.8% compared to 2020, an official report said, while a 2.8% rise in manufacturing output was mainly driven by the production of petroleum, chemical and plastic products. Before COVID-19 drastically slowed vehicle demand and production, the South African motor industry, a key stakeholder of the merSETA, was responsible for nearly 7% of GDP.

Business intelligence points to a close correlation between new vehicle sales/production and the overall performance of our economy.

In the last quarter of the 2021/22 financial year, an automobile manufacturer announced an astounding R15.8 billion investment in their plants in Tshwane and Gqeberha. Apart from creating 1 200 direct jobs, about 10 000 automotive component suppliers will benefit.

In 2021/22, the merSETA's learnership, apprenticeship and trainee registrations and throughput rates were reflected in the following:

8293 total entered and exited on the below programmes:

- Learnerships
- Artisans
- ARPL

The merSETA opened its funding window (1 February 2022 – 31 April 2022).

The Retrenchment Assistance Programme (RAP) and the Temporary Employer/Employee Relief Scheme saw the merSETA disburse more than 12 million.

For apprentices/trainees, the merSETA again provided stipend support to mitigate the impact of funded learners' retrenchments. This amounted to more than R3 million.

The merSETA continued its lockdown training agreements with the National Association of Automotive Component and Allied Manufacturers, PLASFED and the National Union of Metalworkers of South Africa for the second year. These agreements are aimed at boosting training in small, medium and micro enterprises in the mer-sector.

A unique project arising out of the pandemic was a partnership between the merSETA and several tertiary institutions to develop local technology for ventilators. This project, which funded innovation in the design, prototyping, testing and certification of Bi-level positive airway pressure ventilators, closed out in March 2022 when nine teams presented their proposals before a potential investment panel.

The teams came from the merSETA-funded partnership between the University of Cape Town, the University of Johannesburg, the Tshwane University of Technology, the Central University of Technology, the Vaal University of Technology and North-West University. The Nelson Mandela University also received funding for the ventilator initiative.

In the 2021/22 year, the merSETA maintained 6 active government partnerships, which included six OTP partnerships with the various offices of the Premiers as well as with 16 HEIs universities and 30 TVET Colleges.

The merSETA's target for support for cooperatives was 20 for the year under review, but funding was granted to four.

The organisation is still a leading SETA in the Centre of Specialisation (CoS) project under the Department of Higher Education and Training. In the year under review, the merSETA had 336 participating apprentices in the CoS phase 1, phase 2 and phase 3.

Focusing on 4IR

The merSETA has started a project for the establishment of 4IR Skills Development Centres at ten (10) TVET colleges. The project is a public-private partnership initiative with the merSETA and Original Equipment Manufacturer (OEM), FESTO PTY LTD. The project has kicked off with six (6) TVET Colleges and will be spread to at least one college per province. The 4IR Skills Centres will be used to offer skills areas of the future, which will later be infused into curricula.

The Project 4IR Skills Development Centre Project outcomes are as follows:

- Establish and equip a centre at a selected college with 4IR equipment and tools;
- Develop and introduce curricula that will have the following components to support TVET Colleges:
  - Awareness training for industry 4.0;
  - Introduction to industry 4.0 for Management;
  - Industry 4.0: Applications and practice;
- Train 80% of identified TVET staff to a maximum of 40;
- Train 70% of identified management to a maximum of 30 to increase their knowledge about Industry 4.0.
- Develop at least two trainers per TVET on hands-on training to become Master Trainers for Industry 4.0;
- Each identified TVET is equipped with Industry 4.0 lab equipment and teach Industry 4.0 in their classes by trained trainers; and
- 70% of students per year in the addressed vocations gain Industry 4.0 related knowledge and skills during vocational education required by industry and improve their employability.

The 4IR Skills Development Centres will be equipped with the solutions and features to adequately address 4IR topics across the following different streams:

- Bionics and Microcontrollers;
- Automation Technology: Fluid power, Sensor technology, Digitalisation and PLC Programming;
- Connected learning: Electrical Engineering;
- 3D printing or additive manufacturing;
- Intelligent Components and Industry 4.0 Systems: Smart Sensors & MPS 403;
- Robotics: Robotic Arm and Mobile Robot;
- Networking and IT security;
- Virtual learning environments; and
- Digital learning portal: eLearning, mobile learning, learner management, and online authoring.

The project has commenced with six (6) TVET Colleges, namely:

College	Status
1. Ekurhuleni East, Gauteng	Project implementation has commenced.
2. Maluti, Free State	Project implementation has commenced.
3. Lephalale, Limpopo.	Project implementation has commenced.
4. West Coast, Western Cape	Project implementation has commenced.
5. Waterberg, Limpopo	Project implementation has commenced.
6. Vhembe, Limpopo	Project has been initiated, awaiting feedback from the College on internal processes.

Progress report on onboarding Colleges.

The Post-School Education and Training (PSET) CLOUD project, Operation Phetogo, is well in gear; advocating a data-centric approach through interoperability among the PSET institutions and systems. This will synchronise the TVET projects and 4IR innovations through seamless data sharing. This data ecosystem will provide wider choices for South African citizens to make informed career decisions that lead to employment.

In line with this, the merSETA has embarked on an organisational transformation initiative entitled Operation TransforMER. The purpose is to create an agile merSETA structure with the adoption of best practice towards a digital first future oerations. An intensive consultation process with staff and the union representatives was launched in the year under review and will continue in the following financial year. A Project Steering Committee representing all internal stakeholders is a key point for this consultative process. Operation TransforMER will be implemented when the Accounting Authority takes the necessary decision.

Finance

The merSETA's revenue is on a sound footing and is close to R1.5 billion, which follows the end of a levy holiday implemented by Government in the prior year.

Despite staggered COVID-19 regulations, the merSETA evaluated applications and awarded discretionary grants valued at more than R1.7 Billion in the year under review from an application base of R6.7 billion.

The merSETA primary focus is on initiatives that contribute to the sustainability, growth and profitability of grant recipients and industries within the mer-sector. Again, the bulk of discretionary grants was disbursed for artisan training and learnerships. These two interventions account for 75% of the Discretionary Grant budget.

In the financial year of 2021/22, the merSETA approved 3672 companies for Mandatory Grants, amounting to about R243,8 million.

Our supply chain processes are still conducted on a manual basis. A digital process is expected to be completed in the coming year.

The National Skills Development Management System 2.0 (NSDMS 2.0) is on track for full implementation in the following financial year. This will synchronise grant applications and learner registrations with other information and communication technology (ICT) systems outside the organisation. In the interim, a Learner Management System has been created as a backup while the NSDMS 2.0 is being developed.

Way Forward

Load shedding, high unemployment, higher interest rates, higher fuel rates and the unstable global environment will remain areas of great concern in 2022 as these issues place constraints on companies' productive capacities.

This is despite the huge vote of confidence the major automotive players signalled by directly investing in the mer-sector. These investments place greater onus on the merSETA to provide funding for the correct and specialised 4IR skills required as the automotive industry prepares for the end of the internal combustion engine and smart production.

A most positive development was the annual budget announced by Finance Minister, Enoch Godongwana in February 2022. In that speech, government responded to the immediate needs of lower-income households. Government's relief included extending the COVID-19 social grant for a further 12 months, adjusting tax brackets for inflation, not raising personal income taxes, not hiking fuel and transport-related levies and supporting employment creation through greater tax incentives.

These positive proclamations prove that South Africa remains a safe and responsible node for investment, which is intrinsic to the demand for better trained and skilled employees.

Skills development is the most crucial aspect of the merSETA's existence.

Wayne Adams
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 is free from any omissions. The Annual Report has been prepared in accordance with the guidelines on the annual reports as issued by National Treasury.

The annual financial statements (Part E) have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgments made in this information.
The Accounting Authority is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year ended 31 March 2022.

W Adams
Chief Executive Officer
31 March 2022

K Moloto
Accounting Authority Chairperson
31 March 2022

6. Strategic Overview

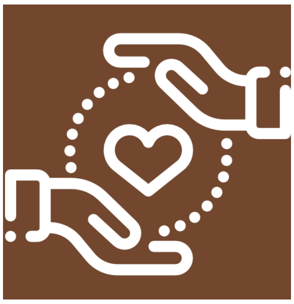
VISION

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; and
- 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; and
- 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
- efficiently 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):

- 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 (there are two types of regulations, i.e. grant regulations and Standard Constitution of SETA Regulations);
- 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;
- 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

Ms Kate Moloto
Chairperson

Dr Alex Mashilo

Dr Lesley Lee

Mr Elias Kubeka

Mr Jacobus de Beer

Mr Johan van Niekerk
(Deceased)

Mr Louis van Huyssteen

Organisational Structure

Accounting Authority

Mr Renai Moothilal

Mr Siboniso Mdletshe

Mr Thapelo Molapo

Mr Neil Rademan

Ms Ruth Ntlokotse

Ms Sumaya Hoosen

Ms Kirtida Bhana

Ms Thandeka Phiri

Management Committee

Wayne Adams
Chief Executive Officer

Disa Mpande
Chief Financial Officer

Sebolelo Nomvete
Strategy and Research Executive

Rajesh Jock
Corporate Services Executive

PART B: PERFORMANCE INFORMATION

1. Auditor-General's Report: Predetermined Objectives

Refer to Auditor-General's Report in Part E: Page 58-61.

2. Situational Analysis

Service Delivery Environment

The global COVID-19 pandemic remains one of the significant developments that has had an impact on the mer-sector and has to some extent shaped the political, economic, social, technological and legal trajectory.

Political conditions play a significant role in the growth of the manufacturing sector and the economy in general. Political stability is key in creating a conducive environment for developing and implementing development-oriented policies that can stimulate the growth of the economy and address socio-economic challenges such as poverty, unemployment and inequality. The recent protests in Gauteng and KwaZulu-Natal, South Africa's two provincial economic powerhouses, are worth noting. The protests did not only cause economic instability due to billions being lost, but disturbed peace and security in the country. These events together with the reaction of the jailing of the country's former President Jacob Zuma was a significant stress test to South Africa's young democracy.

The global COVID-19 pandemic is one of the historic events that has not only shaped the economic trajectory but the political trajectory as well. The COVID-19 pandemic tested the ability of government and political leadership to work with various stakeholders in dealing with this crisis whose impact is predicted to last for the next three to five years. The government's handling of the COVID-19 pandemic has become a balancing act of saving lives and livelihoods (economy).

Corruption remains one of the significant barriers that slowed economic growth and social development. Allegations of corruption levelled against some government officials and politically exposed persons in handling the COVID-19 crisis have once again drawn attention to the extent of this scourge. The 6th administration has made some headway in dealing with corruption, poor governance and maladministration within the ranks of government. There is, however, a call to strengthen government's efforts in accelerating this fight as this is key to restoring confidence and credibility in the democratically elected government. Civil society, government and business all have a role to play in fighting corruption which is rooted not just in the public sector but the private sector as well.

SETAs, as schedule 3A public entities, play a critical role in helping government implement its policy agenda, particularly around strengthening efforts to fight poverty, inequality and unemployment through skills development. Skills development is expected to play a role in supporting the implementation of national priorities aimed at promoting economic transformation by expanding access to education and training opportunities. Key to that is the ability for SETAs to leverage their role as intermediary bodies to partner with other social partners in advancing the economic transformation agenda.

The South African economy encountered the pandemic after several years of low growth as the country's economic growth continues to fall below what is required to encourage sustainable job creation. The country had been experiencing recessionary conditions since the second quarter of 2019.

In terms of GDP, South Africa's growth has slowed since the end of the international commodity boom in 2011 and immediately prior to the COVID-19 pandemic it reached its lowest level since the 2008/9 global financial crisis. This pre-COVID-19 economic weakness was because of weak domestic demand, electricity supply constraints and increasingly harsh and frequent droughts with the intensification of the climate crisis (TIPS REB, Q4 2019). It was further exacerbated by COVID-19.

South Africa is facing what has been termed the worst economic crisis in a century. The South African economy has experienced sluggish growth since the global 2008/9 recession. Despite the development of policies aimed at stimulating economic growth, the implementation of policies has been confronted by a complexity of factors such as poor coordination, lack of political will, poor stakeholder participation and inadequate support of some key policies.

The unemployment rate has soared to close to 35% and could even be higher given the stagnating economy. To add to this, youth unemployment sits at an overwhelming 60%. This has triggered a socio-economic crisis and is likely to increase poverty, unemployment and inequality. In response, government has put measures in place through its social grant system to assist unemployed people during the COVID-19 crisis. These measures are temporary and consented effort is required to find a sustainable solution to the growing unemployment rate. SETAs also have a role to play in supporting government's efforts through skills development to support employment (including self-employment), entrepreneurship, cooperatives, the informal sector and small businesses as key to supporting sustainable livelihoods in communities and the broader social economy.

The COVID-19 crisis has once more highlighted the importance of a sound local manufacturing base to sustain the domestic market while creating opportunities for the export of essential products. In support of Government's National Ventilator Project, the merSETA implemented a VIROVENT project aimed at exploring the possibilities of new capabilities (strengthening the components sector to support the medical components manufacturing due to similar capabilities as those of the auto components sector). De-industrialisation and increased competition in the global manufacturing sector demand that the South African economy increase its complexity to remain competitive. The need to industrialise through the growth and diversification of the manufacturing sector features prominently in South Africa's economic policy framework (Development Policy Research unit, 2020). In the aftermath of the COVID-19 pandemic, the sector will struggle to regain its presence in the domestic and international markets but building economic complexity offers opportunities to diversify and create employment opportunities. Beneficiation also remains central in supporting re-industrialisation efforts. Beneficiation has the potential to create new industries and jobs and is a key strategy in the localisation strategy.

New jobs and occupations are also expected to emerge in the new economy driven by localisation, economic patriotism, a strengthened informal sector and infrastructure development and maintenance. SETAs as facilitators of skills development need to be at the forefront of identifying these changes to prepare the labour market and the sector.

The COVID-19 pandemic has thrown South Africa into a deep social crisis with increasing unemployment, inequality and poverty. 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. According to Statistics SA (2021), the unemployment rate reached 34.4% in the second quarter of 2021. Increasing unemployment has resulted in a shrinking tax revenue base, which has constrained the national fiscus, resulting in an increasing number of people relying on social grants. Government also introduced a special COVID-19 relief and distress grant of R350 for those affected economically by COVID-19.

Over the years, the contribution of manufacturing to South Africa's GDP and employment has been declining. The merSETA industries like the metals and engineering sub-sector, for example, have experienced firm closures. An estimated 140 000 jobs have been lost in the metals and engineering sector over the past ten years (Metal Working News, 2021). All these point to de-industrialisation which is a contributor to rising unemployment. According to Statistics SA (2021), the manufacturing sector lost 83 000 jobs between the first and second quarter of 2021.

Advances in manufacturing technology that is increasingly demanding high-level skills in mer-sectors such as the automotive sector have worsened the situation. This has impacted workforce levels, especially where productivity rises but overall output does not increase to keep the affected jobs (jobless economic growth). All these require strategic skills development responses.

The merSETA has a critical role to play in developing and implementing initiatives aimed at addressing challenges such as unemployment through skills development initiatives aimed at increasing the employability (including self-employment) of youth. Interventions should also cater for workers in the sector who might lack the relevant skills because of the digitalisation of the mer-sector.

As South Africa battles increasing unemployment, unlocking the social economy remains one of the key strategies in fighting poverty and increasing inequality. SETAs have a role to play in supporting the creation of economic opportunities and sustainable livelihood for the youth, women, people living with disabilities, township, rural and marginalised communities.

The manufacturing, engineering and related services is experiencing disruptions as a result of the rapid technological advances and the digitalisation of the mer-sector. With the intensification of the technological revolution, 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. While advanced manufacturing systems offer the greatest advantage for economic growth, this requires firms and the PSET system to keep abreast of advanced manufacturing technologies, data analytics, robotics, digital platforms and high-level skills development on a continuous basis.

The COVID-19 pandemic has more than ever accelerated the need for adoption of advanced technologies and business models that will allow the sector to thrive in the new digitally-driven economy. To remain competitive South Africa needs to build its innovation, research and development (IRD) and skills capability around new and emerging technologies such as artificial intelligence (AI), robotics, data science and machine learning. This also calls for the need for industry and the PSET sector to work together in strengthening South Africa's IRD and skills capability. South Africa's universities are highly recognised for their IRD capability and the quality of training, but challenges remain in the TVET college sector as these have often been criticised for their poor capability. TVET colleges have a significant role to play in delivering skills for the digitally-driven economy. SETAs have a critical role to play in working with industry, civil society and government in strengthening the capability of TVET colleges.

Technology has also disrupted education and training. Micro-learning, big data analytics, immersive learning, gamification, data-driven learning and insights and adaptive and personalised learning are some of the technological trends impacting education and training in the digitally-driven 4IR. Data is also at the core of these technologies and the adoption calls for institutions to embrace a data-centric approach. These technological trends present the PSET sector with opportunities in responding to some of the challenges. For example, immersive learning technologies such as extended reality (XR) which incorporate various technologies such as augmented reality (AR), virtual reality (VR) and mixed reality (MR), promote immersive learning experiences. Advances in these technologies have led to increased adoption of simulated training to increase training efficiency by reducing costs and risks where the physical environment may be unsafe, especially in the mer-sector.

The extent of the adoption of these learning technologies in South Africa remains unclear. There are several initiatives currently being implemented by civil society organisations, HEIs, government, industry and private training providers aimed at promoting the adoption of these technologies. The merSETA, for example, is using a 4IR paradigm to re-imagine and develop a high-quality new apprenticeship skills development process in South Africa that is more efficient, accessible, scalable and prepares apprentices for Industry 4.0. The PSET-CLOUD initiative is a key initiative in promoting technology adoption in the PSET sector by among other things advocating for a data centric approach through interoperability. In the mer-sector, the adoption of technologies, such as extended reality technologies and simulated training, can assist with addressing challenges such as shortage of workspaces for workplace-based learning.

With the imposition of the lockdown, the majority of education and training institutions adopted blended learning through the use of technology. There are, however, concerns over the risk of the exclusion of learners from disadvantaged backgrounds who lack access to reliable internet, data and equipment such as laptops. These concerns call for the need for government, civil society and industry to work together in ensuring no learners are left behind as the country settles into the new normal.

According to the World Economic Forum (2020), the COVID-19 pandemic could give rise to a greener global future as countries see the urgent need to change their behaviour around environmental issues. The post-COVID-19 reconstruction phase should thus, among other things, be centred on the green economy and its role in stimulating economic growth and investment while increasing environmental quality, awareness and social inclusiveness.

