



**merSETA**  
MANUFACTURING, ENGINEERING  
AND RELATED SERVICES SETA



ANNUAL REPORT  
**2024|25**



# CONTENTS

<b>PART A GENERAL INFORMATION.....</b>	<b>3</b>
1. GENERAL INFORMATION.....	4
2. LIST OF ABBREVIATIONS AND ACRONYMS.....	5
3. FOREWORD BY THE INTERIM ACCOUNTING AUTHORITY.....	6
4. OVERVIEW BY THE ACTING CHIEF EXECUTIVE OFFICER.....	11
5. STATEMENT OF RESPONSIBILITY.....	15
6. STRATEGIC OVERVIEW.....	16
7. LEGISLATIVE AND OTHER MANDATES.....	17
8. ORGANISATIONAL STRUCTURE.....	18
9. MANAGEMENT COMMITTEE.....	20
10. ORGANOGRAM.....	21
<b>PART B PERFORMANCE INFORMATION.....</b>	<b>22</b>
1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES.....	23
2. OVERVIEW OF PERFORMANCE.....	24
3. PROGRESS TOWARDS THE ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES.....	28
4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION.....	30
5. REVENUE COLLECTION.....	41
6. CAPITAL INVESTMENT.....	41
<b>PART C GOVERNANCE.....</b>	<b>42</b>
INTRODUCTION.....	43
PORTFOLIO COMMITTEE.....	43
EXECUTIVE AUTHORITY.....	43
THE ACCOUNTING AUTHORITY.....	43
RISK MANAGEMENT.....	45
INTERNAL CONTROL UNIT.....	45
INTERNAL AUDIT.....	45
THE AUDIT AND RISK COMMITTEE (ARC).....	45
COMPLIANCE WITH LAWS AND REGULATIONS.....	46
FRAUD AND CORRUPTION.....	46
MINIMISING CONFLICT OF INTEREST.....	46
CODE OF CONDUCT.....	46
HEALTH, SAFETY AND ENVIRONMENTAL ISSUES.....	46
COMPANY SECRETARY.....	46
SOCIAL RESPONSIBILITY.....	46
REPORT OF THE AUDIT AND RISK COMMITTEE.....	46
B-BBEE COMPLIANCE PERFORMANCE INFORMATION.....	49
<b>PART D HUMAN RESOURCE MANAGEMENT.....</b>	<b>50</b>
INTRODUCTION.....	51
HUMAN RESOURCE OVERSIGHT STATISTICS.....	53
<b>PART E PFMA COMPLIANCE REPORT.....</b>	<b>56</b>
IRREGULAR EXPENDITURE.....	57
FRUITLESS AND WASTEFUL EXPENDITURE.....	59
DETAILS OF CURRENT AND PREVIOUS YEAR MATERIAL LOSSES THROUGH CRIMINAL CONDUCT.....	60
LATE AND/OR NON-PAYMENT OF SUPPLIERS.....	61
SUPPLY CHAIN MANAGEMENT.....	61
<b>PART F FINANCIAL INFORMATION.....</b>	<b>64</b>
REPORT OF THE AUDITOR-GENERAL.....	65
STATEMENT OF FINANCIAL PERFORMANCE.....	73
STATEMENT OF FINANCIAL POSITION.....	74
STATEMENT OF CHANGES IN NET ASSETS.....	75
CASH FLOW STATEMENT.....	76
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	77
ACCOUNTING POLICIES.....	78
NOTES TO THE ANNUAL FINANCIAL STATEMENTS.....	90





Honourable Minister

**Mr Buti Manamela**

Minister of Higher Education and Training

**I**t is with sincere appreciation and a sense of pride that I present the Annual Report of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) for the period 1 April 2024 to 31 March 2025.

I wish to extend my heartfelt thanks to you and your dedicated department for the steadfast support provided throughout this financial year. I trust that this report will offer a clear and comprehensive account of our efforts and stand as a testament to our shared commitment to meaningful skills development in South Africa.

Yours faithfully,

**Mr Naphtaly Mokgotsane**  
Acting Chief Executive Officer



## PART A **GENERAL INFORMATION**

# 1. GENERAL INFORMATION

## REGISTERED NAME

Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA)

## REGISTRATION NUMBER

17/MERSETA/14/20

## REGISTERED OFFICE ADDRESS

Metropolitan Park, Block C, 8 Hillside Road, Parktown, Johannesburg, 2193

## POSTAL ADDRESS

PO Box 61826, Marshalltown, Johannesburg, 2107

## CONTACT TELEPHONE NUMBER

010 219 3000

## WEBSITE ADDRESS

[www.merseta.org.za](http://www.merseta.org.za)

## EXTERNAL AUDITORS

Auditor-General South Africa

### Registered Office Address

4 Davenry Street, Lynnwood Bridge Office Park, Lynnwood Manor, Pretoria, South Africa.

### Postal Address

PO Box 446, Pretoria, 0001, South Africa.

## BANKERS

First National Bank

### Registered Office Address

Commercial Account Service Customers  
4 First Place, 6th floor, Bankcity, Johannesburg  
South Africa.

### Postal Address

P.O. Box 1153  
Johannesburg 2000

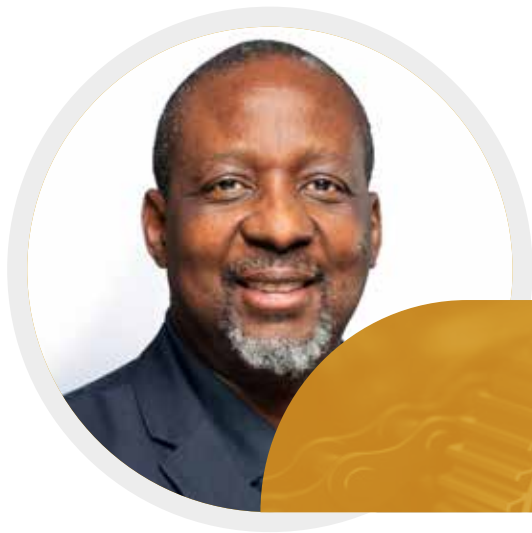
## COMPANY SECRETARY

Tlale D. Mokutu

## 2. LIST OF ABBREVIATIONS AND ACRONYMS

<b>AA</b>	Accounting Authority
<b>ACEO</b>	Acting Chief Executive Officer
<b>AET</b>	Adult Education and Training
<b>AG</b>	Auditor-General
<b>APP</b>	Annual Performance Plan
<b>ARC</b>	Audit and Risk Committee
<b>ATR</b>	Annual Training Report
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>CBO</b>	Community-based Organisation
<b>CEO</b>	Chief Executive Officer
<b>CET</b>	Community Education and Training
<b>COS</b>	Centre of Specialisation
<b>DG</b>	Discretionary Grant
<b>DHET</b>	Department of Higher Education and Training
<b>GBV</b>	Gender-based Violence
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>HEI</b>	Higher Education Institution
<b>HR</b>	Human Resource
<b>HRRC</b>	Human Resources and Remuneration Committee
<b>ICT</b>	Information and Communications Technology
<b>IPAP</b>	Industrial Policy Action Plan
<b>merSETA</b>	Manufacturing, Engineering and Related Services Sector Education and Training Authority
<b>NGO</b>	Non-governmental Organisation
<b>NPO</b>	Non-profit Organisation
<b>NSDM</b>	National Skills Development Management System
<b>NSDP</b>	National Skills Development Plan
<b>OEM</b>	Original Equipment Manufacturing
<b>PSET</b>	Post-School Education and Training
<b>RAD</b>	Retrenchment Assistance Programme
<b>SDPs</b>	Skills Development Providers
<b>SETA</b>	Sector Education and Training Authority
<b>SSP</b>	Sector Skills Plan
<b>TVETC</b>	Technical and Vocational Education and Training Colleges
<b>VR</b>	Virtual Reality
<b>WIL</b>	Work-integrated Learning
<b>WSP</b>	Workplace Skills Plan





### 3. Foreword by the Interim Accounting Authority Mr Naphtaly Mokgotsane

**W**ith great pride and a forward-looking spirit, I am pleased to share with you the 2024/25 Annual Report of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA). Over the past year, the merSETA has played a critical role in strengthening skills development nationwide, while aligning its initiatives with South Africa's broader goals for economic recovery and sustainable growth. The 2024/25 financial year has marked a transformative chapter for the merSETA, as we accelerated our journey towards a digitally empowered skills development landscape. In an era defined by rapid technological change, the ability to adapt, innovate and lead in digital transformation has become a national imperative. At the merSETA, we have responded with purpose – strengthening our systems, reimagining our programmes, and forging strategic partnerships that will equip South Africa's workforce with the capabilities required to thrive in the Fourth Industrial Revolution and beyond. This foreword reflects not only our progress but also our steadfast commitment to shaping a skills ecosystem that is agile, inclusive and digitally driven. Yet, it is also important to recognise the broader economic landscape in which we operate, as it shapes both our challenges and our opportunities.