Concerns around climate change, food shortages, depleting natural resources and health issues have contributed to growing pressure for national and international policies to support sustainable development. Sustainable development is 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 which is one of the major contributors to the depletion of natural resources, environmental waste and climate change. The green, blue and circular economies have been identified as a sustainable development imperative with the potential for job creation, new business and manufacturing opportunities. Some of the merSETA industries are already supporting a low carbon economy through innovative forms of environmental management and proactive clean manufacturing processes. In various merSETA sub-sectors, waste management is both a risk mitigation factor, as well as a driver of repurposing and re-using materials to manufacture alternative products.

Developments in policy and growing advocacy around the world regarding sustainable manufacturing activities have caught the attention of the merSETA over the years. The merSETA commissioned a study to understand green skills within the mer-sector in order to foster the merSETA's understanding of its sub-sectors regarding the green economy and its related skills progress and requirements. Initial findings from the study are indicating that in order to transition the mer-sector to a green economy, there was a need to raise awareness to understand what the green economy is and what drives it. Initial findings also indicated that although there was a recognition for the need to introduce new green jobs and activities within the mer-sector, the findings indicated a need for upskilling and transforming current jobs to be greener.

Organisational Environment

The Accounting Authority has played a pivotal role in guiding management with implementing priorities identified in the five-year strategy. The merSETA's management in the year under review continued to develop systems and structures to support the implementation of the strategy. Key projects implemented in the year under review include the merSETA digital ecosystem project (ProgrammePhetogo) that seeks to digitally transform the merSETA in line with developments in 4IR so as to improve the merSETA's responsiveness to opportunities and challenges brought by the digitally-driven revolution. The organisational transformation project is another key project implemented to achieve a professional and capable organisation grounded in ethical leadership, best practice, governance and management, appropriate competencies (staff, governance, structures, implementing partners and stakeholders), good employee experience supported by policies, systems, processes and fair remuneration as well as performance-based impact delivery of products and service, and best practice consequence management in line with the 2020/21 – 2024/25 strategic plan.

Key Policy Developments and Legislative Changes

The NSDP is set to become the key policy to inform the work of the merSETA until 2030 and has been crafted in the context of the National Development Plan.

3. Progress towards Achievement of Institutional Impacts and Outcomes

3.1. Strategic Outcomes

The five outcomes of the merSETA discussed below are a direct response to the priorities set in the NSDP and the NDP.

Outcome 1: Ethical governance and resourcing capable merSETA operations, established and maintained to equitably provide skills development-related services, goods and products responsive to occupations and skills growth demand of the merSETA sector industries, and labour market.

Promoting accountability, transparency and the optimal use of resources is critical in building a SETA that is capable of fulfilling its developmental and transformational role. Moreover, promoting a culture of innovation, continuous improvement, learning, recognition and high performance is key in enabling the merSETA to fulfil its mandate. Developing a team of skilled leaders, managers and staff with expertise in core and support functions of the merSETA will remain critical. The merSETA operates within an ecosystem, thus collaboration, learning networks and partnerships remain key for its success.

Outcome 2: Skills for productive enterprises within the social economy to support integration into the merSETA sector's engineering and industry value chains.

Skills development is essential in supporting the creation of economic opportunities and sustainable livelihood for the youth, women, and people living with disabilities, as well as township, rural and marginalised communities. The merSETA has taken a decision to prioritise the funding of skills development projects that address the needs of the social economy and community development.

Outcome 3: PSET education, training and skills development at public institutions are responsive to the changing occupations and skills demand required for the merSETA sector's engineering and manufacturing industries, as well as the related labour market.

The merSETA plays a pivotal role in building a responsive PSET system driven by the economy, socio-economic context as well as other national priorities. This calls for the need to balance competing national, regional, sectoral, and community priorities as well as the needs of the workers (current and new) and employers/business. The merSETA must challenge its various stakeholders (including labour, business, government and education and training institutions) to collaborate on skills development initiatives that foster common goals, in the attempt to move the sector and economy forward.

Outcome 4: Skills for the transformed South African merSETA sector's engineering and manufacturing industries to support Employment Equitydemographic transformation, changing business models of production and technology, and transformation for the diversification of ownership, control and management.

A transformed local manufacturing sector driven by technology, innovation, sustainability, globalisation and changing global manufacturing value chains is essential in promoting employment and inclusive growth. Using a value chain approach, the merSETA has identified priority sectors to support the responsiveness of the South African sector to the digitalisation of manufacturing, engineering and related industries in the age of the Fourth Industrial Revolution. Technological advancements and innovations in the age of the Fourth Industrial Revolution have seen an increase in the digitisation of manufacturing, engineering and related industries. The sector has an opportunity to benefit not only from the localisation strategy (through the local manufacturing value chain), but the global automotive manufacturing value chain.

Outcome 5: A skilled, agile and flexible current and future workforce for emerging/transforming/new occupations and employment opportunities within the merSETA sector's engineering and manufacturing industries, and related labour market.

Advances in manufacturing, globalisation, technology, and consumer markets, local and international regulations have placed pressure for the modern worker to be agile in adapting to these changes. The reality is that new jobs will emerge while others disappear. The SETA shall unpack underlying skills of emerging occupations and respond with a multipronged strategy for current workers, new entrants, and future workers. Skilling and reskilling of the current workers, new entrants and future workers should not only focus on current and intermediate needs, but also on future needs.

3.2 Sector Profile

The Manufacturing, Engineering and Related Services Education and Training Authority (merSETA) is one of 21 SETAs established through the Skills Development Act (Act No 97 of 1998). It covers a range of manufacturing activities and a few 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. automotive components manufacturing.

The number of employees in the mer-sector have been reduced from over 536 000 employees in 2020 to 472 000 employees in 2021. This could be due to the COVID-19 pandemic which resulted in many company closures as well as retrenchments in the sector.

Previously, large companies accounted for well over 70% of employees. However, this year a higher proportion of employees are employed in medium and small companies. The metal, motor retail and plastics sectors have a higher proportion of workers

employed by medium and small enterprises. It is these sectors who would also tend to have representation in the informal sector in terms of business activities.

In terms of the occupational profile of employees in the sector the majority of employees are either machine operators, artisans/skilled trade workers or elementary workers.

Based on the three-digit standard industrial classification (SIC) codes used in capturing data for the national accounts, figure 1 below outlines the industrial activities aligned to the merSETA scope of coverage and classifies them by chamber. The figure depicts the interrelationships among the chambers and demonstrates the flow of inputs.

The merSETA COVERAGE BY CHAMBER

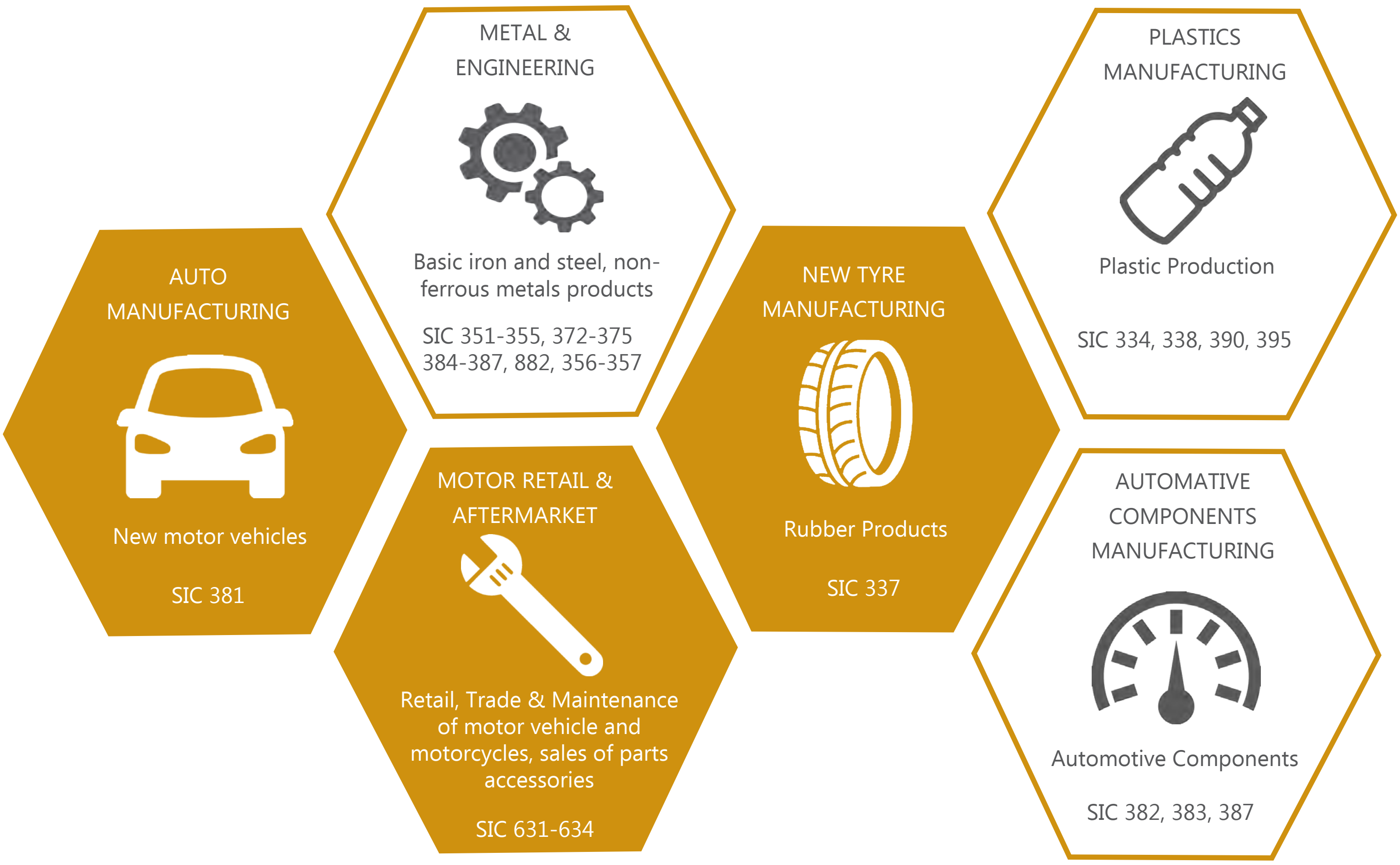


Figure 1: merSETA Scope of Coverage by SIC Code and Chamber.

3.2.1 Automotive Sector

The automotive sector is the cornerstone of South Africa's industrial base which accounts for over 5% of the country's GDP (gross domestic product). All six chambers within the merSETA are associated with the automotive sector as either a direct input such as materials (metal and plastics) or components manufacturing, or the rendering of services associated to the sector such as aftermarket services and sales.

The automotive sector consists of the original equipment manufacturers (OEMs), tyre manufacturing, motor retail and components companies that are linked to each other through the automotive production and distribution value chains.

3.2.2. Auto Manufacturing Chamber

Due to the capital requirements and technical nature of producing vehicles there are only a handful of auto OEMs in South Africa, all of which are international brands (merSETA Supply and Demand Study, 2018). South Africa's main sites for automobile production are the Eastern Cape, specifically Qeberha and East London; Gauteng, specifically Rosslyn and Silverton (Pretoria); and KwaZulu-Natal, specifically Durban (merSETA Supply and Demand Study, 2018). The auto sector has some of the largest scales of operation of all the sectors.

3.2.3. Automotive Components Manufacturing Chamber

The Automotive Components Manufacturing Chamber comprises manufacturers that produce vehicle components, parts and equipment. Components are sold to independent parts sellers and after service providers. Due to the increased resource needs and skills required to produce some components (i.e., compliance to meet the standards of auto OEMs), major employers in this sector tend to be larger businesses. Components that are manufactured relate to various phases of the auto value chain from upstream manufacturing of casts to downstream trimming (merSETA Supply and Demand Study, 2018). The components manufacturing sub-sector is one of the key sub-sectors in South Africa's re-industrialisation and localisation efforts. Standard industrial classification of this sector comprises bodies for vehicles, trailers and semi- trailers (SIC 382), parts and accessories for motor vehicles and their engines (SIC 383) and transport equipment (SIC 387).

3.2.4. New Tyre Manufacturing Chamber

The new tyre sector plays a significant role in the automotive assembly and component manufacturing sector in South Africa. The different types of tyres produced in the country include tyres for passenger, commercial, agricultural, mining, construction and industrial vehicles and associated machinery (Bridgestone, 2019). There are four multinational manufacturers of tyres in South Africa which includes Goodyear, Bridgestone, Continental Tyres and Sumitomo Rubber. Standard Industrial Classification is 337 (rubber products) and its value chain is shown below.

3.2.5. Motor Retail and Aftermarket Chamber

The motor retail sector is a key part of the automotive sector. It is this sector that is responsible for the retail sale, maintenance and repair of motor vehicles, parts and accessories. The Motor Retail SIC comprises fabricated metal products (SIC 359) and motor trade activities including sale of vehicles (SIC 631), vehicle maintenance and repair (SIC 632), sale of vehicle parts and accessories (SIC 633) and the sale, maintenance and repair of motorcycles, their parts and accessories (SIC 634). The value chain for this camber is shown below.

3.2.5.1. Metals and Engineering Chamber

The metals sector represents the largest of the sectors under the merSETA scope of coverage. The metal and engineering sector entails capital equipment, foundries, transport equipment, metal fabrication and related sub-sectors. The metal and engineering sector is an important sector in manufacturing because it produces machinery and equipment used in production and is critical to all forms of manufacturing inputs.

This sector has the widest range of SIC codes under the merSETA scope of coverage. Primary activities are those directly involved in the conversion process of basic raw materials into final output/products including the receipt of basic raw materials from suppliers and marketing of output/products to customers (ZEPARU, 2014). They are grouped into two types of activities related to product and market. Product-related activities are activities performed by the organisation to add value to the product and services itself. Market-related activities are activities performed by the organisation to transfer the finished product or services to the customers (Acharyulu, Subbaiah, & Rao, 2015). The secondary or support activities are those not directly involved in the conversion process but support the primary activities in their functions.

3.2.5.2. Plastics Chamber

The plastics sector is well developed and is one of the most dynamic industries in South Africa. It is comprised of polymer producers and importers, converters, machine suppliers, fabricators and recyclers that cater for both domestic and international markets. The leading markets for plastics in South Africa are packaging, building and construction, and the automotive industries (DTI, 2019). Plastics are used in a vast array of different applications such as preserving and protecting food and medicines, electronic devices like computers and smartphones, and helping make transport more fuel-efficient.

According to industrial classifications, the Plastics Chamber is wholly situated in the manufacturing sector. It comprises basic chemicals and plastic products as well as furniture and recycling.

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

The merSETA scope of coverage incorporates six chamber committees representing manufacturing, engineering, and related sub-sectors as noted above.

3.3. Composition

The chamber committees include a maximum of nine members each per organised constituency of participating employer associations and trade union constituent parties.

3.4. Roles and Responsibilities

The committees ensure the merSETA carries out its responsibilities by:

- developing research and innovation projects from sub-sector inputs into the SSP in accordance with the merSETA and DHET guidelines;
- developing a chamber research agenda, approving research and innovation project proposals prior to submission to the Governance and Strategy Committee, approving an organisation to manage the project in accordance with the merSETA's procurement procedures, and monitoring the implementation of the chamber research and innovation projects;
- advising the regional committees and their constituencies on sub-sector needs, scarce skills, programmes, projects, grants, and other appropriate matters;
- identifying education and training needs in the sub-sector for consideration by management in developing the SSP, APP and Strategic Plan;
- monitoring the development and implementation of programmes and projects in the sub-sector;
- making inputs into education and training policies and systems that make an impact on the sub-sector;
- liaising with bargaining councils, forums and professional associations on matters pertaining to the implementation of training at local, provincial and national level, and outside of the scope of the merSETA.

The period under review has once again been underpinned by relentless COVID-19 pandemic effects. Despite challenges, chamber committees explored various options and possibilities to adapt and prepare for the post-pandemic situation.

Chamber committees' research and innovation projects continued to serve as a critical and significant strategic tool enabling the chambers to explore new opportunities and seek solutions to ongoing local and global socio-economic challenges.

The 2021 InterChamber Conference with the theme "Transitioning research outcomes into innovation projects" enabled chambers to mirror concluded research projects to conceptualise new chamber innovation projects.

Reflecting on past and current initiatives, including honouring the contribution of the late Adrienne Bird through the launch of her book titled From Sweeper to Engineer, InterChamber Conference delegates remained inspired and committed to exploring solutions and opportunities to revitalise the manufacturing and related sub-sectors of the South African economy.

Research and innovation assignments initiated and completed during the period under review included:

Sector/Chamber	Description	Status
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.	Concluded
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, to establish the extent of the surplus and shortage per trades.	Concluded
Combined merSETA-affiliated trade unions	Digital – Virtual communication and liaison capacity building innovation project.	Project in the implementation phase
New Tyre Chamber	Industry based virtual-digital learning academy innovation pilot project for the delivery of the Rubber Production Technology Certificate and other related industry training programmes.	Project in the implementation phase
Metal Chamber	The effects of gender-based violence on firms in the metal and engineering sector.	Concluded
Automotive Components Chamber	Unpacking Automotive Components Manufacturing SIC codes and activities of companies within the mer-sector for sectoral profiling to assess and understand industry readiness for 4IR.	Project in the implementation phase
Plastics Chamber	Motivating for a Skills Pillar on the Plastics Masterplan as the fundamental vehicle through which critical transformational goals of the sector related to job creation, equity and growth and future skills are addressed.	Project in the conceptualisation phase

4. Institutional Programme Performance Information

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements Table

PROGRAMME 1: ADMINISTRATION									
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations	Reason for revisions to outputs/indicators/annual target
Outcome 1: Ethical governance and resourced capable merSETA operations established to equitably provide skills development-related services, goods and products responsive to occupations and skills growth demand of the merSETA sector industries, and labour market.	**Strategic Output 1:** Effective and efficient governance and leadership practice implemented.	Percentage of Compliance with Corporate Governance Compliance report.	100%	100%	100%	100%	0	N/A	N/A
	Strategic Output 2: Improved financial and corporate management.	Percentage reduction of internal control deficiencies reported in previous external and internal audit reports.	85%	68%	100%	93%	-7%	There are still corrective actions relating to eight findings that are in the process of implementation. This is in the area of Supply Chain, ICT and Performance Information.	N/A
		Percentage achievement of annual Employment Equity (EE) targets.	N/A	85%	100%	50%	-50%	Only 3 of 6 EE targets were met. There were challenges in recruiting candidates from under-represented groups.	Review of the EE targets to ensure consideration for current and historical workforce movement patterns. This will provide a better basis on which to set future EE targets.