#### STRATEGY AND PERFORMANCE OVERVIEW OUR CHAMBERS

Given the scope of the merSETA, the organisation covers key and strategic sub-sectors in the country's economy. Each sub-sector is represented by a Chamber Committee constituted by active employer associations and trade unions in the sector. The merSETA Chamber Committees include:

1. Metals and Engineering Chamber
2. Motor Retail and Aftermarket Chamber
3. Automotive Components Manufacturing Chamber
4. Auto Manufacturing and Assembly Chamber
5. New Tyre Manufacturing Chamber
6. Plastic Manufacturing Chamber

The merSETA Chamber Committees are strategic subcommittees of the Accounting Authority (AA), established to support the board in fulfilling its mandate. Chamber committees operate in accordance with Schedule 6 of the standard SETA Constitution and the established Chamber Committees' terms of reference. The Chambers have a consulting, monitoring, evaluation and advisory role and are accountable to the merSETA Executive Committee.

#### KEY ACHIEVEMENTS

During the 2024/25 reporting period, the merSETA's Chamber Committees remained steadfast in their efforts to research and address the evolving skills demands across their respective sub-sectors. In alignment with the merSETA's strategic objectives, several research and innovation initiatives were identified and are currently at various stages of implementation. These projects are designed to support evidence-based skills development planning and foster sustainable sectoral growth. Key initiatives include:

1. **Metals and Engineering Chamber:** Establishment of Metal Innovation Hubs to drive sector-focused innovation and training.
2. **Motor Retail and Aftermarket Chamber:** A comprehensive investigation into the relevance of occupations and skills required in the motor industry, with a focus on aftermarket sales, maintenance, refurbishment and repair.



3. **Automotive Components Manufacturing Chamber:** Implementation of the Retrenchment Assistance Programme to support affected workers and strengthen resilience in the component manufacturing sector.
4. **Auto Manufacturing and Assembly Chamber:** Conducting an Auto skills gap analysis to inform targeted skills interventions and workforce development strategies.
5. **New Tyre Manufacturing Chamber:** Piloting an online industry career pathing tool to enhance visibility and accessibility of occupational pathways.
6. **Plastic Manufacturing Chamber:** A national study to map the skills underpinning the plastics recycling value chain, identify training gaps, and recommend strategies for improved skills provision.

These initiatives underscore the Chambers' vital role in shaping responsive, future-focused skills development strategies within the manufacturing and related sectors.

## STRATEGIC RELATIONSHIPS

Strategic partnerships remained central to the merSETA's efforts to achieve its mandate and create meaningful impact within the sector. Through collaborative engagements with industry stakeholders, government entities, educational institutions and other key partners, the organisation continued to drive initiatives that enhance skills development, innovation and economic growth. These partnerships not only enable the pooling of expertise and resources but also ensure that programmes remain relevant, responsive and aligned with national priorities. Some of these partnerships include:

### 1. NATIONAL YOUTH DEVELOPMENT AGENCY (NYDA) (GAUTENG)

The merSETA formed a strategic partnership with the National Youth Development Agency (NYDA) to support the development of youth skills. Through this collaboration, funding has been allocated for the training of 500 learners in targeted skills programmes, with a total investment of R35,475,000.00.

### 2. HESTO (KWA-ZULU NATAL)

The merSETA has partnered with Hesto to implement a comprehensive skills development initiative within the automotive industry. The partnership aims to fund

the training of 500 learners across various learning pathways, including apprenticeships, learnerships, lecturer development programmes, graduate internships and skills programmes in key areas such as Engineering and Operations Management. In addition, the initiative includes bursary support for both employed and unemployed individuals, as well as the funding of relevant research activities. The total investment for this collaborative effort amounts to R62,822,091.00.

### 3. SMALL ENTERPRISE FINANCIAL DEVELOPMENT AGENCY (SEFDA) (GAUTENG)

The merSETA, in partnership with the Sustainable Energy Development and Finance Association (SEDFA), is investing in a large-scale skills development initiative valued at R57,612,475.00. This collaboration aims to train 700 learners through a combination of apprenticeships, solar energy skills programmes, learnerships and Electrical Artisan Recognition of Prior Learning (ARPL) interventions, supporting the growth of critical and scarce skills in the energy and electrical sectors.

### 4. DEPARTMENT OF DEFENCE (GAUTENG)

In alignment with the objectives of the National Skills Development Strategy (NSDSP) and in support of capacity building within the public sector, the merSETA has established a strategic partnership with the Department of Defence (DoD). This collaboration focuses on developing DoD learners through learnerships, apprenticeships and the Artisan Recognition of Prior Learning (ARPL) programme. To support the implementation of this initiative, the merSETA has committed funding totalling R79,435,351.00, reinforcing its commitment to inclusive skills development and national human capital growth.

### 5. THE MERSETA AND QCTO PARTNERSHIP

In collaboration with the Quality Council for Trades and Occupations (QCTO), the merSETA hosted seven capacity-building workshops across four different provinces. The purpose of these stakeholder engagements was to capacitate Skills Development Providers (SDFs) that work with the merSETA and QCTO. Furthermore, the stakeholder engagements are intended to define and enhance the relationship between the merSETA, QCTO and Skills Development Providers.

# Foreword by the Interim Accounting Authority

continued

## 6. STAKEHOLDER ENGAGEMENT

We recognise that our success depends on the strength of our partnerships. During 2024/25, the merSETA deepened collaboration with industry partners, organised labour and public institutions to create a more cohesive and demand driven skills ecosystem. Our engagements with global partners have also broadened our perspective, allowing us to benchmark our initiatives against international best practices, while tailoring them to South Africa's unique challenges.

## 7. THE 2024/25 HYBRID ANNUAL GENERAL MEETING (AGM)

In the 2024/25 financial year, the merSETA successfully hosted its Hybrid Annual General Meeting (AGM), providing a platform to reflect on the organisation's performance and achievements from the previous year. The AGM served as a key stakeholder engagement event, ensuring transparency and accountability in line with good governance practices. To maximise accessibility and participation, the meeting was conducted both in-person and virtually, allowing stakeholders across the country to engage meaningfully, regardless of their location or circumstances.

## KEY CHALLENGES

### SOUTH AFRICAN ECONOMY: KEY SECTORS GRAPPLE WITH DEEP-ROOTED CHALLENGES

Key industrial sectors of the South African economy, including engineering, manufacturing, tyre, plastic and metals, are navigating a complex and challenging economic landscape. A combination of sluggish GDP growth, crippling logistical and energy infrastructure failures, high unemployment and subdued investment has placed significant strain on these vital industries through 2024 and 2025. While some green shoots of recovery and strategic investment are visible, the overarching outlook remains one of cautious navigation through persistent headwinds.

The national economy has been characterised by slow growth, registering a modest 0.6% expansion. Projections indicate a continued, albeit weak recovery, with forecasts ranging between 1.3% and 1.6%. This rate is widely seen

as insufficient to address the nation's profound challenges of poverty and unemployment. A critical impediment to economic progress has been the dual crises at state-owned enterprises Eskom (energy) and Transnet (logistics). While the intensity of rolling blackouts, known as load-shedding, eased significantly in 2024, years of unreliable power have eroded industrial capacity. More critically, severe inefficiencies and failures in the freight rail network and at national ports operated by Transnet continue to throttle the economy. This has led to ballooning transport costs, production delays, and a decline in export competitiveness as companies are forced to use more expensive road transport.

### YOUTH UNEMPLOYMENT: A GENERATIONAL CRISIS

The slow economic growth has exacerbated an already dire youth unemployment situation. In the first quarter of 2025, the unemployment rate for young people aged 15-24 surged to a staggering 62.4%. For the broader youth cohort (15-34 years), the rate stood at 46.1%. Statistics South Africa has noted a significant number of "discouraged job seekers" who have given up looking for work, highlighting a generation at risk of being permanently excluded from the formal economy.