PROGRAMME 2: SKILLS PLANNING									
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations	Reason for revisions to outputs/indicators/annual target
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector's engineering and industry value chains. **Outcome 3:** PSET education, training and skills development in public institutions responsive to the changing occupations and skills demand required for the merSETA sector's engineering and manufacturing industries and related labour market.	**Strategic Output 3:** Establishment of credible and effective systems and strategies for research, planning, monitoring and evaluation.	Number of WSPs and ATRs approved for small firms: (49 or less employees).	2148	2338	2118	2271	153	Criteria for submission for the majority of small firms were met, resulting in an overachievement.	N/A
		Number of WSPs and ATRs approved for medium firms: (50-149 employees).	919	883	918	878	-40	A number of applications were rejected and/ or outstanding information was not submitted resulting in non-approvals.	Increased monitoring and interaction with SDFs will be implemented.
		Number of WSPs and ATRs approved for large firms: (150 + employees).	545	536	551	523	-28	A number of applications were rejected and/ or outstanding information was not submitted resulting in non-approvals.	Increased monitoring and interaction with SDFs will be implemented.

PROGRAMME 2: SKILLS PLANNING									
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations	Reason for revisions to outputs/indicators/annual target
Outcome 4: Skills for transformed SA merSETA sector's engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management. **Outcome 5**: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector engineering and manufacturing industries and related labour market A follow-up initiative with DHET is underway.		Number of learners who completed workplace-based learning programmes absorbed into employment or self-employment (tracers study conducted every two years).	N/A	N/A	0	0	0	No target planned for the year under review.	N/A
		Number of sector research agreements signed for TVET growth occupationally directed programmes.	N/A	0	2	1	-1	There were inadequate inputs received from external stakeholders to conduct this research.	A follow-up initiative with DHET is underway.
		Number of established and emergent cooperatives trained on sector and national identified priority occupations or skills.	N/A	N/A	30	0	-30	There were no DG applications towards this indicator from Cooperatives.	An initiative to focus on cooperatives including cooperative umbrella bodies to assist with targets will be implemented.
		Number of small and emerging enterprises trained on sector and national identified priority occupations or skills.	N/A	N/A	700	736	36	The participation of Small and Emerging enterprises has increased.	N/A

PROGRAMME 3: PROGRAMMES AND PROJECTS									
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector engineering and industry value chains. **Outcome 3**: PSET education, training and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries and related labour market. **Outcome 4:** Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management. **Outcome 5:** A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector engineering and manufacturing industries and related labour market.	**Strategic output 4**: Facilitation of skills development interventions to enable increased access to employment opportunities and support to economic growth opportunities.	Percentage of discretionary grant (DG) budget allocated to programmes or projects aimed at developing high level skills e.g. managers, professionals and technicians and associate professionals.	N/A	21%	17%	20%	3%	Increased applications for high level skills has resulted in increased allocations to this indicator.	N/A
		Percentage of discretionary grant (DG) budget allocated to programmes or projects aimed at developing mid-level skills e.g. clerical, sales and service, skilled craft and trade workers.	N/A	57%	59%	63%	4%	Increased applications for mid-level skills has resulted in increased allocations to this indicator.	N/A

PROGRAMME 3: PROGRAMMES AND PROJECTS									
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
		Percentage of discretionary grant (DG) budget allocated to programmes or projects aimed at developing elementary skills e.g. machine operators and elementary workers.	N/A	22%	24%	16%	-8%	Decreased applications for mid-level skills has resulted in fewer allocations to this indicator.	The achievement of this target is dependent on DG applications received and is linked to the merSETA advocacy function conducted by Client Services.
		Number of unemployed learners registered for WIL programmes from TVET.	291	724	300	10	-290	A significant number of rejections towards registration has taken place due to non-compliant documentation.	Capacity building sessions with stakeholders are ongoing.
		Number of unemployed learners completing WIL programmes from TVET.	428	9	100	74	-26	Delays in training due to the COVID restrictions have resulted that inadequate number of learners have concluded by year-end.	Focused monitoring of active learners to be implemented to ensure successful completions.
		Number of unemployed learners registered for WIL programmes from HEIs.	659	78	270	176	-94	A significant number of rejections towards registration has taken place due to non-compliant documentation.	Capacity building sessions with stakeholders are ongoing.
		Number of unemployed learners completing WIL programmes from HEIs.	4	147	360	18	-342	Delays in training due to the COVID restrictions have resulted that inadequate number of learners have concluded by year-end.	Focused monitoring of active learners to be implemented to ensure successful completions.
		Number of unemployed learners registered for workplace experience/ internships.	170	191	400	40	-360	A significant number of rejections towards registration has taken place due to non-compliant documentation.	Capacity building sessions with stakeholders are ongoing.
		Number of unemployed learners completing workplace experience/ internships.	251	93	330	166	-164	Delays in training due to the COVID restrictions have resulted that inadequate number of learners have concluded by year-end.	Focused monitoring of active learners to be implemented to ensure successful completions.
		Number of unemployed learners registered for skills programmes	277	2608	4100	3687	-413	A significant number of rejections towards registration has taken place due to non-compliant documentation.	Capacity building sessions with stakeholders are ongoing.

PROGRAMME 3: PROGRAMMES AND PROJECTS									
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
		Number of unemployed learners completing skills programmes.	915	1130	2856	2380	-476	A significant number of learners had not completed training, resulting in a reduction of the number of requests for moderations being received.	A focused approach has been implemented to engage Providers to fast track the completion of learners and the moderations would be conducted where Providers indicate completion. The monitoring at workplace level will be strengthened.
		Number of unemployed learners registered for learnership programmes.	2363	2300	2160	1407	-753	A significant number of rejections towards registration has taken place due to non-compliant documentation.	Capacity building sessions with stakeholders are ongoing.
		Number of unemployed learners completing learnership programmes.	1821	1173	2870	2018	-852	A significant number of learners had not completed training, resulting in a reduction of the number of requests for moderations being received.	A focused approach has been implemented to engage Providers to fast track the completion of learners and the moderations would be conducted where Providers indicate completion. The monitoring at workplace level will be strengthened.
		Number of unemployed engineering graduates registered for candidacy programmes.	20	70	20	0	-20	There has been insufficient allocation of DG towards this indicator.	Increased advocacy through organisations supporting candidacy programme will be implemented to encourage participation.
		Number of unemployed engineering graduates completing candidacy programmes.	29	0	3	0	-3	The programme takes minimum three-years and completions were negatively affected by COVID.	Focused monitoring of active learners to be implemented to ensure successful completions.
		Number of unemployed learners registered for bursaries (new entries).	279	31	110	115	5	Target was achieved.	N/A
		Number of unemployed learners registered for bursaries (continuing).	N/A	277	309	246	-63	A significant number of rejections towards registration has taken place due to non-compliant documentation.	A focused approach has been implemented efficient submission of evidence on bursaries projects.

PROGRAMME 3: PROGRAMMES AND PROJECTS									
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
		Number of unemployed learners completing bursary programmes.	53	9	100	20	-80	The through-put rate of learners from institutions is generally low.	Focus on funding of final year learners is being implemented.
		Number of employed learners registered for Learnership programmes.	1550	678	1440	443	-997	A significant number of rejections towards registration has taken place due to non-compliant documentation. There is low DG allocations of employed vs unemployed learners.	Capacity building sessions with stakeholders are ongoing.
		Number of employed learners completing learnership programmes.	894	381	1183	606	-577	A significant number of learners had not completed training,resulting in a reduction of the number of requests for moderations being received.	A focused approach has been implemented to engage Providers to fast track the completion of learners and the moderations would be conducted where Providers indicate completion. The monitoring at workplace level will be strengthened.
		Number of employed learners registered for bursary programmes (new entries).	323	19	104	27	-77	A significant number of rejections towards registration has taken place due to non-compliant documentation.	Capacity building sessions with stakeholders are ongoing.
		Number of employed learners registered for bursary programmes (continuing).	N/A	5	102	0	-102	Delays in training due to the COVID-19 restrictions to run face-to-face training.	Focused monitoring of allocated funded learners will be implemented.
		Number of employed learners completing bursary programmes.	13	30	36	9	-27	Number of rejections has taken place due to non-complaint documentation.	Focused monitoring of allocated funded learners will be implemented.
		Number of employed learners registered for skills programmes.	2287	1096	4084	495	-3589	A significant number of rejections towards registration has taken place due to non-compliant documentation.	Capacity building sessions with stakeholders are ongoing.
		Number of employed learners completing skills programmes.	412	417	2094	544	-1550	A number of learners had not completed training, resulting in a reduction of the number of requests for moderations being received.	A focused approach has been implemented to engage Providers to fast track the completion of learners and the moderations would be conducted where Providers indicate completion. The monitoring at workplace level will be strengthened.

PROGRAMME 3: PROGRAMMES AND PROJECTS									
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
		Number of employed or unemployed learners registered for AET programmes.	485	485	510	227	-283	A significant number of rejections towards registration has taken place due to non-compliant documentation.	Capacity building sessions with stakeholders are ongoing.
		Number of employed or unemployed learners completing AET programmes.	446	7	1500	0	-1500	Delays in training due to the COVID restrictions have resulted that inadequate number of learners have concluded by year-end.	Focused monitoring of allocated funded learners will be implemented.
		Number of learners registered for trade/ artisan qualifications (new registrations).	644	1665	2960	881	-2079	A significant number of rejections towards registration has taken place due to non-compliant documentation and poor uptake on new apprentices has had a further impact.	Capacity building sessions with stakeholders are ongoing.
		Number of learners completing trade/artisan qualifications.	2763	1828	2800	2077	-723	With the number of trade test centres not being able to test at full capacity, fewer learners were tested.	Focused monitoring of active learners will be implemented.
		Number of learners entering Artisan Recognition of Prior Learning (ARPL) programme.	N/A	N/A	1000	344	656	COVID restrictions and the Toolkit process have resulted in delays with regards to trade test applications coming through.	Capacity building sessions with stakeholders are ongoing.
		Number of learners completing Artisan Recognition of Prior Learning (ARPL) programme.	1183	374	800	516	-284	COVID restrictions led to lesser number of candidates being tested by year-end.	A focused approach has been implemented to monitor and record completions.

PROGRAMME 3: PROGRAMMES AND PROJECTS									
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
Outcome 3: PSET education, training and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries and related labour market. **Outcome 4:** Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector engineering and manufacturing industries and related labour market.	**Strategic Output 5:** Strategic skills development related collaborations and partnerships to respond to national, provincial, local and sector strategic priorities.	Number of active TVET college partnerships established.	16	23	30	30	0	N/A	N/A
		Number of active SETA-HEI partnerships established.	5	14	12	16	4	The target was over-achieved due to increased participation of HEIs.	N/A
		Number of active CET partnerships established	N/A	2	3	3	0	N/A	N/A
		Number of new SETA-Employer partnerships established.	1413	1570	1512	1347	-165	A significant number of allocated MoAs were withdrawn by DG applicants. The major reason cited is "change in organisation's skills planning" for the year under review.	Initiatives focused on Employer Partnerships will be explored and implemented to assist with the targets.
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector's engineering and industry value chains.	**Strategic Output 6:** Facilitation of skills development interventions to support the development and establishment of sustainable SMEs, cooperatives, and local or community- based employment and income generation activities aligned to merSETA's engineering and manufacturing value chain.	Number of cooperatives funded for enterprise growth/enterprise development skills.	20	0	20	4	-16	Insufficient DG applications received from cooperatives to meet the set target.	An innovative way to be considered to attract prospective cooperatives to participate in the related mer-sector skills development space.
		Number of small businesses funded for enterprise growth/enterprise development skills.	1503	1440	50	53	3	The participation of small and emerging enterprises has increased.	N/A
		Number of CBOs/NGOs/NPOs funded for skills to grow/develop and sustain their activities or organisations	20	42	14	20	6	The target was overachieved due to an increased number of DG applications received and the targeted advocacy services provided.	N/A
		Number of trade unions supported through skills development.	6	4	4	1	-3	There are insufficient number of DG applications on this target. The only application received did not meet the DG criteria for allocation.	There are 3 active unions within the sector. Initiatives focused on trade unions will be explored and implemented to encourage participation.
		Number of rural development projects supported through skills development.	6	4	4	4	0	N/A	N/A
		Number of people trained on entrepreneurship supported to start their business (Number of people funded for enterprise growth/enterprise development skills).	N/A	0	480	0	-480	A significant number of rejections towards registration has taken place due to non-compliant documentation.	Capacity building sessions with stakeholders are ongoing.

PROGRAMME 4: QUALITY ASSURANCE									
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations	Reason for revisions to outputs/indicators/annual target
Outcome 3: PSET education, training and skills development in public institutions responsive to the changing occupations and skills demand required for the merSETA sector's engineering and manufacturing industries and related labour market.	**Strategic Output 7**: Support to the growth and quality improvement of technical and vocational education and training (TVET) colleges.	Number of TVET centres of specialisation (CoS) supported.	N/A	2	3	5	2	The target was overachieved due to increased interests and participation for TVET CoS.	N/A
		Number of TVET colleges funded for merSETA occupational programmes, equipment and workshop infrastructure.	N/A	3	6	5	-1	There were insufficient DG applications received from TVET colleges to meet this set target.	Initiatives with TVET colleges will be explored and implemented to encourage participation.
		Number of TVET college lecturers awarded bursaries.	N/A	0	54	12	-42	There were insufficient DG applications received from TVET colleges to meet this set target.	Initiatives with TVET colleges will be explored and implemented to encourage participation.
		Number of TVET college managers receiving training on curriculum related studies.	N/A	0	70	0	-70	There were insufficient DG applications received from TVET colleges to meet this set target.	Initiatives with TVET colleges will be explored and implemented to encourage participation.
		Number of TVET college lecturers exposed to industry through skills programmes.	N/A	0	60	13	-47	There were insufficient DG applications received from TVET colleges to meet this set target.	Initiatives with TVET colleges and providers, will be explored and implemented to encourage participation.
		Number of SETA offices maintained in TVET colleges.	N/A	3	3	4	1	The target was achieved.	N/A

PROGRAMME 4: QUALITY ASSURANCE									
Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reasons for deviations	Reason for revisions to outputs/indicators/annual target
	Strategic Output 8: Support to the growth and quality improvement of community education and training (CET) colleges.	Number of CET college lecturers awarded skills development programmes.	N/A	0	15	0	-15	There were insufficient DG applications received from CET colleges to meet this set target.	Initiatives with colleges will be explored and implemented to encourage participation.
		Number of CET college managers receiving training on curriculum-related studies.	N/A	0	15	0	-15	There were insufficient DG applications received from CET colleges to meet this set target.	Initiatives with colleges will be explored and implemented to encourage participation.
		Number of CET colleges funded for merSETA occupational programmes, equipment and workshop infrastructure.	N/A	0	3	2	-1	There were insufficient DG applications received from CET colleges to meet this set target.	Initiatives with colleges will be explored and implemented to encourage participation.
		Number of CET learners accessing AET programmes.	N/A	0	15	0	-15	There were insufficient DG applications received from CET colleges to meet this set target.	Initiatives with colleges will be explored and implemented to encourage participation.
Outcome 5: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector's engineering and manufacturing industries and related labour market.	**Strategic Output 9:** Support career development services.	Number of career development events in urban areas on occupations in high demand.	50	12	12	15	3	Annual target overachieved because the merSETA received higher number of the invitations for career development in urban areas.	N/A
		Number of career development events in rural areas on occupations in high demand.	N/A	22	12	15	3	Annual target overachieved because the merSETA received higher number of the invitations for career development in rural areas.	N/A
		Number of career development practitioners trained.	N/A	31	30	24	-6	Only 24 career development practitioners successfully attended and completed the training while 6 didn't attend.	Extra learners will be recruited to mitigate against non-attendance.
		Number of capacity-building workshops on career development services initiated.	N/A	5	6	6	0	N/A	N/A

Reporting on the Institutional Response to the COVID-19 Pandemic

Progress on Institutional Response to the COVID-19 Pandemic

Programme /Sub-Programme	Intervention	Geographic location (province/ district/local municipality) (where possible)	No. of beneficiaries (where possible)	Disaggregation of beneficiaries (where possible)	Total budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the outputs in the APP (where applicable)	Immediate outcomes
Learner Special Stipend support	Apprenticeships & Learnerships	Western Cape	19		100 000.00	18 000.00		To prevent the retrenchment of learners

Table 3: Programme 3: Prior Year achievements

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Prior year achievement
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector's engineering and industry value chains. **Outcome 3:** PSET education, training and skills development in public institutions responsive to the changing occupations and skills demand required for the merSETA sector's engineering and manufacturing industries and related labour market. **Outcome 4:** Skills for transformed SA merSETA sector's engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management. **Outcome 5**: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector's engineering and manufacturing industries and related labour market.	**Strategic Output 4**: Facilitation of skills development interventions to enable increased access to employment opportunities and support to economic growth opportunities.	Number of unemployed learners registered for WIL programmes at TVET colleges.	291	724	300	14	22
		Number of unemployed learners registered for WIL programmes at HEIs.	659	78	270	171	30
		Number of unemployed learners registered for skills programmes.	277	2 608	4 100	3 796	118
		Number of unemployed learners completing skills programmes.	915	1 130	2 856	2 413	118
		Number of unemployed learners registered for learnership programmes.	2 363	2 300	2 160	1 488	635
		Number of unemployed learners completing learnership programmes.	1 821	1 173	2 870	2 020	178
		Number of unemployed engineering graduates registered for candidacy programmes.	20	70	20	0	3
		Number of unemployed learners granted bursaries (new entries).	279	31	110	115	92
		Number of employed learners registered for learnership programmes.	1 550	678	1 440	474	223
		Number of employed learners completing learnership programmes.	894	381	1 183	607	31
		Number of employed learners registered for bursary programmes (new entries).	323	19	104	27	55
		Number of employed learners registered for skills programmes.	2 287	1 096	4 084	496	110
		Number of employed learners completing skills programmes.	412	417	2 094	553	229
		Number of employed or unemployed learners registered for AET programmes.	485	485	510	241	22
		Number of employed or unemployed learners completing AET programmes.	446	7	1 500	0	107
		Number of learners registered for trade/artisan qualifications (new registrations).	644	1 665	2 960	898	250
		Number of learners completing trade/artisan qualifications.	2 763	1 828	2 800	2 076	5
		Number of learners entering Artisan Recognition of Prior Learning (ARPL) programme.	N/A	N/A	1 000	361	85
		Number of learners completing Artisan Recognition of Prior Learning (ARPL) programme.	1 183	374	800	521	7

Linking Performance with Budgets

In assessing the achievement of the outputs in comparison to the planned targets, the public entity must consider the linkages and the relation to the resources available to the public entity, in particular the financial resources. Therefore, the following financial information should be presented. The financial information must agree to the information in the annual financial statements. Include the narrative after the table discussing how expenditure contributed to the achievement of outputs during the period under review.

PROGRAMME EXPENDITURE VS BUDGET 2022						
Programme/activity/objective	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	239 872	227 168	12 704	242 231	218 079	24 152
Skills Planning	79 778	47 239	32 539	64 494	43 596	20 898
Learning programmes & projects	1 109 352	1 037 213	72 139	1 226 733	897 371	329 362
Quality assurance	1 298	158	1 140	625	291	334
Total	1 430 300	1 311 778	118 522	1 534 083	1 159 337	374 746

5. Revenue Collection

The following table must be presented with the relevant financial information. Include the narratives after the table

Programme/activity/objective	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Skills development levy income	1 430 956	1 418 577	12 379	709 816	923 726	(213 910)
Skills development penalties and interest	19 643	20 217	(574)	22 057	22 257	(200)
Net gains from financial instruments	216 900	207 001	9 899	372 000	265 924	106 076
Other income	12	3	9	128	12	116
Total	1 667 511	1 645 798	21 713	1 104 001	1 211 919	(107 918)

6. Capital Investment

The following table must be presented with the relevant financial information. Include the narratives after the table

Infrastructure projects	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	-	-	-	-	-	-
Total	NA	NA	NA	NA	NA	NA

PART C: GOVERNANCE

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 Minister of Higher Education, Science and Innovation. The merSETA reports to Parliament through the Minister.

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 merSETA activities. The merSETA has made all the required submissions to the Executive Authority, National Treasury and Parliament, which includes quarterly reports (financial and performance), the Annual Report, the Annual Performance Plan, Sector Skills Plan and the Service Level Agreement during the period under review.

4. The Accounting Authority

The Accounting Authority of merSETA was appointed from 1 April 2020 for a five- year term. Ms Kate Moloto was appointed Chairperson of the Accounting Authority during the year under review, while Ms Ruth Ntlokotse and Ms Jeanne Esterhuizen* both served as Deputy Chairpersons. The following members served as non-executive members: Dr Alex Mashilo, Mr Japhta Elias Kubeka, Ms Kirtida Bhana, Dr Lesley Lee, Ms Thandeka Phiri, Mr Renai Moothilal, Mr Siboniso Mdletshe, Mr Jacobus de Beer, Mr Louis van Huyssteen, Mr Johan Van Nierkerk**, Mr Neil Rademan*** and Mr Thapelo Molapo, Ms Sumaya Hoosen.

*Ms Jeanne Esterhuizen retired from the Accounting Authority.
**Mr Johan van Niekerk passed on during the year under review.
***Mr Neil Rademan was appointed during the year under review.

ATTENDANCE AT THE ACCOUNTING AUTHORITY AND COMMITTEE MEETINGS

Details of attendance of the members at the meetings during 2020/2021 financial year are summarised in the table below:

Name	Accounting authority	Audit & risk committee	Executive committee	Hr & remune ration committee	Finance & grants committee	Governance & strategy	Other meetings
Kate Moloto (AA Chairperson)	12/12		4/4				14
Ruth Ntlokotse (AA Deputy Chairperson)	11/12		4/4		5/5		6
Jeanne Esterhuizen (AA Deputy Chairperson)	9/10		3/3		2/3		4
Dr Alex Mashilo	08/12					3/5	2
Dr Lesley Lee	10/12		3/4	7/8			8
Johan Van Nierkerk***	2/12	1/1					2
Kirtida Bhana	12/12					5/5	5
Siboniso Mdletshe	5/12					3/5	0
Mokgatle (Thapelo) Molapo	11/12			8/8	5/5		9
Louis van Huyssteen	12/12					5/5	1
Thandeka Phiri	10/12		4/4				5
Renai Moothilal	12/12	4/4			2/2		7
Japhta (Elias) Kubeka	10/12				4/5	3/5	2
Jacobus (Koos) de Beer	12/12			8/8		5/5	8
Sumaya Hoosen	8/12				4/4		2
Neil Rademan	2/2					1/1	1
Juliana Makapan	3/3			8/8			2
Lindelwa Ndziba	3/3			8/8			2
Mochele Noge	3/3				4/5		0
Siyabonga Msweli	3/4					4/5	0
Dr Siziwe Zuma	3/3				4/4		0
Khumo Mzozoyana	10/10	4/4					9
Collin Nciki***	0	1/1					1
Margaret Phiri	3/4	4/4					0
Tshepo Fari	0	1/1					0

*Includes Accounting Authority activities (AA Strategic Review Workshop and Annual General Meeting).

**Includes Chamber meetings, other AA and committee meetings attended by some members.

***These members are deceased.

Remuneration of the Account Authority

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 (R)	Other re-imbursements (R)	Total (R)
Kate Moloto (Accounting Authority and EXCO Chairperson)	300 331			300 331
Ruth Ntlokotse (Accounting Authority Deputy Chairperson)	224 530			224 530
Jeanne Esterhuizen (Accounting Authority Deputy Chairperson)	112 042			112 042
Dr Alex Mashilo (GSC Chairperson)	39 464			39 464
Dr Lesley Lee (HRRC Chairperson)	263 918			263 918
Johan Van Nierkerk	48 098			48 098
Kirtida Bhana*	187 393			187 393
Siboniso Mdletshe	64 755			64 755
Mokgatle (Thapelo) Molapo (FGC Chairperson)	298 994			298 994
Louis van Huyssteen*	143 001			143 001
Thandeka Phiri	163 955			163 955
Renai Moothilal	215 759			215 759
Japhta (Elias) Kubeka	178 219			178 219
Jacobus (Koos) de Beer	277 439			277 439
Sumaya Hoosen	120 876			120 876
Neil Rademan (New Tyre Chamber Chairperson)	37 000			37 000
Juliana Makapan**	107 925			107 925
Lindelwa Ndziba**	107 925			107 925
Mochele Noge**	47 487			47 487
Siyabonga Msweli**	56 121			56 121
Dr Siziwe Zuma**	56 121			56 121
Khumo Mzozoyana** (ARC Chairperson)	387 684			387 684
Collin Nciki**	38 056			38 056
Margaret Phiri**	123 682			123 682
Tshepo Fari	19 028			19 028
Total	3 619 803			3 619 803

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

**Independent committee members paid for attending Accounting Authority activities (AA Strategic Review Workshop and Annual General Meeting).

5. Risk Management

The Accounting Authority manages the 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.

6. Internal Audit and Audit Committee

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. SHUMBA Inc. was appointed as the merSETA's internal auditors 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 internal auditors on behalf of the Accounting Authority.

In the year under review, SHUMBA Inc. independently appraised the adequacy and effectiveness of the entity's systems, financial internal controls and accounting records. Their findings are reported to the Audit and Risk Committee. The internal control environment of the merSETA was found to be in good standing.

THE AUDIT AND RISK COMMITTEE (ARC)

Composition

The ARC is comprised of 5 members, of which three are independent members, namely Ms K Mzozoyana (Chairperson), Mr C Nciki*, Ms M Phiri, Mr Tshepo Fari and two Accounting Authority members, Mr R Moothilal and Mr J van Niekerk*.

*Mr J van Niekerk and Mr C Nciki passed on during the year under review.
**Mr T Fari was appointed as an independent committee member.

Roles and Responsibilities

The ARC provides oversight of the merSETA's financial affairs and monitors compliance with applicable laws and adherence to non-binding rules, codes and standards. The ARC also ensures an effective risk-based internal audit and risk management function as well as the effectiveness of internal controls and corporate governance systems. The ARC evaluates the independence, objectivity and effectiveness of the external and internal auditors and addresses any concerns identified by the auditors.

The ARC is also responsible for promoting the accuracy, reliability and credibility of financial reporting, and reviews the annual financial statements as well as the Annual Report prior to approval by the Accounting Authority.

7. Compliance with Laws and Regulations

The merSETA has a Corporate Governance and Legislative Compliance Checklist in place which is reviewed as and when legislation changes. The checklist is reported on a quarterly basis to the Audit and Risk Committee. The regular review of said document ensures that the merSETA monitors compliance with all relevant laws and regulations. Any issues of non-compliance are investigated and steps are taken to ensure compliance and corrective measures.

8. Fraud and Corruption

The merSETA has a Fraud Prevention Plan in place 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 periodically maintained and reported through the governance structures. All cases are investigated to determine validity and appropriate action is taken when allegations are found to be true. The fraud and corruption report is a standing item for the Audit and Risk Committee.

9. Minimising Conflict of Interest

Members of the Accounting Authority as well as senior management are required to avoid direct or indirect interest that conflicts, or possibly may conflict, with the merSETA's interests. A 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 on an annual basis in order for the organisation to avoid issuing contracts to employees and/or their related parties.

10. Code of Conduct

The merSETA has in place a Code of Conduct for employees and an organisation- wide Code of Ethics. Both are reviewed periodically. Both codes set out the parameters within which an employee and an Accounting Authority member should conduct themselves within the SETA as well as when the employee or member is representing the merSETA on different platforms. Both codes are made available to members and employees upon their appointment and the recipients are required to familiarise themselves with these codes. The codes are readily available on the electronic database.

11. Health, Safety and Environmental Issues

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

With the challenges presented by the COVID-19 pandemic, the organisation has ensured compliance with the Disaster Management Act 57 of 2002, related regulations thereof, as amended, and the national directives issued by the relevant ministers from time to time.

12. Company Secretary

Ms Lebogang More was the Compliance Officer and Company Secretary during the year under review. She is responsible for advising the Accounting Authority, Accounting Authority Committees and the merSETA management on matters related to corporate governance and provides legal support.

13. Social Responsibility

All the merSETA programmes are aligned to the national policy framework that aims to contribute and assess the impact on social transformation, environmental preservation and economic upliftment. Initiatives during the period under review were linked to the National Skills Development Plan (NSDP).

14. Audit Committee Report

MANDATE AND TERMS OF REFERENCE:

The audit and risk committee (the 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 2022. 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 financials 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). Execution 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 disclosures.

The committee considered the key judgements, 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 controls, accounting and disclosure matters.

The committee focused on specific control issues, in particular, the controls relating to the PFMA reporting. The committee concluded that the internal control environment has room to improve, particularly with regard to review of supporting schedules and reconciliations and appreciates managements' concerted efforts to detect irregular expenses even though improvement is necessary in the prevention of irregular expenses.

Despite major improvements in relation with the reporting of performance information, the committee notes with concern the issues that continue to persist in relation to performance information. Commitment by management to improve and take corrective measures with regards to performance information has been noted by the committee. The committee commends management that there was no irregular expenditure that was incurred as a result of COVID spending.

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 is adequate,
- 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.

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 2022 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 2021/22 financial year.

15. B-BBEE Compliance Performance Information

The merSETA has complied with its reporting obligations in terms of the Broad-Based Black Economic Empowerment Act 53 of 2003 as amended by Act no 46 of 2013. The organisation also submitted itself to a B-BBEE audit in the year 2021.

The merSETA interprets and applies preferential procurement directly from the Preferential Procurement Policy Framework Act No 5 of 2000 and will develop and implement a policy in the upcoming financial year. Further to the above, the merSETA Grants Policy, Criteria and Guideline documents will be revised to include B-BBEE compliance.

PART D: HUMAN RESOURCE MANAGEMENT

1. Introduction

Overview of Human Resources (HR) Matters at the Public Entity

High performance and staff connectivity, safety and confidence are key drivers of the Human Resources Unit. The COVID-19 pandemic cast a shadow over in-person meetings during the year under review. The first two quarters saw the HR Unit implement remote working agreements that ensured the merSETA mandate and delivery mechanisms remained in place. High occupational safety levels in line with government's COVID-19 regulations were implemented throughout the merSETA's offices.

Workforce Planning Framework and Key Strategies to Attract and Recruit a Skilled and Capable Workforce

During the period under review, vacancies were advertised internally and externally in line with recruitment policy. Due to the COVID-19 pandemic, virtual interviews were conducted to comply with lockdown regulations. Placement decisions were informed after extensive background and reference checks.

The internship programme was disrupted by COVID-19, which resulted in HR extending internship contracts to ensure the workplace learning programme achieved its goals.

Employee Well-Being and Business Continuity

The organisation's response to the COVID-19 pandemic continued as a top priority during the course of the year which involved extensive contributions from the HR Unit in partnership with the Facilities and Occupational Health and Safety unit.

For a considerable amount of time, the organisation continued to work remotely and found innovative ways to deliver on the organisation's mandate while diligently working to respond to the pandemic.

As an HR Unit, we recognise that the health and well-being of the workforce directly underpins the organisation's ability to achieve its strategic goals and are essential components of organisational success. The focus on increasing employee engagement and communication during the course of the pandemic was noted. This culminated in the introduction of the merSETA Employee Well-being Programme that aimed to support and promote the wellness of employees and their immediate families by offering a number of services on a 24-hour basis.

Organisational Transformation

The 2021/22 year witnessed the implementation of the Organisational Design Project. The intention of this intervention was to realign the merSETA's organisational structure and HR processes with appropriate competencies (staff, governance, structures, implementing partners and stakeholders) to achieve its mandate. A core focus of the programme was on change enablement and empowerment of the organisation's leaders and employees, including robust consultative processes that involved a number of stakeholders across the organisation.

Learning and Development

Although 2021/22 was unprecedented for employees, their agility and flexibility were demonstrated in adapting key learning and development programmes in a challenging context. The journey of empowering employees to deliver on the organisational cultural change continued through a number of change management workshops for leaders and employees.

2022/23 Focus Areas

The current operating environment demands the right calibre, capability and capacity of human resources. Accordingly, the merSETA will continue to implement its strategy on transforming the HR function to be more responsive to business requirements, underpinned by implementing an HR operating model and integrated HR information management system.

HR Strategy

The HR functional strategy for Human Resources is to entrench an employee value proposition towards influencing a meaningful working environment that enables the integration of technology, innovation and people through strategic partnerships. This will include the following key deliverables:

- increased employee engagement and empowerment;
- HR policy education and awareness; and
- performance enhancement and talent management.

Challenges Faced by the Public Entity

The COVID-19 pandemic remains a threat to the organisation.

2. Human Resource Oversight Statistics

Employment and Vacancies

2.1 Personnel Costs by Occupational Level

Occupational level	Personnel expenditure	% Of personnel expenditure to total personnel costs	Number of employees	Average cost per employee
Top management	R2 399 816	1.58%	1	R2 399 816
Senior management	R4 678 076	3.08%	3	R1 559 358
Professional qualified	R39 802 240	26.19%	39	R1 020 570
Skilled	R54 850 240	36.09%	93	R589 787
Semi-skilled	R25 786 657	16.97%	77	R334 891
Unskilled	R1 780 459	1.711%	12	R148 371
Total	R129 297 492		225	R 6 052 796

2.2 Training Costs

Personnel expenditure	Training expenditure	Training expenditure as % of personnel costs	Number of employees	Average annual training cost per employee R'000
151,996,669	1 943 143	1.28%	225	R8636

2.3 Head Count and New Posts

2021/22 number of employees	2021/22 new approved posts	2020/21 number of employees	2020/21
225	0	229	0

Occupational level	2021/22 Number of employees	Number of vacancies
Top management	1	0
Senior management	3	1
Professional qualified	39	2
Skilled	93	6
Semi-skilled	77	6
Unskilled	12	0
Total	225	15

The vacant positions were put on hold and only critical positions were filled until the Organisational Development initiative is concluded.

2.4 Employment Changes

Occupational level	Appointments	Terminations	Employment at end of the period
Top management	0	0	1
Senior management	1	0	3
Professional qualified	3	2	39
Skilled	0	2	93
Semi-skilled	0	4	77
Unskilled	0	0	12
Total	4	8	225

2.5 Reasons for Staff Leaving

Reason	Number	% of total number of staff leaving
Death	1	12.5%
Resignation	4	50%
Dismissal	0	0
Retirement	3	37.5%
Ill-health	0	0
Other – Contract ended	0	0
Total	8	100%

2.6 Labour Relations: Misconduct and Disciplinary Action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	4
Disciplinary hearing – not guilty	0
Disciplinary hearing – verdict pending	1
Dismissal	0
Resignation during hearing	0
Grievance	3

Employee racial group	Target	Achieved
African	78,5%	77%
Coloured	9,6%	13%
Indian	2,8%	3%
White	9,1%	7%
Women in senior management	3,0%	0,7%

2.7 Employment Equity Status

	Male				Female						Total
Occupational Levels	African	Coloured	Indian	White	African	Coloured	Indian	White	FNM	FNF	
Top management	0	1	0	0	0	0	0	0	0	0	1
Senior management	0	0	1	0	2	0	0	0	0	0	3
Professionally qualified	13	2	0	3	9	5	2	3	2	0	39
Skilled technical	34	9	4	5	32	6	1	2	0	0	93
Semi-skilled	25	1	0	0	42	5	0	4	0	0	77
Unskilled	1	0	0	0	9	2	0	0	0	0	12
Total Permanent	73	13	5	8	94	18	3	9	2	0	225
Temporary Employees	12	0	0	0	20	2	0	0	0	0	34
Grand total	85	13	5	8	114	20	3	9	2	0	259

PART E: FINANCIAL INFORMATION

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The audited Annual Financial Statements for the year ended 31 March 2022, set out on pages 62 to 107, 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 July 2022, and are signed on their behalf by:

K Moloto
(Chairperson)

W Adams
(Chief Executive Officer)

1. Report of the Auditor-General to Parliament on the 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 (MerSETA) set out on page 62 to 107, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Manufacturing, Engineering and Related Services Sector Education and Training Authority and as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Skills Development Act 97 of 1998 (SDA).