### SECTOR-SPECIFIC ECONOMIC IMPACTS

#### ENGINEERING AND CONSTRUCTION: A FOUNDATION UNDER STRAIN

The engineering sector's fortunes are intrinsically linked to the health of the construction industry, which has faced a severe downturn. The construction sector was expected to contract by as much as 5% in 2024, plagued by weak economic activity, high building material costs, and a slump in both residential and non-residential building projects. The industry's value-add fell by 2% year-on-year in the fourth quarter of 2024, following several quarters of decline. Despite the grim short-term outlook, there is some optimism for a rebound from 2026 onwards, supported by public and private investment in renewable energy and infrastructure. The government has earmarked significant funds for infrastructure development, including R233.1 billion for roads and R121.3 billion for water projects

*'Together, we will continue to transform challenges into opportunities and shape a brighter future for all.'*

between 2023 and 2026. A survey by Consulting Engineers South Africa (CESA) for the first half of 2024 showed a moderate 3.6% increase in fee income, largely driven by private sector projects. However, this was accompanied by a decline in capacity utilisation to 73.3% and a fall in profitability, with net profit margins dropping to 11.8% from 14.5% in 2023.

#### **MANUFACTURING: BATTLING HEADWINDS**

The broader manufacturing sector, which accounted for 13% of GDP in 2023, remains under severe pressure. Production grew by a mere 0.4% in 2024, with output still below pre-pandemic levels. The sector's contribution to national GDP has halved from 24% in 1990/91 to 12% in 2024/25, and it has shed nearly 500,000 jobs over the past decade. Key challenges include escalating production costs, logistical disruptions resulting from rail network failures, and weak domestic demand. A PwC report noted that for major listed manufacturing companies, combined revenue declined by 2.53% between 2023 and 2024, with operating profits falling by over 21%.

#### **TYRE SECTOR: NAVIGATING A BUMPY ROAD**

The South African tyre industry contends with rising raw material costs, intense competition from cheaper imports, and consumer financial strain. In a move to protect local industry, the government imposed anti-dumping duties on certain tyre imports from China in July 2023, set to remain in effect until 2028. A significant development is the focus on waste management. In April 2024, a new Industry Waste Tyre Management Plan was announced to address challenges in collection and processing, creating opportunities for private sector involvement in the circular economy. Despite the challenges, the market is projected to grow, driven by South Africa's large vehicle population. In a sign of positive investment, Sumitomo Rubber South Africa announced a significant expansion of its Ladysmith plant in 2024, aimed at meeting growing domestic demand.

#### **PLASTIC SECTOR: A STORY OF CONTRADICTIONS**

The plastics industry contributes significantly to the manufacturing sector's GDP (around 15.8%) but faces deep-seated challenges, including a trade deficit that reached R50 billion in 2022 due to a reliance on imported primary polymers. The packaging industry is a primary driver, with rigid and flexible plastics being the dominant materials. The sector is a mix of growth and decline. In 2024/25, 39 new recycling companies were recorded, yet 6.2% of

existing operations from the previous year had ceased. A major positive development is the growth in recycling, with the input collection rate increasing to 52% in 2024. This progress is bolstered by new investment, such as the R1.2 billion Alpla rPET plant currently under construction.

#### **METAL SECTOR: IN THE SHADOW OF DE-INDUSTRIALISATION**

The metals and engineering sector, which accounts for over a quarter of the country's manufacturing output, is at a critical juncture. While aggregate production saw a slight 1.7% increase in 2023/24, it remains 18% below its 2008 levels. The industry has been operating well below optimal capacity, with utilisation at around 75% in 2024/25. The challenges are acute. South Africa's crude steel production has plummeted by nearly 50% since 2006, and its contribution to GDP has fallen from 0.8% in 2010 to just 0.3% in 2024. This decline has had a severe impact on employment, with the basic iron and steel industry shedding 46% of its formal workforce over the past 15 years. The sector is facing a surge in imports, particularly from China, while its own exports have declined, resulting in an unsustainable trade imbalance. The ongoing logistical crisis further hampers the export of bulk commodities, a cornerstone of the metals industry.

#### **DISCIPLINARY CHALLENGES**

During the reporting period, the organisation experienced notable labour-related challenges, particularly at the Executive Management level. In response, decisive steps were taken to stabilise the internal environment and enhance organisational resilience. Key among these was

the strategic strengthening of the Human Resources Division through the appointment of a Manager for Employee Relations and Wellness, and a Specialist for Employee Relations and Wellness. These appointments have significantly enhanced the organisation's internal capacity, providing expert technical support and strategic oversight in the management of complex disciplinary matters. As a result, Executive Management cases are now being addressed with improved legal rigour and procedural accuracy, effectively reducing organisational risk and ensuring greater compliance with labour legislation and governance standards.

## STRATEGIC FOCUS OVER THE MEDIUM TO LONG-TERM PERIOD

Looking ahead, the merSETA's medium to long-term strategic direction, as outlined in its Strategic Plan for 2025–2030, is centred on facilitating inclusive economic growth and social transformation through responsive and targeted skills development. The strategy is built around five key outcomes: supporting localisation and reindustrialisation within the mer-sector; expanding stakeholder coverage to promote equity and access; prioritising future-oriented skills aligned to the Fourth Industrial Revolution; enabling skills for productive enterprises in the social economy; and strengthening ethical governance and institutional capability. Rather than driving economic trends directly, the merSETA's mandate is to ensure that skills development acts as a catalyst—empowering individuals, communities and enterprises to participate meaningfully in the evolving economy. Through strategic partnerships, evidence-based planning and a commitment to innovation, the merSETA aims to equip the mer-sector with the capabilities it needs

to navigate and contribute to industrial transformation, employment creation and sustainable development. This strategic intent is firmly aligned with the National Skills Development Plan (NSDP), the Medium-Term Development Plan (MTDP) and the broader goals of the National Development Plan (NDP) 2030.

## ACKNOWLEDGEMENT

I extend my heartfelt appreciation to the merSETA Accounting Authority, Executive Management, employees and our many partners for their dedication and shared commitment to building a skilled and prosperous South Africa. Together, we will continue to transform challenges into opportunities and shape a brighter future for all.

## CONCLUSION

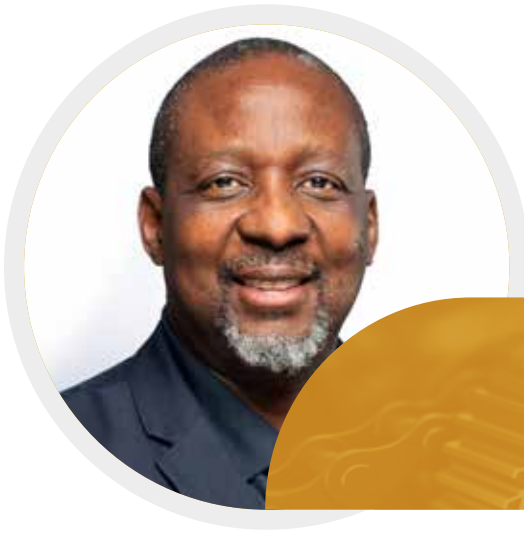
The current CEO appointments with powers to assume duties of Accounting Authorities under Section 49 of the PFMA where granted by the Minister for Higher Education and Training. The Department is processing a Ministerial letter to the Minister of Finance requesting an extension of these delegations. The CEOs have been directed to ensure business continuity by prioritising pending matters within the authorised parameters and in compliance with relevant prescripts before the delegation expires.



**Mr Naphtaly Mokgotsane**

Interim Accounting Authority





## 4. Overview by the Acting Chief Executive Officer

Mr Naphtaly Mokgotsane

**T**he past year has seen significant progress, innovative developments, and a strong commitment to excellence in education and training within our sector. Despite challenges such as rapid technological advancements, economic fluctuations and the ongoing impacts of the COVID-19 pandemic, the merSETA has remained dedicated to fostering skills development, enhancing workforce capabilities and driving sustainable growth in the manufacturing and engineering sectors.

### FINANCIAL REVIEW AND SPENDING TRENDS

During the financial year under review, the merSETA allocated significant resources to employer grants and project expenses, reflecting its ongoing commitment to achieving strategic objectives. In 2023/24, actual expenditure increased by 12% compared to the previous year, reaching R1,594,665,000, which accounted for 80% of the approved budget. In 2024/25, spending rose further by 17% to R1,860,365,000, with 90% of the R2,068,825,000 budget utilised. This upward trend in expenditure highlights the merSETA's emphasis on investing in key projects and grants, while also underscoring the importance of prudent financial management to ensure optimal use of the budget.