Basis for Opinion

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

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Responsibilities of the Accounting Authority for the Financial Statements

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

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

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

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

Report on the Audit of the Annual Performance Report

Introduction and Scope

10. In accordance with the Public Audit Act 25 of 2004 (PM) 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 programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned perfom1ance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2022:

Programme	Pages in the annual performance report
Programme 3 - Learning programmes and projects	32 – 37

13. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. The material findings on the usefulness and reliability of the performance information of the selected programme are as follows:

Programme 3 – Learning Programmes and Projects

Various Indicators

15. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined method of collection or confirmed that related systems and processes were established to enable consistent measurement and reliable reporting of the actual achievement for the indicator. The source information for the indicators below and the method of calculation for achieving the planned indicator were not clearly defined. Consequently, I was unable to confirm the reliability of the indicators below as reported in the annual performance report.

Performance indicator description	Reported achievement
Percentage of discretionary grant (DG) budget allocated to programmes or projects aimed at developing high level skills e.g. managers, professionals and technicians and associate professionals	20%
Percentage of discretionary grant (DG) budget allocated to programmes or projects aimed at developing mid-level skills e.g. clerical, sales and service, skilled craft and trade workers	63%
Percentage of discretionary grant (DG) budget allocated to programmes or projects aimed at developing elementary skills e.g. machine operators and elementary workers.	16%

Various indicators

16. The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided did not agree to the reported achievement. Consequently, I was unable to determine the completeness of the reported achievements.

Performance indicator description	Reported achievement
Number of learners entering Artisan Recognition of Prior Learning (ARPL) programme	344
Number of learners completing Artisan Recognition of Prior Learning (ARPL) programme	516

Other Matters

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

Achievement of Planned Targets

18. Refer to the annual performance report on Pages 32 – 37 for information on the achievement of planned targets for the year and management explanations provided for the under/over achievement 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 paragraphs 15 and 16 of this report.

Adjustment of Material Misstatements

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

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

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

Expenditure Management

22. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R3 800 000 as disclosed in note 25 to the annual financial statements, in contravention of section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by non compliance with Treasury Regulations.

23. I was unable to obtain sufficient appropriate audit evidence that merSETA's resources were utilised economically, as required by section 57(b) of the PFMA. The entity's internal control processes were not always adequate in following up on and recovering monies paid to service providers that had not subsequently performed on these training interventions.

Annual financial statements and annual reports

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

25. Material misstatements in the statement of comparison of budget and actual amounts and commitments identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified opinion.

Other Information

26. 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 the selected programme presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

29. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information and 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

31. 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 report and the findings on compliance with legislation included in this report.

32. Action plans implemented by management did not in all instances adequately address root causes of previously raised audit findings. This resulted in inadequate implementation and repeat internal control deficiencies being reported.

33. The processing and reconciling controls implemented by management during the financial year were not always adequate and effective as accounting records and schedules presented for audit were not always accurate and complete. The controls over daily and monthly processing of transactions did not prevent and detect deficiencies in some instances.

Auditor-General

Pretoria

31 July 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure — Auditor-General's responsibility for the audit

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

Financial Statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the 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 onditions 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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2022

	Note	2022			2021		
		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	1 418 577	1 430 956	(12 379)	923 726	709 816	213 910
Skills development levy penalties and interest	3	20 217	19 643	574	22 257	22 057	200
Total non-exchange revenue		**1 438 794**	**1 450 599**	**(11 805)**	**945 983**	**731 873**	**214 110**
Exchange revenue							
Net gains from financial instruments	4	207 001	216 900	(9 899)	265 924	372 000	(106 076)
Other income	5	3	12	(9)	12	128	(116)
Total exchange revenue		**207 004**	**216 912**	**(9 908)**	**265 936**	**372 128**	**(106 192)**
Total revenue		**1 645 798**	**1 667 511**	**(21 713)**	**1 211 919**	**1 104 001**	**107 918**
EXPENSES							
Employer grant and project expenses	6	(1 129 809)	(1 238 588)	108 779	(984 420)	(1 341 863)	357 443
Administration expenses	7	(181 969)	(191 712)	9 743	(174 917)	(192 220)	17 303
Total expenses		**(1 311 778)**	**(1 430 300)**	**118 522**	**(1 159 337)**	**(1 534 083)**	**374 746**
Net surplus for the year	1	**334 020**	**237 211**	**96 809**	**52 582**	**(430 082)**	**482 664**

* Accounting Authority approval for the year 2021/22 budgets as well as National Treasury approval for the retention of surplus funds for the year ended 31 March 2021 was obtained as per the requirements of section 53 of the PFMA.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2022

	Note	2022			2021		
		Actual R'000	Budget R'000	Variance R'000	Actual R'000	Budget R'000	Variance R'000
ASSETS							
Current assets							
Cash and cash equivalents	8	4 836 082	4 700 127	135 955	4 456 949	3 707 049	749 900
Receivables from exchange transactions	9	45 848	36 200	9 648	31 807	196 500	(164 693)
Receivables from non-exchange transactions	10	9 473	9 000	473	8 074	29 600	(21 526)
Statutory receivables	11	2 218	500	1 718	372	1 720	(1 348)
Prepayments		-	-	-	-	150	(150)
Consumables	12	367	450	(83)	413	650	(237)
		4 893 988	**4 746 277**	**147 711**	**4 497 615**	**3 935 669**	**561 946**
Non-current assets							
Property and equipment	13	10 813	14 872	(4 059)	13 215	16 119	(2 904)
Intangible assets	14	1 038	1 025	13	1 229	4 916	(3 687)
		11 851	**15 897**	**(4 046)**	**14 444**	**21 035**	**(6 591)**
Total Assets		**4 905 839**	**4 762 174**	**143 665**	**4 512 059**	**3 956 704**	**555 355**
LIABILITIES							
Current liabilities							
Payables from exchange transactions	15	9 249	5 800	3 449	5 516	11 000	(5 484)
Grants and transfers payable	16	309 115	268 000	41 115	256 363	181 700	74 663
Other payables	17	1 212	1 380	(168)	1 315	1 400	(85)
Provisions	18	43 110	40 650	2 460	39 732	36 135	3 597
		362 686	**315 830**	**46 856**	**302 926**	**230 235**	**72 691**
Net assets		**4 543 153**	**4 446 344**	**96 809**	**4 209 133**	**3 726 469**	**482 664**
Administration reserve		11 851	15 897	(4 046)	14 444	21 035	(6 591)
Employer grant reserve		709	709	-	1 248	1 369	(121)
Discretionary reserve		4 530 593	4 429 738	100 855	4 193 441	3 704 065	489 376
Total net assets		**4 543 153**	**4 446 344**	**96 809**	**4 209 133**	**3 726 469**	**482 664**

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2022

	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 2020		12 779	1 304	4 142 468	-	4 156 551
Net surplus for the year per statement of financial performance		-	-	-	52 582	52 582
Allocation of unappropriated surplus for the year	1	(53 681)	62 551	43 712	(52 582)	-
Excess reserves transferred to discretionary reserve		55 346	(62 607)	7 261	-	-
Balance at 31 March 2021		**14 444**	**1 248**	**4 193 441**	**-**	**4 209 133**
Net surplus for the year per statement of financial performance		-	-	-	334 020	334 020
Allocation of unappropriated surplus for the year	1	4 224	107 926	221 870	(334 020)	-
Excess reserves transferred to discretionary reserve		(6 817)	(108 465)	115 282	-	-
Balance at 31 March 2022		**11 851**	**709**	**4 530 593**	**-**	**4 543 153**
		*	**			

* 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 2022

	Note	2022 Actual R'000	2022 Budget R'000	2022 Variance R'000	2021 Actual R'000	2021 Budget R'000	2021 Variance R'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Operating activities							
Cash receipts from stakeholders and others		**1 439 240**	**1 451 690**	**(12 450)**	**945 452**	**734 442**	**211 010**
Levies, interest and penalties received		1 439 237	1 451 678	(12 441)	945 440	734 314	211 126
Other income	5	3	12	(9)	12	128	(116)
Cash paid for grants and projects		**(1 071 185)**	**(1 229 200)**	**158 015**	(898 560)	(1 352 801)	454 241
Employment costs		(37 521)	(39 970)	2 449	(38 324)	(39 970)	1 646
Mandatory grants		(242 869)	(266 011)	23 142	(178 192)	(128 601)	(49 591)
Discretionary grant and projects		(790 795)	(923 219)	132 424	(682 044)	(1 184 230)	502 186
Cash paid for administration		**(179 802)**	**(185 630)**	**5 828**	(167 299)	(190 438)	23 139
Employment costs		(113 294)	(114 073)	779	(103 586)	(110 460)	6 874
Payments to suppliers		(66 508)	(71 557)	5 049	(63 713)	(79 978)	16 265
Cash generated from (utilised in) operations	19	**188 253**	**36 860**	**151 393**	**(120 407)**	**(808 797)**	**688 390**
Interest received		193 417	212 509	(19 092)	314 909	256 594	58 315
Net cash inflow from operating activities		**381 670**	**249 369**	**132 301**	**194 502**	**(552 203)**	**746 705**
CASH FLOW FROM INVESTING ACTIVITIES							
Purchase of property and equipment	13	(892)	(4 541)	3 649	(2 258)	(3 217)	959
Purchase of intangible assets	14	(1 675)	(1 650)	(25)	(2 664)	(4 900)	2 236
Proceeds from disposal of property and equipment		30	-	30	-	-	-
Net cash outflow from investing activities		**(2 537)**	**(6 191)**	**3 654**	**(4 922)**	**(8 117)**	**3 195**
Net increase in cash and cash equivalents		**379 133**	**243 178**	**135 955**	**189 580**	**(560 320)**	**749 900**
Cash and cash equivalents at beginning of year		**4 456 949**	**4 456 949**	**-**	**4 267 369**	**4 267 369**	**-**
Cash and cash equivalents at end of year	8	**4 836 082**	**4 700 127**	**135 955**	**4 456 949**	**3 707 049**	**749 900**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2022

	Original budget R'000	Revisions R'000	Final approved budget R'000	Actual R'000	Variance R'000
REVENUE					
Skills development levy income	1 064 722	366 234	1 430 956	1 418 577	(12 379)
Skills development penalties and interest	20 014	(371)	19 643	20 217	574
Total non-exchange revenue	**1 084 736**	**365 863**	**1 450 599**	**1 438 794**	**(11 805)**
Net gains from financial instruments	409 000	(192 100)	216 900	207 001	(9 899)
Other income	131	(119)	12	3	(9)
Total exchange revenue	**409 131**	**(192 219)**	**216 912**	**207 004**	**(9 908)**
Total revenue	**1 493 867**	**173 644**	**1 667 511**	**1 645 798**	**(21 713)**
EXPENSES					
Employer grant and project expenses	(1 187 586)	(51 002)	(1 238 588)	(1 129 809)	108 779
Administration expenses	(202 423)	10 711	(191 712)	(181 969)	9 743
Total expenses	**(1 390 009)**	**(40 291)**	**(1 430 300)**	**(1 311 778)**	**118 522**
Net surplus for the year	**103 858**	**133 353**	**237 211**	**334 020**	**96 809**

REVISIONS TO THE ORIGINAL BUDGET

Skills development levy income was increased from R1,1 billion to R1,4 billion. The average levy income was higher than what was anticipated at the time the budget was submitted in 2020. Also, the COVID-19 impact was not as bad as anticipated.

Net gains from financial instruments, which represents interest earned on cash and cash equivalents was reduced by R192 million. This was a result of lower interest rates. Interest rates were decreased by the Reserve Bank therefore impacting on expected investment income.

Employer grant and project expenses were increased by R51 million. This was to cover a budget shortfall on some projects.

Even with the higher than expected levy income, merSETA would still exceed the administration limit. Administration costs were cut by R11 million in an effort to try and keep the administration costs as low as possible.

COMPARISON OF BUDGET VERSUS ACTUAL

Levy income is slightly less than budget.

Net gains from financial instruments represent interest received from cash and cash equivalents. Most of the cash is held in fixed notice deposits. Interest received was 4,6% below budget. This was a result of the ongoing reduction of interest rates during the year.

Disbursements of employer grants and projects is 8,8% below budget. There is still a slow take up on training in the sector and reductions on training contracts during the 2022 financial year amounted to R300 million.

Administration expenses are 6% below budget. The largest savings were experienced in ICT computer services costs, telecommunication costs and leave pay costs.

The surplus for the year is R334 million against a budgeted surplus of R237 million. The main contributor was the lower than budgeted disbursement of grant and project expenses.

ACCOUNTING POLICIES

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (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 principal accounting policies adopted in the preparation of these financial statements are set out below and are, in all material respects, consistent with those of the previous year, except as otherwise indicated.

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 Skills development levy income

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

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

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

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

The merSETA makes refunds 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.

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

3.2 Skills development penalties and interest

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

3.3 Net gains from financial instruments

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

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

3.4 Other income

Other income is recognised when it is received.

4 GRANT AND PROJECT EXPENSES

4.1 Mandatory grants

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

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

4.2 Discretionary project expenses

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

Discretionary project expenses are:

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

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

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

4.3 Operational administration expenses reapportioned to project administration expenses

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

Operational administration expenses are reapportioned to project administration expenses in these categories using headcount allocations.

4.4 Administration expenses

The Skills Development Levies Act (Act No. 9 of 1999 as amended) (SDLA) stipulates that a maximum of ten percent (10%) of levy income may be used for operational administration expenses. A maximum of half a percent (0,5%) of levy income is used for administration expenses of the Quality Council for Trades and Occupations (QCTO). Operational expenditure includes employee costs, operating lease rental, consulting costs and operational travel and subsistence costs, amongst others.

An expense is recognised when merSETA consumes the economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

5 FINANCIAL INSTRUMENTS

Recognition

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

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

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

5.1 Financial assets

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

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

Cash and cash equivalents

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

Receivables from exchange transactions

merSETA assesses its deposits and receivables for impairment at the end of each financial reporting period. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. 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 and other SETAs.

7 STATUTORY RECEIVABLES

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position.

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

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The merSETA recognises statutory receivables as follows:

- If the transaction is an exchange transaction, using the policy on revenue from exchange transactions;
- If the transaction is a non-exchange transaction, using the policy on revenue from non-exchange transactions

(taxes and transfers); or

- If the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the SETA and the transaction amount can be measured reliably.

The merSETA initially measures statutory receivables at their transaction amount. The merSETA measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any impairment losses and amounts derecognised.

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 - 8 years	3 - 7 years
Office furniture and fittings	5 - 14 years	5 - 14 years
Office equipment	5 - 10 years	5 - 8 years
Motor vehicles	4 - 10 years	4 - 8 years
Other assets	2 - 5 years	2 - 5 years

The useful life of assets were assessed by class, after consideration of the average life of disposed or retired assets. Expectations about the useful lives of office equipment and motor vehicles has changed since the previous reporting date as indicated above.

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

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

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

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

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

10 INTANGIBLE ASSETS

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

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

Asset class	Amortisation period
Computer software	1 - 3 years

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

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

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

11 OTHER PAYABLES

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

12 PROVISIONS

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

12.1 Provision for SARS refunds

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

12.2 Provision for mandatory grants

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

12.3 Provision for employee related entitlements

The cost of other employee benefits (not recognised as retirement benefits - see policy note 15) are recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date. Provisions included in the statement of financial position are provisions for Workman's Compensation, leave pay and performance bonuses.

Leave Pay

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

Performance bonuses

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

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:

	2022 %
Administration costs of the merSETA	10
QCTO Administration costs	0,5
Mandatory Workplace Skills Planning Grant	20
Discretionary projects	49,5
Received by the merSETA	80
Contribution to NSF	20
	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

An operating lease is a lease other than a finance lease. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the merSETA. Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

15 RETIREMENT BENEFIT COSTS

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

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

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

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

16 CONTINGENCIES

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

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

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

17 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control (or jointly control) the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

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

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

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

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

18 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the financial statements, is also recorded appropriately in the irregular expenditure register. Irregular expenditure that was incurred and identified during the current financial year and for which condonement by the Accounting Authority is obtained at year-end, is recorded in the irregular expenditure register. Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements is updated with the amount condoned. Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the irregular expenditure register.

If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps are taken thereafter to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write-off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto is shown against the relevant programme/expenditure item, is disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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. When recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred.

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

19 COMPARATIVE FIGURES

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

20 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Useful lives of property and equipment

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

Provision for below threshold levies received

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

Provision for doubtful debts: receivables from non-exchange transactions

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

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 2022				
Total revenue	**1 645 798**	**186 193**	**354 417**	**1 105 188**
Skills development levy income				
Admin levy income (10,5%)	186 190	186 190	-	-
Grant levy income (69,5%)	1 232 387	-	354 417	877 970
Skills development levy: penalties and interest	20 217	-	-	20 217
Investment income	207 001	-	-	207 001
Other income	3	3	-	-
Total expenses	**1 311 778**	**181 969**	**246 491**	**883 318**
Employer grants and project expenses	1 129 809	-	246 491	883 318
Administration expenses	181 969	181 969	-	-
Net surplus per the statement of financial performance allocated	334 020	4 224	107 926	221 870
Year ended 31 March 2021				
Total revenue	**1 211 919**	**121 236**	**231 079**	**859 604**
Skills development levy income				
Admin levy income (10,5%)	121 236	121 236	-	-
Grant levy income (69,5%)	802 490	-	231 079	571 411
Skills development levy penalties and interest	22 257	-	-	22 257
Investment income	265 924	-	-	265 924
Other income	12	-	-	12
Total expenses	**1 159 337**	**174 917**	**168 528**	**815 892**
Employer grants and project expenses	984 420	-	168 528	815 892
Administration expenses	174 917	174 917	-	-
Net surplus per the statement of financial performance allocated	**52 582**	**(53 681)**	**62 551**	**43 712**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

	Note	2022 R'000	2021 R'000

2. SKILLS DEVELOPMENT LEVY INCOME

The total levy income per the statement of financial performance is as follows:

	Note	2022 R'000	2021 R'000
Levy income: Administration		**186 190**	**121 236**
Levies received from SARS		186 189	121 170
InterSETA transfers		56	70
Provision for refund SARS		(55)	(4)
Levy income: Employer Grants		**354 417**	**231 079**
Levies received from SARS		354 415	230 954
InterSETA transfers		106	133
Provision for refund SARS		(104)	(8)
Levy income: Discretionary Grants		**877 970**	**571 411**
Levies received from SARS		877 966	571 102
InterSETA transfers		262	330
Provision for refund SARS		(258)	(21)
		1 418 577	**923 726**

3. SKILLS DEVELOPMENT LEVY PENALTIES AND INTEREST

		2022 R'000	2021 R'000
Penalties		11 841	10 985
Interest		8 376	11 272
		20 217	**22 257**

4. NET GAINS FROM FINANCIAL INSTRUMENTS

		2022 R'000	2021 R'000
Interest income from cash and cash equivalents		**207 001**	**265 924**

5. OTHER INCOME

		2022 R'000	2021 R'000
Income from re-certification		**3**	**12**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

6. EMPLOYER GRANT AND PROJECT EXPENSES

	Note	2022 R'000	2021 R'000
Mandatory grants		**246 491**	**168 528**
Mandatory grants		243 764	167 733
Bad debts written off		495	-
Movement in allowance for doubtful debts		2 232	795
Discretionary projects		**883 318**	**815 892**
Discretionary projects direct costs	21.1	857 768	748 759
Discretionary projects administration costs		40 776	40 540
Bad debts written off		1 321	-
Movement in allowance for doubtful debts		(12 389)	26 593
Other discretionary project costs		(4 158)	-
		1 129 809	**984 420**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

7. ADMINISTRATION EXPENSES

	Note	2022 R'000	2021 R'000
Advertising, marketing and promotions, communication		2 012	2 250
Amortisation - intangible assets		1 865	1 789
Audit costs - internal audit		801	1 159
Audit costs - external audit		5 356	3 501
Audit costs - other audits		91	58
Bank charges		413	428
Accounting Authority and sub-committee costs		**4 360**	**4 251**
Remuneration to members of the audit committee		471	226
Accounting Authority and sub-committee members' fees		3 148	3 434
Board assessments		180	-
Secretarial services		561	591
Cleaning and groceries		395	248
Depreciation		2 253	2 277
Depreciation - adjustment due to change in useful lives of assets		(196)	(1 381)
Employment costs		**140 834**	**136 660**
Recruitment costs		293	173
Salaries, wages and benefits	7.1	137 653	134 090
Staff training, development and welfare		2 888	2 397
Gifts, donations and sponsorships paid		3	1
Insurance and licence fees		1 820	1 885
Investigations and forensic costs		573	735
Legal fees		1 191	1 813
Loss on disposal of property and equipment	19	842	208
Operating lease rentals		**15 116**	**13 173**
Buildings		13 286	11 453
Parking		1 830	1 720
Printing, stationery and postages		1 546	1 557
QCTO administration cost		6 886	11 195
Rates, water and electricity		5 199	4 381
Rental - computer equipment		42	395
Repairs, maintenance and running costs		**3 043**	**3 327**
Buildings		1 270	1 954
COVID-19 expenditure		1 121	822
Property and equipment		652	551
Security		1 583	1 305
Service provider administration fees		8 213	6 682
Special functions		40	11
Storage		915	312
Telecommunication expenses		12 402	13 633
Travel, conferences and meeting expenses		5 147	3 604
		222 745	**215 457**
Less: amounts allocated to project expenses		(40 776)	(40 540)
Net administration cost	6.1	**181 969**	**174 917**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

7. ADMINISTRATION EXPENSES (continued)

	Note	2022 R'000	2021 R'000
7.1 Salaries and wages		**119 997**	**117 367**
Basic salaries		106 702	103 121
Performance awards		8 196	5 900
Arbitration award		555	239
Other non-pensionable allowance		2 992	3 120
Temporary staff		3 010	711
Leave pay		(1 458)	4 276
Social contributions		**17 656**	**16 723**
Medical aid contributions		4 548	4 618
Pension contributions: defined contribution fund		11 226	10 968
UIF		448	390
Insurance		202	115
Other salary related costs		1 232	632
		137 653	**134 090**

NUMBER OF EMPLOYEES

		2022	2021
Average number of employees during the year		**272**	**266**
Permanent staff		237	232
Interns		35	34
Number of employees at the end of the year		**242**	**272**
Permanent staff		235	231
Interns		7	41

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

8. CASH AND EQUIVALENTS

	Note	31 March 2022 R'000	31 March 2021 R'000
Cash on hand		30	30
Cash at bank		106 870	17 871
Call accounts		3 729 182	89 048
Fixed notice deposits		1 000 000	4 350 000
		4 836 082	**4 456 949**

Cash and cash equivalents at the end of the reporting period comprise of bank balances and fixed notice deposits held by the organisation at various banks as required in National Treasury Regulation 31.2.1. The weighted average interest rate for cash and cash equivalents was 4,61% (2021: 5,89%).

Surplus funds were invested in line with the Investment Policy approved by the Accounting Authority as required by Treasury Regulation 31.3.5.

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

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

9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits		1 655	1 198
Interest receivable		44 193	30 609
		45 848	**31 807**

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Employer receivable	10.1	6 427	4 960
Receivable - discretionary projects (UIF)	10.2	2 581	2 581
InterSETA receivable	23.1	465	533
		9 473	**8 074**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

	Note	31 March 2022 R'000	31 March 2021 R'000

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

10.1 Employer receivable

	Note	31 March 2022 R'000	31 March 2021 R'000
Employer receivable	10.1.1	24 819	27 875
Allowance for doubtful debts	10.1.2	(18 392)	(22 915)
Net receivable from employers	10	**6 427**	**4 960**

The employer receivable of R24,8 million (March 2021: R27,9 million) represents recoverable amounts due to MOA contracts with employers where tranches were paid but training was not implemented according to the original contract.

An amount of R18,4 million (March 2021: R22,9 million) was provided against such employer receivables.

10.1.1 Ageing of receivables:

	2022		2021	
	Gross	Impairment	Gross	Impairment
Current	3 156	(1 957)	7 630	(6 105)
30 days	167	(103)	3 501	(2 806)
60 days	1 235	(766)	-	-
90 days	135	(84)	234	(187)
91 days to 6 months	2 514	(1 559)	988	(790)
6 months to 1 year	1 979	(1 227)	2 424	(1 939)
1 year plus	15 633	(12 696)	13 098	(11 088)
Total	24 819	(18 392)	27 875	(22 915)

10.1.2 Allowance for doubtful debts:

	Note	31 March 2022 R'000	31 March 2021 R'000
Opening carrying amount		(22 915)	(12 815)
Amount utilised		1 321	-
Reduction/(addition) to provision during the period		3 202	(10 100)
Closing carrying amount	10.1	**(18 392)**	**(22 915)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

	Note	31 March 2022 R'000	31 March 2021 R'000

10.2 Receivable - UIF

	Note	31 March 2022 R'000	31 March 2021 R'000
Receivable - discretionary projects (UIF)	10.2.1	11 208	19 074
Allowance for doubtful debts	10.2.2	(8 627)	(16 493)
Net receivable from UIF	10	**2 581**	**2 581**

The receivable of R11,2 million (March 2021: R19,1 million) represents recoverable amounts from the UIF for the training layoff project.

An amount of R8,6 million (March 2021: R16,5 million) was provided against the receivable from the UIF.

10.2.1 Ageing of receivables:

	Note	31 March 2022 R'000	31 March 2021 R'000
Current		-	-
30 days		110	-
60 days		-	-
90 days		-	1 181
91 days - 6 months		188	6 150
6 months - 1 year		37	-
1 year plus		10 873	11 743
Total	10	**11 208**	**19 074**

Allowance for doubtful debts:

	Note	31 March 2022 R'000	31 March 2021 R'000
Opening carrying amount		(16 493)	-
Amount utilised		8 201	-
Additional provision during the period		(335)	(16 493)
Closing carrying amount	10.2	**8 627**	**16 493**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

	Note	31 March 2022 R'000	31 March 2021 R'000

11. STATUTORY RECEIVABLES

	Note	2022	2021
Employer receivable		6 180	2 101
Allowance for doubtful debts		(3 962)	(1 729)
Net receivable from employers		**2 218**	**372**

The employer receivable of R6,2 million (March 2021: R2,1 million) represents recoverable amounts due to SARS retrospective adjustments to levies on which mandatory grants have already been paid.

An amount of R4,0 million (March 2021: R1,7 million) was provided against such employer receivables.

11.1 Ageing of receivables:

	2022		2021	
	Gross	Impairment	Gross	Impairment
Current	1	(1)	-	-
30 days	535	(332)	605	(483)
60 days	453	(281)	24	(19)
90 days	174	(107)	31	(25)
91 days to 6 months	1 693	(1 050)	130	(104)
6 months to 1 year	2 105	(1 305)	287	(230)
1 year plus	1 219	(886)	1 024	(868)
Total	6 180	(3 962)	2 101	(1 729)

11.2 Allowance for doubtful debts:

	Note	2022	2021
Opening carrying amount		(1 729)	(934)
Amount utilised		495	-
Reduction/(addition) to provision during the period		(2 728)	(795)
Closing carrying amount	11	**(3 962)**	**(1 729)**

12. CONSUMABLES

	Note	2022	2021
Opening carrying value		413	601
Consumables purchased		624	198
Consumables issued and adjustments		(670)	(386)
Closing carrying value		**367**	**413**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

13. PROPERTY AND EQUIPMENT

	Cost R'000	Accumulated depreciation impairments R'000	Closing carrying amount R'000
Year ended 31 March 2022			
Owned assets			
Computer equipment	11 529	(6 186)	**5 343**
Office furniture and fittings	7 805	(5 232)	**2 573**
Office equipment	3 174	(1 746)	**1 428**
Motor vehicles	4 794	(3 325)	**1 469**
Total owned assets	**27 302**	**(16 489)**	**10 813**
Year ended 31 March 2021			
Owned assets			
Computer equipment	14 099	(7 229)	**6 870**
Office furniture and fittings	7 913	(5 009)	**2 904**
Office equipment	4 024	(2 370)	**1 654**
Motor vehicles	4 794	(3 007)	**1 787**
Balance at end of year	**30 830**	**(17 615)**	**13 215**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

	Opening carrying amount R'000	Additions R'000	Disposals cost R'000	Depreciation charge R'000	Accumulated depreciation on disposals R'000	Closing carrying amount R'000
Movement summary 2022						
Owned assets						
Computer equipment	6 870	680	(3 251)	(1 543)	2 587	5 343
Office furniture and fittings	2 904	9	(116)	(309)	85	2 573
Office equipment	1 654	203	(1 053)	(252)	876	1 428
Motor vehicles	1 787	-	-	(318)	-	1 469
Total owned assets	**13 215**	**892**	**(4 420)**	**(2 422)**	**3 548**	**10 813**
Movement summary 2021						
Owned assets						
Computer equipment	5 850	1 812	(735)	(637)	580	6 870
Office furniture and fittings	2 685	342	(31)	(117)	25	2 904
Office equipment	1 681	104	(236)	(84)	189	1 654
Motor vehicles	2 209	-	-	(422)	-	1 787
Balance at end of year	**12 425**	**2 258**	**(1 002)**	**(1 260)**	**794**	**13 215**

No assets have been pledged as security or collateral for any liability.
In the current year the assets were tested for impairment.

14. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Cost R'000	Accumulated amortisation R'000	Closing carrying amoun R'000
Year ended 31 March 2022			
Intangible assets	1 957	(919)	**1 038**
Year ended 31 March 2021			
Intangible assets	2 379	(1 150)	**1 229**

	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 2022						
Intangible assets	1 229	1 675	(2 096)	(1 866)	2 096	1 038
Movement summary 2021						
Intangible assets	354	2 664	(934)	(1 789)	934	1 229

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2022

	Note	31 March 2022 R'000	31 March 2021 R'000

15. PAYABLES FROM EXCHANGE TRANSACTIONS

	Note	31 March 2022 R'000	31 March 2021 R'000
Trade payables from exchange transactions		**9 249**	**5 516**

16. GRANTS AND TRANSFERS PAYABLE

	Note	31 March 2022 R'000	31 March 2021 R'000
Grants payable		306 518	253 782
Payable - Training Layoff Scheme (UIF)		2 581	2 581
InterSETA payables	23.1	16	-
		309 115	**256 363**

17.OTHER PAYABLES

	Note	31 March 2022 R'000	31 March 2021 R'000
Accruals salaries and wages		**1 212**	**1 315**

18. PROVISIONS

	Note	31 March 2022 R'000	31 March 2021 R'000
Provision for SARS refund	18.1	18 613	18 254
Provision for mandatory grants	18.2	7 130	1 662
Provision for leave pay	18.3	8 310	10 499
Provision for Workman's Compensation	18.3	218	418
Provision for performance bonuses	18.3	8 839	8 899
		43 110	**39 732**

18.1 Provision for SARS refund

	Note	31 March 2022 R'000	31 March 2021 R'000
Opening carrying amount		18 254	18 264
Amount utilised		(3 999)	(3 594)
Additional provision during the period		4 358	3 584
Closing carrying amount	18	**18 613**	**18 254**

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.

18.2 Provision for mandatory grants

	Note	31 March 2022 R'000	31 March 2021 R'000
Opening carrying amount		1 662	352
Amount utilised		(1 662)	(352)
Provision reversal/additional provision during the period		7 130	1 662
Closing carrying amount	18	**7 130**	**1 662**

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

18.3 Payroll related provisions

	Leave pay R'000	Workman's compensation R'000	Performance bonuses R'000
Opening carrying amount 2021	6 943	287	9 093
Amounts utilised 2021	(4 553)	-	(6 603)
Additional provision during the period	8 109	131	6 409
Closing carrying amount 2021	**10 499**	**418**	**8 899**
Amounts utilised 2022	(698)	(418)	(8 066)
Additional provision during the period	(1 491)	218	8 006
Closing carrying amount 2022	**8 310**	**218**	**8 839**

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	2022 R'000 Actual	2022 R'000 Budget	2021 R'000 Actual	2021 R'000 Budget
Net surplus per the statement of financial performance	1	334 020	237 211	52 582	(430 082)
Adjusted for non-cash items:					
Depreciation property and equipment	13	2 422	2 884	1 260	(477)
Amortisation of intangible assets	14	1 866	1 854	1 789	338
Loss on disposal of property and equipment	7	842	-	208	-
Movements in provisions	18	3 378	918	4 793	1 196
Adjusted for items separately disclosed					
Net gains from financial instruments		(193 417)	(212 509)	(314 909)	(256 594)
Adjusted for working capital changes:					
(Increase)/decrease in receivables from exchange transactions	9	(14 041)	(4 393)	49 455	(115 238)
(Increase)/decrease in receivables from non-exchange transactions	10	(1 399)	(926)	10 010	(12 833)
(Increase)/decrease in statutory receivables	11	(1 846)	(128)	29	(2)
Decrease in prepayments		-	-	191	41
Decrease/(increase) in consumables	12	46	(37)	188	(49)
Increase in payables from exchange transactions from exchange transactions	15	3 733	284	846	6 330
Increase/(decrease) in grants and transfers payable	16	52 752	11 637	73 132	(1 531)
(Decrease)/increase in other payables	17	(103)	65	19	104
Cash utilised in operations		**188 253**	**36 860**	**(120 407)**	**(808 797)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

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 the National Treasury has been obtained. Approval for the retention of surpluses as at 31 March 2022 has been requested from National Treasury.

Instruction 12 of 2020/21 states that the surplus should be based on the following:

	Note	31 March 2022 R'000	31 March 2021 R'000
Cash and cash equivalents at the end of the year	8	4 836 082	4 456 949
Add: Receivables from exchange transactions	9	45 848	31 807
Add: Receivables from non-exchange transactions	10	9 473	8 074
Less: Current Liabilities		(362 686)	(302 926)
Total surplus		**4 528 717**	**4 193 904**

The discretionary reserves of merSETA amount to R4,532 billion. Commitments at the end of the financial year amounted to R4,049 billion. MerSETA is 89% committed in terms of its discretionary reserves.

20.1.2 Mandatory grants for newly registered companies

Contingent liabilities comprise an Employer Grant Reserve of R709 000 (2021: R1 248 000) 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

Pending litigations in the year under review are as follows:

A dispute arose between the merSETA and a former employee in 2020. The matter proceeded through the internal disciplinary processes and thereafter the CCMA. The CCMA dispute is currently underway and we await finalisation thereof.

Two disputes arose between merSETA and service providers in 2020 and 2021. The matters are being resolved by way of court proceedings.

Due to the uncertainty of the outcome of these matters and the avenues available to the merSETA thereafter, the potential liability cannot be reliably estimated.

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

In December 2012, the Minister promulgated Regulation 4(4) of the 2012 Grant Regulations which reduced the mandatory grant payable to employers from 50% to 20%. This led to BUSA challenging the reduction of grants at the Labour Court. The litigation between the parties began in 2015 and was finally settled by the Labour Appeals Court (LAC) in October 2020, 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. There have been no further developments on this matter in the 2021/22 financial year which may have a material impact on this.