### CAPACITY CONSTRAINTS AND CHALLENGES ORGANISATIONAL TRANSFORMATION

The merSETA embarked on an organisational design journey aimed at realigning its structure and human resource processes to build a professional, capable organisation anchored in ethical leadership, good governance and best practices. This transformation, guided by the merSETA Strategic Plan 2020/2021–2024/2025, sought to enhance competencies across staff, governance structures, implementing partners and stakeholders, while fostering a culture of excellence supported by robust policies,

systems, processes, fair remuneration, and performance-driven service delivery. The implementation of the new organisational structure was particularly successful in terms of realigning and integrating people practices. The transition of employees from the previous structure to the revised framework included targeted “on-the-job” training in key areas, as well as the alignment of job outputs and deliverables with updated job profile requirements. This process also provided valuable lessons and insights for future improvement, including:

1. **Capacity alignment with work outputs and deliverables:** Conducting work studies, “time and motion” analyses, or other scientific approaches to determine capacity requirements aligned with expected SETA performance and deliverables. This involves presenting proposals on required capacity, preparing projections on the potential impact of automation on workforce needs, and adopting a phased approach to manage manpower planning and implementation.
2. **People management competencies:** Introducing mandatory, standardised training in people management for all merSETA employees who oversee or manage others. efficiency, strengthen controls, and mitigate risks, ensuring sustained organisational effectiveness.
3. **Continuous improvement initiatives:** Identifying and implementing measures to enhance operational efficiency, strengthen controls, and mitigate risks, ensuring sustained organisational effectiveness.

### RETENTION OF SURPLUS FUNDS

The Executive Authority approved the utilisation of surplus funds from the 2023/24 financial year to cover commitments related to Discretionary Grant Reserves and other sector priorities. For the 2024/25 financial year, a request to retain R201 million has been submitted to the National Treasury for consideration.

## SUPPLY CHAIN MANAGEMENT

### CONCLUDED UNSOLICITED BID PROPOSALS

There were no concluded unsolicited bid proposals in the year under review.

### PROCESSES AND SYSTEMS

SCM procurement operates manually. Sourcing providers is conducted via email invitation, e-Tender portal and the merSETA website. All processes are aligned to the relevant prescripts.

## CHALLENGES AND RESOLUTIONS

### CHALLENGES IDENTIFIED

- The merSETA does not currently have a dedicated role responsible for overseeing contract tracking, renewals and performance compliance. The absence of a Contract Management Officer or Analyst puts pressure on SCM officers to multitask across both operational procurement and compliance monitoring—diluting effectiveness.
- Short turnaround times for reporting and contract processing, especially for commitments requiring executive and Treasury compliance.
- With only a few designated administrative support roles, increased demand plan volumes have outpaced staffing levels, leading to backlogs and potential SLA non-compliance.

### EMERGING PRIORITIES (2025–2027)

- Digitisation of SCM systems to improve efficiency and transparency.
- Training of internal stakeholders on SCM compliance and demand planning.
- Improved contract lifecycle management to reduce audit findings and non-performance risks.
- Strategic sourcing frameworks for high-volume or high-risk categories

## AUDIT REPORT MATTERS FROM PREVIOUS YEAR

The SCM and Contract Management Division received only minor audit findings relating to administrative errors, none of which resulted in irregular expenditure or significant compliance issues. Audit recommendations are being implemented during the audit process, and additional recommendations will be incorporated into revised policies and standard operating procedures in the second quarter of 2025/2026.

## EVENTS AFTER REPORTING DATE

The last term of the Accounting Authority expired 31 March 2025. At the time of reporting, the Minister of Higher Education and Training had not appointed the new Accounting Authority. On 22 May 2025, the Minister issued a letter appointing SETA CEOs to resume duties of the Accounting Authority until the new Board has been appointed.

## KEY STRATEGIC INITIATIVES

During the year under review, the merSETA focused on implementing a range of strategic initiatives designed to advance its mandate of skills development and sector growth. These initiatives were aligned with the organisation's long-term strategic objectives, national priorities and the evolving needs of stakeholders. Emphasis was placed on driving impactful projects, fostering partnerships, and leveraging resources to deliver sustainable outcomes that contribute to economic transformation and workforce development. These initiatives include:

### 1. POSTDOCTORAL AND MASTER'S INDUSTRIAL FELLOWSHIP – THE UNIVERSITY OF CAPE TOWN (UCT)

In collaboration with UCT, the merSETA funds 18 Postdoctoral and Master's level industrial fellowships. This research project was conceptualised to drive product innovation and industrialisation through sustained academic-industry partnerships, with a specific focus on localising new product development and advancing industrial capacity.

### 2. PROFESSIONAL DEVELOPMENT – THE UNIVERSITY OF THE WESTERN CAPE (UWC)

To enhance lecturer capacity across universities and TVET colleges, the merSETA has partnered with UWC to fund sixty (60) candidates enrolled in the Postgraduate Diploma in TVET during the 2024/25 financial year. This initiative contributes to the professionalisation and upskilling of educators, thereby improving the delivery of vocational education.

### 3. TVET 4.0 APPLIED RESEARCH AND INNOVATION PROJECT

Five TVET colleges - Ekurhuleni East, Vuselela, Goldfields, West Coast and Northern Cape Rural are participating in the TVET 4.0 project. This initiative explores institutional readiness to deliver occupational qualifications and addresses key research questions related to curriculum innovation and implementation. Northern Cape Rural is currently in the development phase, while the remaining four colleges are in the implementation or continuation stages. A total of 220

learners have been registered for occupational qualifications in Solar Photovoltaic (PV) technologies, specifically as Solar PV Service Technicians and PV Mounters.

#### **4. STRATEGIC RESEARCH CHAIR – TSHWANE UNIVERSITY OF TECHNOLOGY (TUT)**

In 2024/25, the merSETA launched a strategic partnership with TUT to establish a Research Chair. The initiative focuses on:

- Conducting research to address gaps in the Advanced Diploma in Technical and Vocational Teaching (TVT);
- Integrating emerging technologies and language models to enhance learning in TVET education;
- Developing innovative assessment methodologies in TVET and Engineering Education.

#### **SUPPORTING WORKFORCE DEVELOPMENT**

The Retrenchment Assistance Programme (RAP) was established to create skills development opportunities for individuals who have been retrenched, are in the process of being retrenched (either voluntarily or involuntarily), or who have accepted a Voluntary Severance Package (VSP). During the 2024/25 financial year, the programme supported a total of 3,154 learners from twelve (12) participating employers, enabling them to enhance their employability and re-enter the labour market. In addition, the merSETA participated in the Temporary Employer/Employee Relief Scheme (TERS), an initiative that arose from the 2018 Presidential Jobs Summit. This collaborative effort between government, business, labour and community stakeholders aims to mitigate the impact of job losses and unemployment. In the reporting year, the merSETA facilitated support for 282 employees from two (2) employers through this programme.



*'Building on the progress and achievements of the past year, the merSETA will continue to strengthen its role as a catalyst for skills development and industrial innovation within the manufacturing and engineering sector.'*

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## AUDIT MATTERS AND CORRECTIVE ACTIONS

During the year under review, the Auditor-General (AG) identified weaknesses in our financial reporting and record-keeping, particularly in respect of discretionary grants. Specifically:

- We did not consistently account for direct project costs in the periods in which services were rendered.
- The AG could not obtain sufficient appropriate audit evidence for employer receivables relating to discretionary grants, due to incomplete supporting accounting records.
- Not all amounts meeting the definition of expenditure and accruals in the prior year were recognised. In addition, insufficient financial records impaired the AG's ability to verify that grants and transfer payables for the current year were properly accounted for.

As ACEO, I acknowledge these shortcomings and accept accountability for ensuring that the necessary remedial actions are implemented with urgency. We have initiated a comprehensive corrective action plan, overseen by the Audit and Risk Committee. We are committed to restoring full compliance, strengthening internal controls, and improving the reliability and transparency of our financial information. I will continue to report on progress until these matters are fully resolved.

## WAY FORWARD

Building on the progress and achievements of the past year, the merSETA will continue to strengthen its role as a catalyst for skills development and industrial innovation within the manufacturing and engineering sector. The organisation remains committed to deepening strategic partnerships, scaling impactful initiatives, and leveraging research and innovation to address the evolving needs of industry and society. A strong focus will be placed on expanding

workforce development programmes, advancing curriculum innovation in collaboration with academic institutions, and supporting the professionalisation of educators and industry practitioners. Furthermore, the merSETA will enhance its organisational capabilities by embedding lessons learnt from the recent transformation process, ensuring that its people, systems and processes are aligned to deliver sustainable impact. Prudent financial management, coupled with a continued investment in key projects and grants, will remain central to driving economic growth, supporting national priorities, and equipping the workforce with future-ready skills.