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 2021/22 financial year which is aligned to the approved annual performance plan. 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 R4,532 billion available in the discretionary reserve on 31 March 2022 an amount of R4,049 billion has been approved for future discretionary projects as set out below. This represents a commitment ratio of 89%. 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 2021 R'000	Administration expenses/other adjustments 2021 R'000	Approved contractual expenses and reductions 2021 R'000	Charged to statement of financial performance 2021 R'000	Opening balance 2022 R'000	Administration expenses/other adjustments 2022 R'000	Approved contractual expenses and reductions 2022 R'000	Charged to statement of financial performance 2022 R'000	Closing balance 2022 R'000
	PROG 1: ADMINISTRATION									
N4	Media Symposiums	-	507	-	(507)	-	969	-	(969)	-
86	Stakeholder Capacity Building	-	-	2 088	-	2 088	-	-	(1 143)	945
60	Knowledge Management Project	-	2 113	437	(2 113)	437	1 879	-	(2 316)	-
		-	**2 620**	**2 525**	**(2 620)**	**2 525**	**2 848**	**-**	**(4 428)**	**945**
	PROG 2: SKILLS PLANNING									
31	SSP Strategy & Research	401	1 544	2 789	(2 797)	1 937	1 523	-	(2 937)	523
N5	Chamber Development Programme	1 500	1 407	500	(2 907)	500	1 935	1 190	(3 125)	500
30	Monitoring & Evaluation Project	746	586	1 903	(1 522)	1 713	546	-	(1 541)	718
D1	Dual System Apprenticeship Pilot	-	3 376	-	(3 376)	-	3 048	-	(3 048)	-
K4	Walter Sisulu University	-	-	39 000	(4 098)	34 902	553	-	(1 560)	33 895
P8	Research Project - Skills 4.0	18 631	-	-	(6 370)	12 261	-	(8 052)	(4 209)	-
Q1	Career Development Framework	6 807	-	(2 917)	(3 890)	-	-	-	-	-
Q4	CIPSET Student Association	6 113	-	-	(2 281)	3 832	-	-	(3 217)	615
Q6	Atlas of Occupations	600	-	-	(600)	-	-	-	-	-
S4	Post School Educ (PSET Cloud)	34 553	-	60 017	(13 000)	81 570	-	-	(25 016)	56 554
S5	Black Industrialists	2 250	-	-	(1 000)	1 250	-	-	(1 250)	-
S6	UWC Professional TVET Lecturer	2 671	-	1 500	(630)	3 541	-	-	(1 280)	2 261
Q5	Skills for Entrepreneurs	5 673	-	-	(668)	5 005	-	-	(1 335)	3 670
S7	NUMSA Research Project	905	-	-	(905)	-	-	-	-	-
Q7	DHET WBL Tracer Study	185	-	-	(185)	-	-	-	-	-
		81 035	**6 913**	**102 792**	**(44 229)**	**146 511**	**7 605**	**(6 862)**	**(48 518)**	**98 736**

Project/ discretionary grant programmes	Opening balance 2021 R'000	Administration expenses/ other adjustments 2021 R'000	Approved contractual expenses & reductions 2021 R'000	Charged to statement of financial performance 2021 R'000	Opening balance 2022 R'000	Administration expenses/ other adjustments 2022 R'000	Approved contractual expenses & reductions 2022 R'000	Charged to statement of financial performance 2022 R'000	Closing balance 2022 R'000
PROG 3: LEARNING PROGRAMMES AND PROJECTS									
Durban University of Technology	5 281	-	-	(2 359)	2 922	-	(1 549)	(1 373)	-
Dept. of Basic Education -Technology	4 078	-	(658)	(145)	3 275	(75)	7 220	(3 547)	6 873
Innovation, Research & Support - Uni. FS	-	-	-	-	-	-	-		-
Innovation, Research & Sup - U.Venda	4 890	-	-	(390)	4 500	(3 042)	-	(1 458)	-
Mangosuthu University Of Technology	10 478	-	7 040	(7 235)	10 283	-	18 920	(4 730)	24 473
Bursaries	4 459	964	(4 459)	(964)	-	2 155	64 151	(12 215)	54 091
UIF/MerSETA Artisan Development	22 055	(7 407)	(5 067)	(7 331)	2 250	(635)	(1 280)	(335)	-
KZN - Office of Premier Project	62 031	-	-	-	62 031	-	(2 645)	(4 815)	54 571
Eastern Cape - Office of Premier	5 932	(4 174)	15 510	(6 873)	10 395	-	36 900	(9 225)	38 070
MOA Project DG7 (Year 2015)	-	-	-	-	-	105	-	(105)	-
MOA Project DG8 (Year 2016)	130 632	198	(104 538)	(20 937)	5 355	-	66	(1 621)	3 800
MOA Project DG9 (Year 2017)	276 942	336	(34 927)	(37 007)	205 344	-	(99 064)	(40 543)	65 737
MOA Project DG10 (Year 2018)	299 268	(507)	(25 768)	(16 465)	256 528	-	(23 932)	(39 992)	192 604
MOA Project DG11 (Year 2019)	495 730	(46)	(36 090)	(27 432)	432 162	3 583	(30 561)	(22 717)	382 467
MOA Project DG12 (Year 2020)	523 487	(365)	28 521	(46 299)	505 344	(6 608)	(25 997)	(36 287)	436 452
MOA Project DG13 (Year 2021)	-	-	656 965	(149 538)	507 427	(1 897)	78 110	(96 710)	486 930
MOA Project DG14 (Year 2022)	-	-	-	-	-	-	650 549	(169 166)	481 383
Stakeholder Experience Program	-	-	-	-	-	509	-	(-509)	-
Limpopo Department of Public Works	2 543	-	(29)	(578)	1 936	-	(706)	(1 230)	
Western Cape - Department of Economic Development & Trade	10 866	-	35 074	(10 800)	35 140	(7 827)	8 864	(2 913)	33 264
Correctional Services Kimberly	250	-	-	-	250	-	-		250
National Department of Public Works (NDPW)	8 213	-	(488)	(2 025)	5 700	(75)	(2 775)	(1 350)	1 500
NMMU Marine Engineering	776	-	-	(776)	-	-	-		-

Project/ discretionary grant programmes	Opening balance 2021 R'000	Administration expenses/ other adjustments 2021 R'000	Approved contractual expenses & reductions 2021 R'000	Charged to statement of financial performance 2021 R'000	Opening balance 2022 R'000	Administration expenses/ other adjustments 2022 R'000	Approved contractual expenses & reductions 2022 R'000	Charged to statement of financial performance 2022 R'000	Closing balance 2022 R'000
PROG 3: LEARNING PROGRAMMES & PROJECTS									
North West Office of Premier	14 428	-	-	-	14 428	-	-	(3 124)	11 304
Gauteng Dept of Education (GDE)	69 688	(23 562)	(150)	(8 761)	37 215	23 562	(16 437)	(115)	44 225
Free State Office of Premier	17 783	-	28 135	(10 555)	35 363	-	42 100	(10 525)	66 938
Chinese Cultural Training Centre	57 751	-	3 563	(17 780)	43 534	(387)	-	(18 363)	24 784
Offenders Awaiting Parole (FS)	500	-	-	(487)	13	-	(13)		-
Offenders Awaiting Parole (KZN)	2 198	-	-	(700)	1 498	-	-	(406)	1 092
Office of Premier - Limpopo	14 925		-	(4 037)	10 888	-	44 751	(15 150)	40 489
False Bay Public FET College	1 077	-	(1 077)	-	-	143	-	(143)	-
ISOEs	1 750	-	-	-	1 750	(1 750)	-		-
TVET NCV Learners	195 332	(8 110)	91 904	(67 124)	212 002	10 662	772	(23 187)	200 249
Central University of Technology	6 595	-	14 722	(4 943)	16 374	(8 149)	-	(1 162)	7 063
Spray painting Simulator - TVET Innovation, Research & Support - University of	9 750	-	-	(2 963)	6 787	(787)	(3 525)	(2 475)	-
North West	17 556	-	-	(4 093)	13 463	-	-	(4 384)	9 079
Cape Peninsula Univ Technology	4 556	(1 442)	3 975	(3 551)	3 538	(793)	-	-	15 148
ABET Project - Phase 3 & 4	20	-	(20)	-	-	-	-	-	-
Tshwane University of Technology - Institute for Advanced Tooling	2 747	-	2 429	(2 305)	2 871	-	22 134	(2 305)	2 871
Internships	-	2 609	-	(2 609)	-	2 515	-	(2 515)	-
Retrenchment Assistance Programme	16 719	-	20 054	(9 116)	27 657	-	20 054	(12 326)	37 465
People with Disabilities	2 985	-	11 113	(3 402)	10 696	(112)	20 591	(5 817)	25 358
Saldhana Bay - Industrial Development Zone	5 994	-	-	(2 677)	3 317	-	-	(1 733)	1 584
Black Female Management Project	830	-	-	(830)	83-0	-	-	-	-
Non Levy Paying NGOs and CBOs	52 777	-	186 013	(54 566)	184 224	380	60 054	(46 595)	198 063

Project/ discretionary grant programmes	Opening balance 2021 R'000	Administration expenses/ other adjustments 2021 R'000	Approved contractual expenses & reductions 2021 R'000	Charged to statement of financial performance 2021 R'000	Opening balance 2022 R'000	Administration expenses/ other adjustments 2022 R'000	Approved contractual expenses & reductions 2022 R'000	Charged to statement of financial performance 2022 R'000	Closing balance 2022 R'000
PROG 3: LEARNING PROGRAMMES & PROJECTS (continued)									
Mpumalanga Education Depart.	8 831	(2)	16 500	(125)	25 204	-	(1 888)	(704)	22 612
Green Skills	2 888	-	-	(2 888)	-	-	-		-
Department of Small Business Develop.	8 723	-	50 000	(3 067)	55 656	-	(342)	(713)	54 601
Worker Initiated Project	7 824	-	56 031	(13 761)	50 094	-	1 400	(8 741)	42 753
Skills Conferences & Competitions	-	247	-	(247)	-	449	-	(449)	-
Career Path & Development	-	574	-	(574)	-	362	-	(362)	-
Mobile Skills Development	-	364	-	(364)	-	582	-	(582)	-
National Students Financial Aid scheme (NSFAS)	202 500	-	-	-	202 500	-	-		202 500
Corporate Social Investment	98 700	-	54 371	(37 800)	115 271	-	-	(40 763)	74 508
ISFAP Bursaries	18 315	-	5 940	(3 754)	20 501	(82)	38 823	(15 695)	43 547
Centre of Specialisations	51 373	-	-	(5 443)	45 930	-	-	(9 227)	36 703
TVET Quality Prog Skills 4.0	108 000	-	-	-	108 000	-	-	(7 673)	100 327
East Cape Mid College 4.0	22 174	-	16 293	(11 031)	27 436	-	-	(14 077)	13 359
Univ FS Chair in Engin. 4.0	26 929	-	-	-	26 929	-	-		26 929
False Bay C Swartklip Artisan.	12 200	-	-	(6 000)	6 200	-	-		6 200
CUT Chair in Innovation	5 750	-	-	(3 050)	2 700	-	-		2 700
Work Integrated Learn. (UNISA)	-	-	5 280	(1 056)	4 224	-	(2 992)	(1 232)	-
College CT Welding Centre	3 593	-	-	(2 880)	713	-	-		713
Learning factories (CSIR)	48 673	-	-	-	48 673	-	-	(10 000)	38 673
Chair on Intelligent Man. (TUT	18 080	-	-	(8 111)	9 969	-	-	(5 785)	4 184
Labour rep. trn legisl -Rhodes	2 033	-	-	(340)	1 693	(333)	-	(1 360)	-
Ind 4.0 Dev. Cen. Supp (NMU)	7 174	-	-	(1 728)	5 446	-	-	(630)	4 816
Trn & mentor small bus (RMI)	1 056	-	-	(201)	855	-	3 403	(512)	3 746
Robotics trn high School-FSDOE	15 571	-	-	(6 370)	9 201	-	-	(8 288)	913
Prog Raspberry PI (DUT)	4 591	-	-	(1 794)	2 797	-	-	(1 133)	1 664
NMU Chair in Engineer.	6 999	-	-	(3 230)	3 769	-	-	-	3 769

Project/discretionary grant programmes	Opening balance 2021 R'000	Administration expenses/other adjustments 2021 R'000	Approved contractual expenses and reductions 2021 R'000	Charged to statement of financial performance 2021 R'000	Opening balance 2022 R'000	Administration expenses/other adjustments 2022 R'000	Approved contractual expenses and reductions 2022 R'000	Charged to statement of financial performance 2022 R'000	Closing balance 2022 R'000
Engineering Development	26 695	-	-	(2 670)	24 025	-	-	(2 928)	21 097
TUT TVET Skills Development	-	-	47 344	(4 734)	42 610	-	-		42 610
COVID-19 Relief - Special Stipend	-	15 382	-	(15 382)	-	18	-	(18)	-
Viro-Vent COVID Response	-	-	48 914	(21 648)	27 266	(1 859)	-	(25 407)	-
TVET Occupational Support	-	-	102 673	-	102 673	-	28 013	(17 680)	113 006
UJ CET Support & Incubation	-	-	5 666	-	5 666	-	-	(1 330)	4 336
Private Skils Devel. Providers	-	-	22 638	(5 719)	16 919	-	32 800	(14 585)	35 134
CUT Advanced Rubber Technology	-	-	-	-	-	8 150	-	(1 750)	6 400
Umgundgluvo Col Richmond Centre	-	-	-	-	-	1 750	(1 750)		-
Enterprise Development	-	-	-	-	-	-	57 383	(14 179)	43 204
TVET College Project	-	-	-	-	-	-	850	(85)	765
CET Support Programme 4	-	-	-	-	-	-	10 701	-	10 701
World Skills MoA	-	-	-	-	-	-	38 503	-	38 503
	3 072 544	**(24 941)**	**1 323 397**	**(701 620)**	**3 669 380**	**20 514**	**1 064 005**	**(804 749)**	**3 949 150**
PROG 4: QUALITY ASSURANCE									
QCTO CEP Pilot Project	392	-	-	(283)	109	(26)	20	(70)	33
Assessment Quality Partner	-	7	-	(7)	-	3	-	(3)	-
	392	**7**	**-**	**(290)**	**109**	**(23)**	**20**	**(73)**	**33**
TOTAL CONTRACTUAL COMMITMENTS	**3 153 971**	**(15 401)**	**1 428 714**	**(748 759)**	**3 818 525**	**30 944**	**1 057 163**	**(857 768)**	**4 048 864**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

21.3 Operational Commitments

	2022		2021	
	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
Annual report	377	-	-	-
BBBEE Strategy and Implementation	-	-	334	-
Fraud hotline	61	-	-	-
General ICT maintenance and support	1 199	713	138	-
Internal audit services	258	258	1 264	-
Leases	9 950	45 042	-	-
Maintenance and support of NSDMS system	3 605	4 212	21	-
Organisational design	855	-	3 423	-
Quality management system audit	64	-	-	-
Short term insurance	309	-	-	-
Staff wellness	909	568	125	-
Stakeholder management programme	1 246	-	-	-
	18 833	**50 793**	**5 305**	**-**

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. merSETAs exposure to market risk is in the area of interest rate risk.

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

Interest rate risk

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

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

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

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

	Floating rate		Fixed rate			Non-interest bearing		
Financial instrument	Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount R'000	Weighted average period until maturity in years	TOTAL R'000
Year ended 31 March 2022								
Cash and cash equivalents	106 900	3,25%	4,729 182	4,86%	12 months	-	-	4 836 082
Receivables from exchange transactions	-	-	-	-	-	45 848	12 months	45 848
Total	**106 900**		**4 729 182**			**45 848**		**4 881 930**
Trade Payables	-	-	-	-	-	(9 249)	30 days	(9 249)
Net financial assets	**106 900**		**4 729 182**			**36 599**		**4 872 681**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

Year ended 31 March 2021

	Floating rate		Fixed rate			Non-interest bearing		
Financial instrument	Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount R'000	Weighted average period until maturity in years	TOTAL R'000
Cash and cash equivalents	17 901	3,69%	439 048	6,05%	12 months	-	-	4 456 949
Receivables from exchange transactions	-	-		-	-	31 807	12 months	31 807
Total financial assets	**17 901**	**-**	**4 439 048**	**-**	**-**	**31 807**	**-**	**4 488 756**
Trade payables	-	-	-	-	-	(5 516)	30 days	(5 516)
Net financial assets	**17 901**		**4 439 048**			**26 291**		**4 483 240**

SENSITIVITY ANALYSIS

The year 2021 was a generally difficult one for South Africa's economy and it was equally difficult for the mer-sector. The COVID-19 pandemic and South Africa's efforts to contain the COVID-19 pandemic have had a considerable impact on economic activity in the country. Since the beginning of the pandemic, like many other countries, South Africa imposed varying restrictions in response to the pandemic. A National State of Disaster was declared on 15 March 2020, and the country was put under a "hard lockdown" on 26 March 2020 for five weeks. The lockdown was stringent—restricting mobility to essential travel only, prohibiting the sale of alcohol to take pressure off the health system, and making no allowances for non-essential activities outside the home. Most economic functions across the country came to an immediate halt, apart from a set of essential services including healthcare, security, agriculture, and the transport of selected goods. The COVID-19 pandemic, and its associated restrictions on economic activity, thus placed further strain on an economy that was not performing well. These underlying reasons for the poor performance of the economy pre-pandemic are unlikely to be resolved in the short-term and are likely to also impact the country's ability to recover from its COVID-induced economic shocks. (Source: Africa Growth Initiative at Brookings).

Despite the cluster of industries in the mer-sector being able to weather economic difficulties, and remain resilient and expand in 2017, 2018 and 2019 this was not the case in 2020 and 2021. More efforts need to be made with policy interventions to revive the weal manufacturing sector. 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. Due to the pandemic, most economic forecasts had anticipated an interest rate decrease of 50 basis points during the year, therefore management determines that a fluctuation interest rate of 50 basis points is reasonable for sensitivity analysis. At 31 March 2022, if the weighted average interest rate was 25 basis point higher with all other variables held constant, then the surplus would have been R12 million higher from R333 million to R345 million, arising from the increase in net gains on financial instruments. If the weighted average interest rate was 25 basis point lower with all other variables held constant, then the surplus would have been R3 million lower from R333 million to R300 million, arising from the decreased net gains in financial instruments.

Levy income growth in 2022 was 53,5% over prior year when compared to 37,2% decline in 2021. The unusual movements were due to the skills development levy income that was in place for 4 months in 2020 as a result of COVID-19. Management determines that a variant of 5% to 10% fluctuation in levy income is reasonable for the sensitivity analysis. This is because the impact of COVID-19 on the economy resulted in job losses and retrenchments, so using a variable of 10% over last year is seen as reasonable. At 31 March 2022, if skills development levy income grew only by 10% from the previous financial year, instead of the 53% growth and all other variables held constant, then a deficit of R69 million would have been earned. This is due to the fact that about 70% of the costs are fixed, so a small growth in income would have resulted in a deficit. If the skills development levy income increased only by 5% and all other variables held constant, then a deficit of R114 million would have been realised.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The financial assets which potentially subject the merSETA to the risk of non-performance to counter-parties and thereby subject to credit risk are receivables from exchange transactions.

The merSETA is exposed to credit risk in regard to payments made in advance on discretionary grants whereby not all deliverables as agreed upon in the Memorandum of Agreement have been met. The merSETA has entered into agreements with the qualifying employers, whereby other tranche payments are payable only once training has been implemented.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

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

	Note	2022 R'000	2021 R'000
Employer receivable	10	6 427	4 960
InterSETA receivable		465	533
		6 892	**5 493**

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:

2022	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years years	More than 2
Trade payables from exchange transactions	(9 249)	(9 249)	(9 249)	-	-	-

2021	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years years	More than 2
Trade payables from exchange transactions	(5 516)	(5 516)	(5 516)	-	-	-

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

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.

	Note	2022 R'000		2021 R'000	
		Net transfers in/(out) during the year	Amount receivable/ (payable)	Transfers in/(out) during the year	Amount receivable/ (payable)
Receivables	10	**440**	**465**	**533**	**533**
EWSETA		14	14	-	-
HWSETA		185	210	26	26
W&R SETA		241	241	507	507
Payables	16	**(16)**	**(16)**	**-**	**-**
CHIETA		(16)	(16)	-	-
Total		**424**	**449**	**533**	**533**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

23.2 Accounting Authority and independent committee members fees

Accounting Authority and independent committee members	2022 R'000		2021 R'000	
	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) **	-	-	9	-
X Tshayana (Deputy Chair, AA/Chairperson, Auto Chamber) **	-	-	(9)	-
J Esterhuizen (Deputy AA/Chairperson, Motor Chamber)	(112)	-	(244)	-
T Molapo (Chair, FGC)	(299)	(22)	(284)	(17)
K Bhana *	(187)	-	(147)	(17)
J A De Beer	(277)	-	(244)	(17)
T Fari	(19)	-	-	-
S Hoosen *	(121)	-	-	-
J S Kubeka	(178)	(15)	(171)	(20)
L Lee (Chair, HRRC)	(264)	16	(294)	(9)
J Makapan (Independent)	(108)	-	(78)	-
K Moloto (Chairperson, Accounting Authority and EXCO)	(300)	(13)	(311)	(55)
A Mashilo (Chairperson, Governance and Strategy)	(39)	-	(136)	(8)
S C Mdletshe	(65)	-	(130)	-
R Moothilal	(216)	2	(208)	(9)
K Mzozoyana (Chair, ARC)	(388)	-	(173)	-
C Nciki (Independent) **	(38)	-	(114)	-
L Ndziba	(108)	-	(69)	-
M Noge (Independent)	(47)	(9)	(43)	-
R Ntlokotse	(225)	(10)	(280)	(9)
T Phiri (Chairperson, Motor Chamber)	(164)	(20)	(267)	(20)
M Phiri	(124)	-	(76)	-
N Rademan	(37)	-	8	-
S Msweli (Independent)	(56)	-	(52)	-
L Van Huyssteen *	(143)	-	(130)	(9)
J Van Niekerk **	(48)	-	(165)	(20)
S Zuma (Independent)	(56)	-	(52)	-
	(3 619)	**(71)**	**(3 660)**	**(210)**

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, AGM's, 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

RELATED PARTY TRANSACTIONS

23.3 Key management personnel costs

Key personnel	Basic salary R'000	Travel allowance R'000	Medical aid R'000	Pension fund R'000	Bonus R'000	Acting allowance R'000	Total 2022 R'000	Total 2021 R'000	Notes
Chief Executive Officer	2 267	96	-	169	298	-	2 830	802	Vacant from April 2020 to October 2020. Current salary includes backpay of R569 thousand
Chief Financial Officer	1 581	60	45	159	221	30	2 096	1 999	
Chief Operating Officer	-	-	-	-	-	-	-	1 583	Vacant from November 2020
Executive: Corporate Services	902	-	-	89	170	-	1 161	1 718	Vacant from April 2021 to June 2021
Executive: Strategy and Research	1 524	-	31	164	207	346	2 272	2 002	
TOTAL	6 274	156	76	581	896	376	8 359	8 104	

* 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 2022

23.4 Educational Institutions

Entities under the common control of the DHET are considered related to the merSETA. merSETA is a National Public Entity controlled by DHET. It is therefore considered to be related to other SETAs, the QCTO, the NSF and the 26 Public universities. Transactions between the merSETA and its identified related parties are consistent with normal operating relationships between the entities and were conducted under normal terms and conditions.

The merSETA recognises that the related party transactions can present potential or actual conflicts of interest. It is therefore the policy of the merSETA that at the time of evaluating contractual engagements, the contracting parties are requested to provide evidence of company registrations and ownership/directorship. All the stakeholders are also requested to declare their interest prior to the start of all official meetings.

		2022 R'000			2021 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	(92 431)	(8 689)	480 636	(50 514)	(74 748)	485 960
CSIR	Research	(13 222)	-	38 673	(15 891)	-	59 154
Department of Education	Training interventions	-	-	74 624	-	-	-
NSFAS/ISFAP	Bursaries and training	(40 762)	-	238 909	(37 800)	-	60 900
QCTO	Administration fees	(6 886)	-	-	(11 195)	-	900
Schools	Student exposure	(1 329)	(1 547)	-	-	(75)	3 934
Universities	Bursaries and training	(91 700)	(8 960)	263 548	(101 961)	(27 330)	287 422
Total		**(246 330)**	**(19 196)**	**1 096 390**	**(217 361)**	**(102 153)**	**898 270**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

24. GOING CONCERN

These financial statements have been prepared based on the expectation that the merSETA will continue to operate as a going concern for at least the next 12 months. The SETA has commitments for up to the next 4 years and has available reserves of R4,5 billion. The merSETA applied to exceed the legislated administration limit for the 2021/22 financial year and has received the approval from the Minister. The merSETA has evaluated its ability to continue as a going concern in light of the COVID-19 pandemic and reviewed its cash flows and therefore believes it is going to be able to run as such for the next 12 months.

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

	2022	2021
Opening balance	**31 371**	**36 677**
Add: Irregular Expenses identified in current year relating to:	3 800	6 088
Current year	1 951	2 382
Prior years	1 849	3 706
Less: expenses where condonation obtained from National Treasury or write off approved by the Accounting Authority	(2 817)	(11 394)
Irregular expenses awaiting condonation	**32 354**	**31 371**
Analysis of expenses awaiting condonation per age classification		
Current year	1 951	2 382
Prior years	30 403	28 989
Total	**32 354**	**31 371**

Irregular expenditure of R3,8 (2020/21 R6,1 million) was identified during the 2021/22 financial year.

Application for condonation of these expenses was made to National Treasury. At 31 March 2022, R2,8 million relating to prior year irregular expenditure has been approved for write off by the Accounting Authority.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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IRREGULAR EXPENSES continued

Incident	Nature of transaction	Disciplinary steps taken/criminal proceedings	Remedial actions taken	2022 R000's	2021 R000's
A service provider was appointed by way of request for quotation (RFQ) for verification of Identity documents, capped at 50 000 ID documents at R2,90 each. This equates to R145 000,00 in total.	Learner ID verification	Yes	Disciplinary process taken and application for condonation will be submitted to National Treasury.	**283**	-
A service provider was awarded by way of request for quotation (RFQ). The maintenance and storage contract expired but continued whilst the tender was advertised. SCM also ran the RFQ process during the advert period but no award was made due to excessive quotations received. The bid was evaluated but not awarded as bidder did not meet the functionality requirements. The tender has been cancelled and will be re-advertised in the 2022/23 financial period. During Oct '21,the Facilities unit received an invoice for storage of the bus for the period 01 Jun'19 to Oct'21 (29 months) @R5 175.00pm which equates to R150,075.00. The RFQ process for the procurement of secure storage services for 12 months was activated on 01 October 2021. Awarded to African Mobility Solutions Dec'21.	Storage of merSETA Career Bus	Yes	Disciplinary process taken and application for condonation will be submitted to National Treasury.	**150**	-
SCM Verbal quotes sourced for the period 01 Aug'21 and 10 Oct'21): SCM procurement of various services by way of sourcing three (3) verbal quotations for procurement of goods and services estimated up to R10k. National Treasury Instruction No. 2 of 2021/2022, for the period 01 August 2021 to 10 October 2021 no longer makes provision for verbal quotations. This oversight by SCM resulted in irregular expenditure.	Hygiene services, Consumables and Secretarial services	Yes	Determination test done and will be considered at the next Loss Control Committee meeting after which application for condonation will be submitted to National Treasury.	**228**	-
A service provider was appointed for printing maintenance services for merSETA printers. The contract was implemented Mar 2018 and expired Feb'2021 but merSETA continued to utilise the services on a month-to-month basis. Contract termination process underway.	Printing services	Yes	Determination test done and will be considered at the next Loss Control Committee meeting after which application for condonation will be submitted to National Treasury.	**156**	-
A service provider was appointed by the request for quotation process for ICT system hosting services. The contract expired and was extended for 2 months (Jul'21 and Aug'21). Poor response to RFQ during Jul'21. Process had to be re-started during Aug'21.	IT Support Services	Yes	Determination test done and will be considered at the next Loss Control Committee meeting after which application for condonation will be submitted to National Treasury,	**42**	-
A service provider was appointed by way of a request for quotation (RFQ) process for data storage and archiving. The contract expired resulting in irregular expenditure.	Data Storage	Yes	Determination test done and will be considered at the next Loss Control Committee meeting after which application for condonation will be submitted to National Treasury.	**1 452**	1 381
Service provider was appointed in March 2021 by way of a request for quotation (RFQ) for a once-off bulk archiving exercise/project. More work was performed without following proper procurement processes. The cost for the additional work done is therefore deemed irregular expenditure. This has been brought forward from the prior year.	Data Storage	Yes	Determination test done and will be considered at the next Loss Control Committee meeting after which application for condonation will be submitted to National Treasury.	**109**	109

Incident	Nature of transaction	Disciplinary steps taken/criminal proceedings	Remedial actions taken	2022 R000's	2021 R000's
Hygiene services company was procured by way of a request for quotation process (RFQ) in 2013. The initial contract ended in 2015 and continues to date. SCM is unable to activate the procurement process for a new service provider until the office accommodation tenders have been finalised.	Hygiene services	Yes	Determination test done and will be considered at the next Loss Control Committee meeting after which application for condonation will be submitted to National Treasury.	**1 303**	1 168
Security services company was procured by way of a request for quotation process (RFQ) in 2008. The initial contract ended in 2015 and continues to date. SCM is unable to activate the procurement process for a new service provider until the office accommodation tenders have been finalised.	Security services	Yes	Determination test done and will be considered at the next Loss Control Committee meeting after which application for condonation will be submitted to National Treasury.	**97**	78
Security services company was procured by way of a request for quotation process (RFQ) in 2014 with no end date, and continues to date. SCM is unable to activate the procurement process for a new service provider until the office accommodation tenders have been finalised.	Security services	No	Determination test done and will be considered at the next Loss Control Committee meeting after which application for condonation will be submitted to National Treasury.	**27**	34
The service provider was appointed by way of a tender process in 2016. The maintenance contract was due to expire 31 March 2021. The request for extension was to allow merSETA enough time to build internal capacity by filling vacant post and enabling the service provider to do skills transfer to all critical staff members. An application to deviate from following a procurement process and appoint the service provider for Implementation Services was lodged with the National treasury In December 2019 and the said application was declined by National Treasury.	System Maintenance	No	An application for condonation was submitted to National Treasury but this was not supported by National Treasury.	**256**	256
Placement of a full-page advertisement in the magazine February 2020 edition was confirmed before obtaining the relevant approval. A disciplinary process is underway.	Advertising services	Yes	The condonation application will be submitted to National Treasury. (LCC)	**31**	31
Placement of a full-page advertisement in the magazine February 2020 edition was confirmed before obtaining the relevant approval. A disciplinary process is underway.	Advertising services	Yes	The condonation application will be submitted to National Treasury. (LCC)	**9**	9

Incident	Nature of transaction	Disciplinary steps taken/criminal proceedings	Remedial actions taken	2022 R000's	2021 R000's
The service provider was appointed for monthly hygiene services for the merSETA Head Office building by way of an open tender process in 2017. The contract was due to expire 31 March 2021. The procurement of the this service beyond 31 March 2021 was impacted by a number of factors, viz. (i) All office accommodation leases expired 31 March 2021. The merSETA accordingly obtained approval from the National Treasury to extend all office accommodation leases for a period of 6 months from 01 April 2020, whilst the tender process to procure new suitable premises was underway. (ii) The National State of Disaster due to the COVID-19 pandemic announced by the President of South Africa on 15 March 2021, followed by a National lockdown on 26 March 2021. Requests for quotation was sent several times but no positive responses were received. During the RFQ process, prospective providers indicated that they were reluctant to quote for short-term periods.	Hygiene services	No	Determination test done and will be considered at the next Loss Control Committee meeting after which application for condonation will be submitted to National Treasury .	**358**	155
Security services company was procured by way of a request for quotation process (RFQ) in 2010, and continues to date. Additional Services of 2 extra guards were acquired without following merSETA internal processes. A procurement process for a new service provider will only commence once the office accommodation tenders have been finalised.	Security services	No	Disciplinary process taken, determination test done and will be considered at the next Loss Control Committee meeting after which application for condonation will be submitted to National Treasury.	**1 452**	1 248
Forensic services to investigate a procurement process that was not followed to appoint service providers who managed merSETA investments. These services were requested by the AA in 2019/20 to be procured. These service providers were appointed by way of an RFQ process as the services were expected to be below R500k at the time, however, the scope of the services was increased in March 2021 resulting in irregular expenditure.	Forensic audit	No	Application for condonation was declined by National Treasury. This was submitted together with the application for the legal service providers involved in the same investigation. The legal service providers were condoned, the accountants were not condoned. Determination test done by Internal Audit and will be submitted to the AA for approval to be written off.	**1 323**	823
The irregular expenditure relates to fees paid to three Accounting Authority members who were appointed by the Executive Authority (DHET). The appointments were found to have contravened amongst others, with sections 11A, 11C(1), 11(4), 11(5) of the Skills Development Act, No.97 of 1998 (SDA) as amended: which relate to validation (of documents: qualifications, nationality/citizenship and criminal records).	Board fees	No	The determination test as outlined in the Irregular Expenditure Framework will be conducted by the Department. The implementation of the outcome and recommendations subsequent to conclusion of the determination test will also be managed by the Department. Any subsequent actions which are to be implemented by the merSETA will be communicated by the Department.	**1 370**	731

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IRREGULAR EXPENSES continued

Incident	Nature of transaction	Disciplinary steps taken/criminal proceedings	Remedial actions taken	2022 R000's	2021 R000's
Security services company was procured by way of a request for quotation process (RFQ) in 2007. The initial contract ended in 2009 and continues to date. SCM is unable to activate the procurement process for a new service provider until the office accommodation tenders have been finalized.	Security services	Yes	Disciplinary process taken, determination test done and will be considered at the next Loss Control Committee meeting after which application for condonation will be submitted to National Treasury .	**74**	65
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 1st 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.	Telecommuni-cations and ICT support	Disciplinary steps have been taken	Write off approved by the Accounting Authority in May 2021. No further irregular expenditure has been incurred.	**583**	507
Internal audit services were appointed by way of an open tender process. The contract expired 31 May 2020. The merSETA continued to use the internal audit services whist the tender process was underway. The tender was advertised in October 2020. 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	Write off approved by the Accounting Authority in May 2021. No further irregular expenditure has been incurred.	**-**	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 the 2018/19 financial year this was reported as R17 million. As at March 2022 the amount has been revised to R22m. Quantification is still underway.	Finance	Case referred to SAPS and Hawks	Determination test to be taken to the next Loss Control Committee meeting and submitted to National Treasury for condonation. No further irregular expenditure has been incurred.	**21 959**	21 959
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	Write off approved by the Accounting Authority in May 2021. No further irregular expenditure has been incurred.	**-**	1 924
A tender award was made for office accommodation in 2021. The bid documents were completed by the estate agent instead of the property owner. SCM sought advice from the Legal unit & National Treasury who found no issue since the letter of mandate was in place. SCM did request that the bid documents also be completed by property owner. The AG however raised a finding, viz. non- compliance with the PFMA as this was received post- award.	Office accomodation	No disciplinary steps were taken	Determination test to be taken to the next Loss Control Committee meeting and submitted to National Treasury for condonation. No further irregular expenditure has been incurred.	**1 092**	-
TOTAL				32 354	31 371

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MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENSES (continued)

FRUITLESS AND WASTEFUL EXPENSES

	2022	2021
Opening balance	**535**	**535**
Add: Fruitless and wasteful expenses identified in current year relating to:	13	-
Current year	13	-
Prior years	-	-
Less: Expenses where condonation obtained	(535)	-
Fruitless and wasteful expenses awaiting condonation	**13**	**535**
Analysis of expenses awaiting condonation per age classification		
Current year	13	-
Prior years	-	535
Total	**13**	**535**

Fruitless and wasteful expenditure of R13 thousand was incurred in the current year. This related to finance charges on late payment of invoices. The employee responsible resigned so no disciplinary action was taken and the amount could not be recovered. Prior year fruitless and wasteful expenditure was approved for write off by the Accounting Authority on 8 March 2022.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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IRREGULAR EXPENSES continued

Incident	Nature of transaction	Disciplinary steps taken/criminal proceedings	Remedial actions taken	2022 R000's	2021 R000's
Late payment of supplier invoices	Audit fees	No	The employee has resigned	**13**	-
merSETA incurred expenditure in relation to disciplinary charges against former employees. A civil claim will not be pursued due to the costs involved. A case was opened with the SAPS. This occurred in the 2018/19 financial year.	Advertising	Yes	The amount was recovered from former employee.	-	91
merSETA incurred expenditure to the amount of R215 000 relating to penalties and interest charged by SARS as a result of a late payment of PAYE for the month of December 2018. An appeal was made to SARS but it was unsuccessful.	SARS Penalty	Yes	Management has taken the necessary consequence management steps to avoid this reoccurring.	-	215
An overpayment was made to a merSETA organisation. This was incurred in the 2019/20 financial year.	Grants	Yes	The amount will be recovered from the organisation.	-	112
Bank charges incurred as a result of an urgent payment made without notice to the bank. This was regarding a WorldSkills payment for the merSETA delegation. This was incurred in the 2019/20 financial year.	Bank charges	No	There was no need for a disciplinary action as the employee acted in the best interest of the organisation. An application for write off has been submitted to Accounting Authority.	-	3
DHET asked merSETA to transport the merSETA virtual stand for the DHET July Vote Debate but the stand was not used and had to be returned without being utilised.This was incurred in the 2019/20 financial year.	Virtual Stand	No	Efforts have been made to recover the monies from the department however this has been unsuccessful. An application for write off has been submitted to the Accounting Authority.	-	114
TOTAL				13	535

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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 2022 has been made.

On 26 May 2022 the Accounting Authority approved the write off of irregular expenditure relating forensic audit services amounting to R823 thousand and system maintenance services amounting to R256 thousand.

The CCMA dispute reported under contingent liabilities was finalised with no further liability to the merSETA in April 2022. The dispute arose between merSETA and a former employee in 2020. The CCMA found no wrong-doing from merSETA and the case was dismissed.

28. NEW ACCOUNTING PRONOUNCEMENTS

There are no new accounting pronouncements made in the 2021/22 financial year that impact the merSETA.

NOTES

merSETA
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