## ACKNOWLEDGEMENTS

I thank all stakeholders, partners and collaborators, whose support and commitment have been instrumental in advancing the mandate of the merSETA. We acknowledge the valuable contributions of industry partners, government departments, educational institutions, labour representatives and community organisations, whose collective efforts have enabled the successful implementation of our programmes and initiatives. Special recognition is also given to the merSETA Accounting Authority, management team and employees for their unwavering dedication, resilience and pursuit of excellence. Their combined efforts continue to drive meaningful impact, fostering skills development and sustainable growth within the manufacturing and engineering sector.



**Mr Naphtaly Mokgotsane**

Acting Chief Executive Officer



## 5. STATEMENT OF RESPONSIBILITY

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

**T**o the best of my knowledge and belief, I hereby affirm the following statements:

The information and figures presented in this Annual Report are consistent with the audited Annual Financial Statements, as verified by the Auditor-General. Every effort has been made to ensure that the report is complete, accurate and free from material misstatements or omissions. This report has been compiled in compliance with the relevant guidelines issued by the National Treasury for the preparation of Annual Reports.

The Annual Financial Statements (Part F) have been prepared in accordance with the applicable Generally Recognised Accounting Practice (GRAP) standards governing public entities. Responsibility for the preparation of these statements, including the application of professional judgement, rests with the Accounting Authority. The Accounting Authority also maintains

responsibility for implementing a sound system of internal controls aimed at providing reasonable assurance regarding the reliability of the performance data, human resource information, and financial reporting presented in this report.

Independent external auditors were appointed to assess and express an opinion on the financial statements. In our considered view, this Annual Report accurately and comprehensively reflects the merSETA's operations, performance outcomes, human capital information, and financial position for the financial year ended 31 March 2025.



**Mr Naphtaly Mokgotsane**

Acting Chief Executive Officer

## 6. STRATEGIC OVERVIEW



### VISION

Leading catalyst for innovative skills development.



### MISSION

To drive transformative skills development and training in the merSector, empowering individuals and communities, addressing skills shortages, fostering employment and alleviating poverty. Through stakeholder collaboration and strategic funding, we aim to unlock potential, support sustainable industry growth and contribute to the nation's economic viability and social well-being.



### VALUES



#### INTEGRITY

Adhering to moral and ethical principles, demonstrated through honesty, fairness and consistency in actions and decisions, fostering trust and credibility in all interactions.



#### COLLABORATION

Working together across diverse backgrounds and perspectives, creating a culture where everyone feels valued, heard and empowered to contribute toward shared goals.



#### ACCOUNTABILITY

Service excellence through taking responsibility for actions, decisions and outcomes while consistently delivering exceptional quality and value to stakeholders.



#### RESPECT

Recognising the inherent worth and dignity of individuals and communities, fostering an environment of honesty that strengthens relationships and cohesion.



#### INNOVATION

Embracing creativity and technology as catalysts for creative problem-solving, leading to groundbreaking solutions that meet evolving industry and societal needs.



#### COMMUNICATION

Advocating transparency through listening, honesty and the timely exchanging of information in a way that ensures clarity, builds trust and enables informed decision-making.

## 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 Department of Higher Education and Training (DHET) on 7 March 2019.

The NSDP, along with aligned merSETA strategic priorities, requires the merSETA to undertake the following:

- Prioritise transformation objectives, including race, gender, socio-economic status, geographic location, disability, and age inclusivity.
- Enhance career guidance and development initiatives in rural communities to create more equitable opportunities for professional advancement.

### DEVELOP THE SECTOR LABOUR MARKET INTELLIGENCE SYSTEM

- Facilitate the establishment of a robust institutional framework aimed at delivering comprehensive and reliable sector data. This includes harmonising internal Information and Communications Technology (ICT) systems, administrative processes, and monitoring and evaluation practices to meet the high standards for credible research and sectoral skills planning.
- Initiate a structured approach to building research collaborations with Higher Education Institutions (HEIs), and fortify knowledge management within the organisation.

### ESTABLISH AND FACILITATE STRATEGIC PARTNERSHIPS

- Foster collaborative relationships with government departments and entities, non-governmental organisations, employer associations, labour unions and bargaining councils to enhance coordination.
- Strategically cultivate partnerships with both local and international Higher Education Institutions (HEIs) to enable the exchange of innovative ideas and research findings that benefit the sector.

### INCREASE THE FLOW OF NEWLY SKILLED WORKERS INTO THE SECTOR

- Address current skills shortages while preparing for future growth, technological advancements and workforce replacement needs.
- Facilitate access to work experience opportunities for individuals seeking to enter the workforce.

### LEGISLATIVE MANDATE

The merSETA derives its mandate from the following key legislation (this list is non-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;
- The merSETA Constitution;
- The merSETA is a Schedule 3A public entity and reports to the Department of Higher Education and Training;
- Promotion of Access to Information Act No. 2 of 2000;
- Promotion of Administrative Justice Act No. 3 of 2000; and
- Labour Market Legislation.

### 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

#### TERM OF TENURE

01 APRIL 2024 / 31 MARCH 2025



**KATE MOLOTO**

**Accounting Authority Chairperson**



**JACOBUS KOOS DE BEER**

**Deputy Chairperson**  
(Organised Labour)



**LOUIS VAN HUYSSTEEN**

**Deputy Chairperson**  
(Organised Employer)



**NEIL RADEMAN**

**Accounting Authority**



**THANDEKA PHIRI**

**Accounting Authority**



**DR ALEX MASHILO**

**Accounting Authority**



**SUMAYA HOOLEN**

**Accounting Authority**





**KIRTIDA BHANA**

**Accounting Authority**



**MR RICK GROBLER**

**Accounting Authority**



**THAPELE MOLAPO**

**Accounting Authority**



**SIBONISO MDLETSCHE**

**Accounting Authority**



**RENAI MOOTHILAL**

**Accounting Authority**



**DR LESLEY LEE**

**Accounting Authority**  
(Resigned 6 July 2024)

## 9. MANAGEMENT COMMITTEE



**NAPHTALY MOKGOTSANE**

**Acting Chief Executive Officer**



**NCEDISA MPANDE**

**Chief Financial Officer**



**MTHUNZI LUBANDO**

**Acting Chief Operations Officer**



**TLALE D MOKUTU**

**Company Secretary**



**TEBOGO MOEPI**

**Acting Strategy and Research  
Executive**

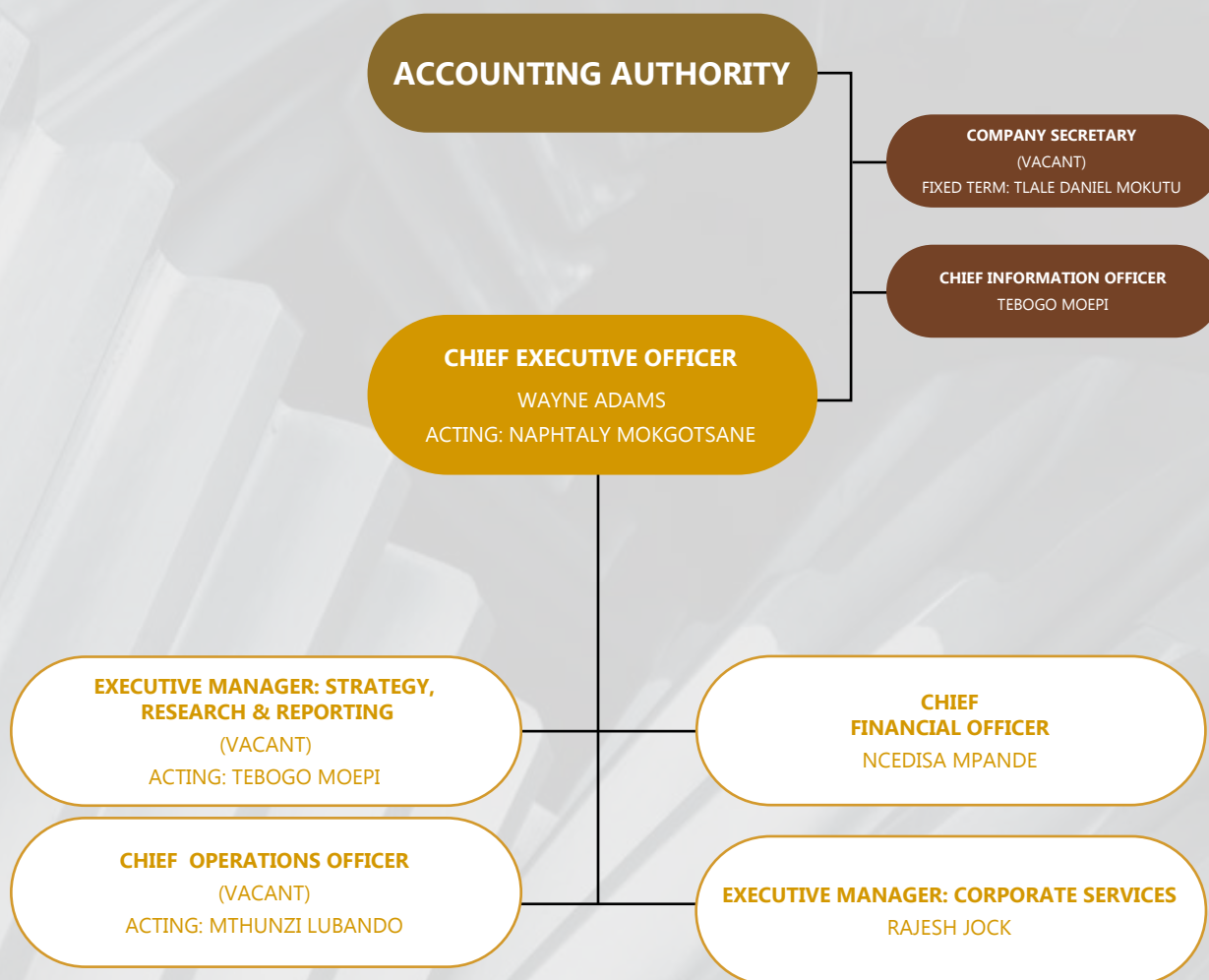


**RAJESH JOCK**

**Corporate Services Executive**



## 10. ORGANOGRAM





## PART B **PERFORMANCE INFORMATION**



# 1. AUDITOR'S REPORT: **PREDETERMINED OBJECTIVES**

The Auditor General (AGSA) / External Auditors currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the report on other legal and regulatory requirements section of the auditor's report.

Refer to pages 65 to 72 of the Auditors Report, published as Part F: Financial Information.

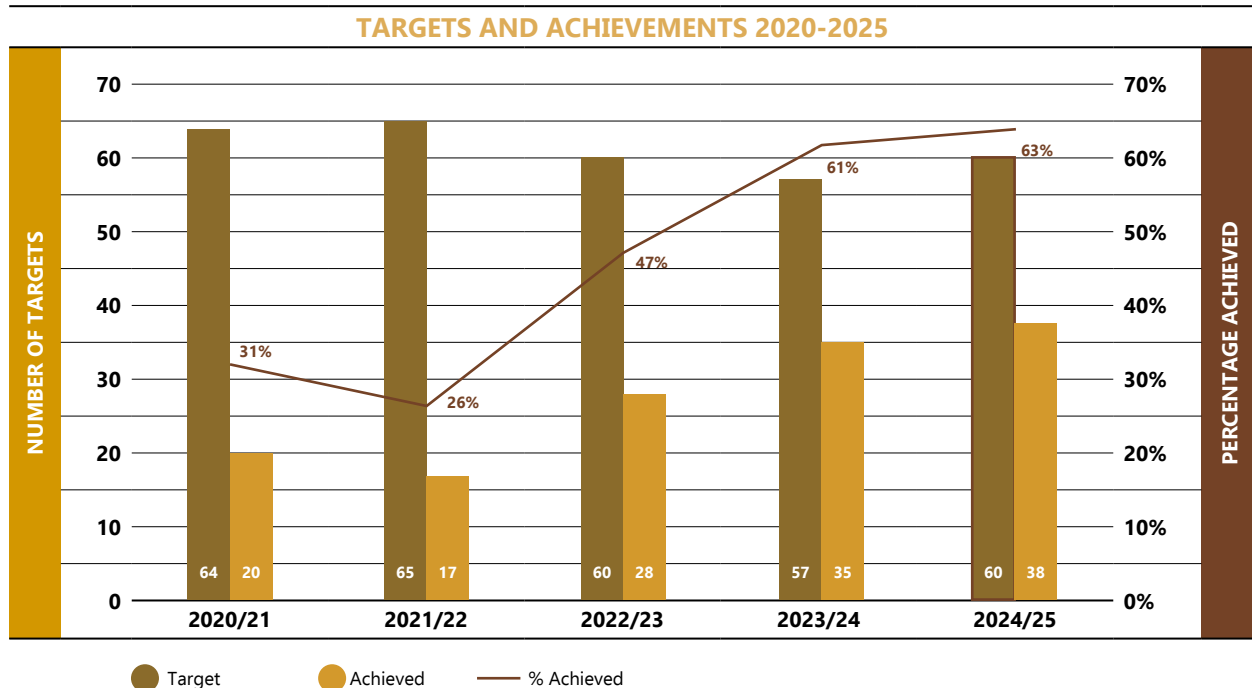
## 2. OVERVIEW OF PERFORMANCE

### SERVICE DELIVERY ENVIRONMENT

The year under review, presents the final year of the five-year implementation period 2020-2025. Overall, the world witnessed unprecedented global and local challenges during the five-year period which was marked by a pandemic, geopolitical tensions, significant economic shifts, and the rapid emergence of new technologies like Artificial Intelligence (AI). These disruptions profoundly impacted industries, leading to economic decline, plant closures, and retrenchments within the manufacturing sector.

The domestic economy continues to operate within a complex global and domestic environment, marked by geopolitical instability, climate change, and persistent economic uncertainty. These challenges are compounded by structural issues in logistics and energy, subdued investment levels, and the pressing need to transition to a low-carbon economy through the Just Energy Transition (JET).

Over the period, the merSETA has endeavoured to “close the skills gap” despite the subdued climate. The SETA did not perform well in 2020/21 against its annual performance targets and even saw further decline in 2021/22 when only 26% of its targets were met. In the following three years, the SETA undertook a proactive approach to maintain and improve service delivery steadily increasing its achievements to 63% in 2024/25. This is demonstrated in the figure below:

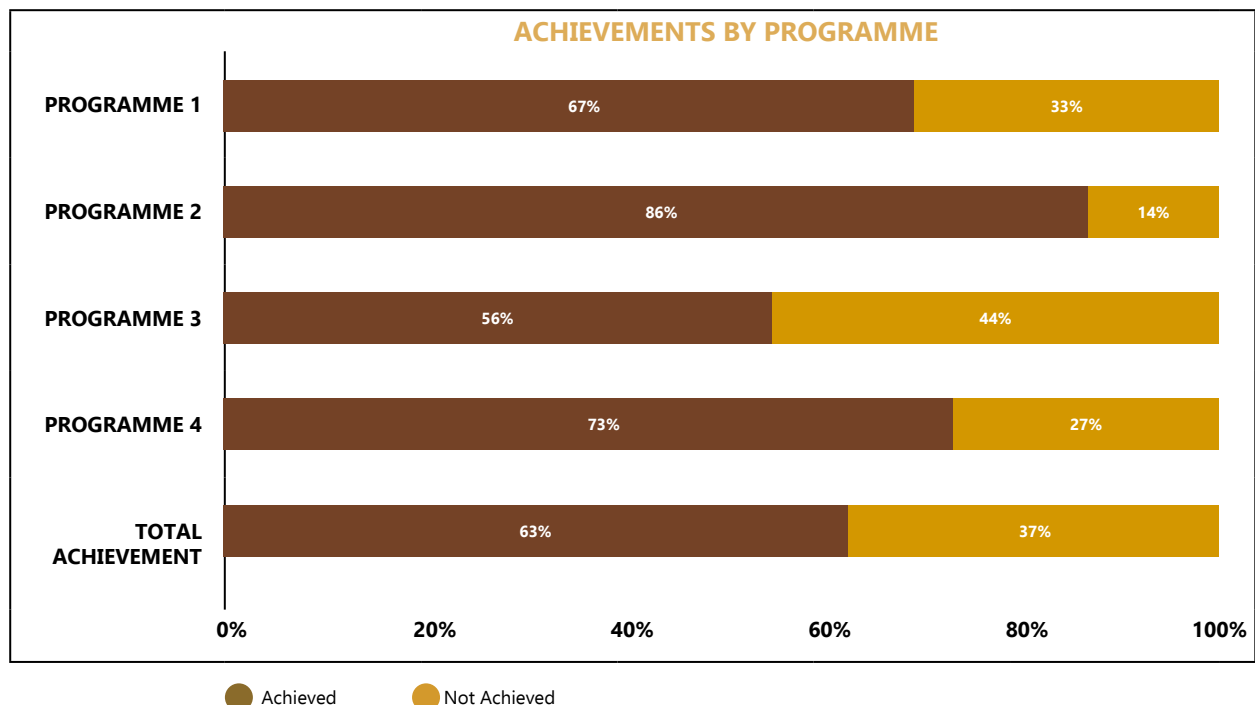


In fulfilling our mandate, the merSETA has made a significant impact in the period 2020-2025:

- **Learner Support:** Our programmes touched the lives of over 123,000 learners, including nearly 77,000 unemployed individuals and almost 20,000 employed learners, through diverse training interventions including learnerships, apprenticeship, bursaries, candidacy, skills programmes and supportive skills development initiatives such as lecturer development, adult education, and work-integrated learning.
- **Artisan Development:** We enrolled over 14,000 apprentices and recorded almost 11,500 artisan completions, contributing substantially to the national artisan training targets.
- **Strategic Partnerships:** We fostered valuable collaborations, funding more than 5,500 employer partnerships, 158 TVET college partnerships, 67 Higher Education Institution (HEI) partnerships, and 16 Community Education and Training (CET) college partnerships.

In terms of programme achievements for 2024/25, the merSETA, the following are noted as depicted in the chart below:

- Programme 1 had 67% achievement with two out of three targets achieved.
- Programme 2 had 85% achievement with six out of seven targets achieved
- Programme 3 had 56% achievement with twenty-two out of thirty-nine targets achieved
- Programme 4 had 73% achievement with eight out of eleven targets achieved.





The merSETA still fell short of its overall targets for the 2023/24 year with 63% achieved, however, the SETA recorded many “prior year learners” which could not be reported under the audited performance for the year, as these learners, although registered in 2024/25 actually started their learning programmes prior to 31 March 2024. In total the number of prior year learners amounts to more than 24 200 across all learning programmes including learnerships, apprenticeships, skills programmes and bursaries. The prior year learners included 1726 learners registered for artisan qualifications, 1032 registered for ARPL, 654 learners completing artisan qualifications and 560 completing ARPL.

In terms of some of the challenges experienced; the merSETA experiences administrative challenges due to the mismatch between the academic year and the SETA’s financial year – putting strain on administration, particularly in the first 3 months of the academic year, which is the final quarter of the financial year. Another challenge experienced by the SETA is the high volume of grant applications and the rigour required for evaluating all of them which results in a time lag between the application

and the approval and implementation of projects and programmes. To overcome these challenges the merSETA has implemented schedule for grant funding which opens windows for applications earlier in the year and the SETA is currently reviewing its discretionary grant evaluation processes to reduce the turnaround times between application, evaluation, award and implementation of projects, programmes and agreements. In addition, the implementation of occupational qualifications has resulted in a reduced uptake of these new programmes and will require increased advocacy and collaboration with skills development providers and the QCTO as legacy qualifications are phased out.

## ORGANISATIONAL ENVIRONMENT

During the year under review, merSETA underwent a significant internal transformation to align with its five-year strategic planning cycle (2025–2030). The organisational transformation project, branded Project TransforMER, resulted in a redesigned structure aimed at improving operational efficiency, agility, and strategic





alignment. This restructuring was supported by a strategic human resource capacity plan and integrated into the organisation's planning and budgeting processes.

Despite these advancements, several internal dynamics impacted performance:

- **Audit Opinion:** A qualified audit opinion from AGSA highlighted weaknesses in financial reporting and performance information, prompting a renewed focus on strengthening internal controls and governance.
- **System and Data Limitations:** Challenges in data tracking for strategic priorities affected performance reporting. The merSETA is enhancing its ICT and knowledge management systems to address these gaps.
- **Vacancies and Staffing:** Key vacancies, especially in legal and compliance functions, and reliance on acting and contract positions affected organisational stability. Strategic initiatives are underway to improve recruitment, retention, and performance management.
- **Digital Transformation:** ICT remains central to the merSETA's strategy. A digital transformation roadmap is being implemented to improve data ecosystems, service provider management, and overall ICT maturity.
- **Skills and Capacity:** Ongoing competency assessments and the development of a comprehensive Workplace Skills Plan are critical to aligning staff capabilities with strategic outcomes.
- **Governance and Leadership:** The Accounting Authority maintained a consultative leadership style, supported by governance committees and stakeholder forums. Training initiatives were undertaken to strengthen governance capacity.

These internal developments—both challenges and strategic responses—have shaped the merSETA's ability to deliver on its mandate and will continue to influence its performance trajectory in the new strategic period.

## KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The National Skills Development Plan (NSDP) remains an important policy influencing the merSETA's work from 2020 to 2030. The NSDP was created within the context of the overarching National Development Plan (NDP). However, the Medium-Term Development Plan (MTDP) is set to become a primary driver, shaping the merSETA's strategic direction and operational priorities. The MTDP provides a roadmap for socio-economic development, and the merSETA's skills development initiatives will increasingly align with its specific objectives and targets.

The Reimagined Industrial Strategy brought about a change in how industry-level planning is approached. This strategy utilises Master Plans, initiated in 2019, as a key tool. These Master Plans, including those for the Steel, Automotive, and Plastics sectors, establish a collaborative structure in which the government, the private sector, and labour unions work together to create and implement plans. This signals a move towards a more flexible and responsive role for the state, addressing the various concerns of companies and stakeholders, particularly those of workers and communities.

The Economic Reconstruction and Recovery Plan (ERRP) also remains important. It aims to implement significant structural changes in the economy, focusing on issues such as low investment and job creation. A major part of the ERRP is the improvement of the supply of skills, particularly in areas such as energy sustainability and green initiatives, which align with the MTDP's emphasis on a just transition. Furthermore, policies related to the Just Energy Transition (JET) are increasingly important and are strongly reflected in both the MTDP and related South African policy frameworks. These policies are significantly influencing

skills development needs, driving the demand for new skills in renewable energy technologies, sustainable manufacturing practices, and related fields across all the merSETA sectors. This is a core component of the MTDP's vision for a sustainable economy.

### 3. PROGRESS TOWARDS THE ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

At the beginning of the five-year implementation period, the merSETA committed to make an impact in respect of job creation and economic development, growth and sustainability of the manufacturing, engineering and related services sector (mer-sector) industries and labour market supported by appropriate and relevant skills for the mer-sector.

To this end it assessed impact across its programmes in 2020, highlighting the positive employment outcomes for beneficiaries of learnerships and apprenticeships which indicated a 36% increase in employment after these skills interventions. For internships, there was a 54% increase in employment, with a high percentage of learners securing immediate and permanent employment within the mer sectors at competitive salaries. Overall learners felt positive about their employment prospects even if they did not find employment. Most felt that the programmes had taught them a lot about the industry in which they were placed and that over and above the technical training, they felt that they had developed personally as well.

#### STRATEGIC OUTCOMES

Below merSETA's strategic outcomes are discussed in terms of the outcome itself and the SETAs achievements against the outcome for 2020-2025:

**Outcome 1:** Ethical governance and a resourced, capable merSETA operations, established and maintained to equitably provide skills development-related services, goods and products responsive to the occupational and skills growth demands of the merSETA sector industries and labour market.

Against this outcome, the merSETA was to maintain an unqualified audit opinion and did so for the 2020/21 and 2021/22 years, the SETA was however qualified for the 2022/23 to 2024/25 period. The major contributing factors highlighted by the Auditor General in this respect was due to misstated opening balance accruals, overstatement of commitments due to misstated opening balances and misstatements in performance information.

To overcome these issues in the next planning cycle, merSETA will implement an action plan to address inefficiencies across

all business units by reviewing processes and standard operating procedures and ensure alignment across the business to improve performance reporting.

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

The SETA overachieved against this outcome by over 600%, supporting 4139 enterprises against a baseline of 670, thus exceeding its target of a 25% increase in this regard.

The baselines will be re-adjusted for future tracking of enterprise participation in merSETA programmes aligned with the upcoming 2025-2030 strategic outcomes.

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

With baselines of partnerships for TVET, CET and HEI set at 20%, 0% and 20% respectively, the merSETA aimed to achieve partnerships with 30% of all entities by the end of 2024 and again managed to overachieve against this target establishing partnerships with 76% of public TVET colleges, 44% of CET colleges and 54% of HEIs.

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

Against this outcome the merSETA set baselines of:

- 20% of black people in higher occupational categories participating in the merSETA skills development interventions with a target of reaching 54%.

The merSETA achieved 66% with the majority of black people in higher occupations participating in merSETA-funded programmes through bursaries and skills programmes for skills development among black managers, professionals, technicians and associate professionals

- 23% of females across all occupations are participating in merSETA skills development interventions, with a target to reach 50% by 2024/25.  
The merSETA only managed to achieve an increase to 37%, falling short of the 50% target. It was found that the SETA supported higher proportions of women in higher occupational categories versus lower occupational categories where participation was below 40%, the SETA must put in place mechanisms to better support female participation at these levels too, particularly in the trades of which only 27% were female learners.
- 2.3% of people with disabilities participating in skills development interventions with a target of reaching 4%  
The merSETA achieved 6%, exceeding its targets in terms of support for learners with disabilities due to a proactive approach through partnerships to deliberately support these learners.
- 0% support for Black Industrialists. The SETA set a target to support 50% of participating companies in the Black Industrialists Programme within the merSETA scope of coverage however due to data limitations pertaining to companies participating in this DTIC programme, the actual achievement could not be assessed.

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

Against this outcome the merSETA aimed to achieve:

- 50% of the current workforce have skills for either emerging, or transforming, or new occupations.  
To this end the merSETA achieved 48%, supporting 9964 employed learners on bursaries and skills programmes which are postulated to be higher level skills and skills sets aimed at maintaining employment in alignment with current and changing industry requirements.
- 50% of new entrants/unemployed have skills for either emerging, or transforming, or new occupations.  
The merSETA recorded 29% of unemployed learners supported through bursaries, entrepreneurship training, bursaries, trades and engineering interventions.

To better track this outcome the merSETA must define emerging, transforming and new occupations and skills through research and assessing the types of interventions which contribute to achieving a skilled, agile, and flexible current and future workforce. The skilling and reskilling of current workers, new entrants, and future workers should not only address immediate needs but also anticipate requirements for future demands.

Overall, the merSETA achieved the following in terms of its outcomes and outcome indicators:

OUTCOME	NUMBER OF INDICATORS	NO. ACHIEVED	PERCENTAGE (%)
1. Ethical governance and resourced 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	1	0	0%
2. Skills for productive enterprises within the social economy to support the integration into the merSETA sector engineering and industry value chains	1	1	100%
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.	3	3	100%
4. Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and transformation for the diversification of ownership, control and management.	4.	2	50%
5. A skilled, agile and flexible current and future workforce for emerging/transforming/new occupations and employment opportunities, within the merSETA sector engineering and manufacturing industries, and related labour market.	2	0	0%

## 4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

### PROGRAMME 1: ADMINISTRATION

#### PROGRAMME PURPOSE

The purpose of this programme is to:

- Instil coherent best practice effective and efficient governance, leadership and management activities for the AA, its committees, management, and staff of the merSETA.
- Ensure compliance to legislated and regulated obligations, as well as organisational policies.
- Establish a skilled high-performance environment.

#### SUB-PROGRAMMES AND THEIR PURPOSES

- Information, Communication and Technology (ICT) - this sub-programme is a function of the organisation supporting the critical value-chain business units as well as other support functions.
- Corporate Governance – the purpose of the sub-programme is to provide secretariat, corporate governance and compliance services.

#### INSTITUTIONAL OUTCOMES THAT THE PROGRAMME CONTRIBUTES TOWARDS

**Outcome 1:** Ethical governance and resourced 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.

PROGRAMME 1: ADMINISTRATION										
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL ACHIEVEMENT 2023/24	PLANNED ANNUAL TARGET (APP) 2024/25	2024/25 PLANNED ANNUAL TARGET (SLA/APP)	ACTUAL ACHIEVEMENT 2024/25	%	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024/25	REASONS FOR DEVIATION	
<b>Outcome 1:</b> Ethical governance and resourced 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	<b>Strategic Output 1:</b> Effective and efficient governance and leadership practice implemented	1.1. Percentage of compliance with Corporate Governance Compliance report.	100%	100%	100%	100%	100%	0	Target achieved	
		1.2 The status of Auditor-General South Africa audit outcomes.	New Indicator	Unqualified audit outcome for 2023/24	Unqualified audit outcome for 2023/24	Qualified audit outcome for 2023/24	0	-100%	merSETA received a qualified audit opinion for the financial year 2023/24. The AGSA noted that the merSETA had not appropriately accounted for accruals under discretionary grant expenses resulting in material misstatements that stemmed from the accuracy of reported performance against predetermined objectives (APO indicators). This misstatement also had a knock-on effect on the opening balances of the financial statements.	
		1.3 Number of critical business processes digitally enhanced.	New Indicator	6	6	6	100%	0	Target achieved	
			New indicator	New indicator	0	0	0	0	n/a	



## INSTITUTIONAL OUTCOMES THAT THE PROGRAMME CONTRIBUTES TOWARDS

**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 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.

PROGRAMME 2: SKILLS PLANNING										
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL ACHIEVEMENT 2023/24	PLANNED ANNUAL TARGET (APP) 2024/25	2024/25 PLANNED ANNUAL TARGET (SLA/APP)	ACTUAL ACHIEVEMENT 2024/25	%	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024/25	REASONS FOR DEVIATION	
<b>Outcome 2:</b> Skills for productive enterprises within the social economy to support the integration into the merSETA sector's engineering and SETCOR value chains.	<b>Strategic Output 2:</b> Establishment of credible and effective systems and strategies for research, planning, monitoring and evaluation.	2.1. Number of WSPs and ATRs approved for small firms: 49 or fewer employees.	2443	2428	<b>SETA FUNDED</b>	2428	2585	106%	157	Increased Awareness and Support Initiatives for small stakeholders.
<b>Outcome 3:</b> 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.	<b>Strategic Output 3:</b> Facilitation of skills development interventions to enable increased access to employment opportunities and support to economic growth opportunities	2.2. Number of WSPs and ATRs approved for medium firms: 50-149 employees.	921	918	<b>SETA FUNDED</b>	918	931	101%	13	Increased Awareness and Support Initiatives for medium firms.
<b>Outcome 4:</b> 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 of the diversification of ownership, control and management.	2.3. Number of WSPs and ATRs approved for large firms (150+ employees).		551	551	<b>SETA FUNDED</b>	551	623	113%	72	Increased Awareness and Support Initiatives for Large firms.
					<b>SECTOR FUNDED</b>	0	0	0	n/a	n/a

PROGRAMME 2: SKILLS PLANNING (CONTINUED)									
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL ACHIEVEMENT 2023/24	PLANNED ANNUAL TARGET (APP) 2024/25	2024/25 PLANNED ANNUAL TARGET (SLA/APP)	ACTUAL ACHIEVEMENT 2024/25	% DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024/25	REASONS FOR DEVIATION	
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..	2.4. Number of sector research agreements signed for TVET growth occupationally directed programmes.		5	3	SETA FUNDED	3	4	133%	Five TVET colleges applied and met the requirements for the indicator, and they were all recommended for approval.
					SECTOR FUNDED	0	0	0	
	2.5. Number of learners who completed workplace-based learning programmes absorbed into employment or self-employment.		1	1	SETA FUNDED	1	1	100%	Target Achieved.
					SECTOR FUNDED	0	0	0	
	2.6. Number of established and emergent cooperatives trained on sector and national identified priority occupations or skills.		2	4	SETA FUNDED	4	4	100%	Target Achieved.
					SECTOR FUNDED	0	0	0	
	2.7. Number of small and emerging enterprises trained in sector and nationally identified priority occupations or skills.		442	584	SETA FUNDED	584	480	82%	Late Finalisation of Contracts and MoAs.
				SECTOR FUNDED	0	0	0	n/a	

## PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS

The initiatives of this programme comprise the substantive core mandate of the SETA, skills development delivery to the range of learner beneficiaries of the SDA (employed and unemployed learners), as well as the organisational beneficiaries whose role in the main is to partner with the SETA as delivery agents towards ensuring a skilled and capable workforce for the mer-sector. The programme focuses on the management of grants' allocation and implementation thereof, as well as the management of learners covered by grant allocated funding agreements, undergoing a variety of learning interventions that result in skilled people. The services of this programme include merSETA non-financial services that will facilitate merSETA to achieve its targets for a skilled workforce in response to local, regional, national, and sectoral priorities. Partnerships and strategic alliances with employers, PSET institutions, non-levy paying entities, SMEs, cooperatives, labour organisations, Non-Profit Organisations (NPOs), public entities, other SETAs, the informal sector, and international partners is critical in delivering programmes and projects. Thus, the three strategic outputs and related indicators and targets of this programme that are measured, focus on grant-supported partnerships and learner outputs in respect of people entering and exiting learning to determine the potential (entering) and actual (completions) flow of skills, and skilled people into the mer-sector.

## SUB-PROGRAMMES AND THEIR PURPOSES

- Client Services - this sub-programme manages the application process of the discretionary grant funding. The application process includes the receipt of discretionary grant applications, evaluation, and facilitate approval processes for an award.

- ii. Quality Assurance & Partnerships – part of the Operations division, focusing on quality assurance of learning and partnerships establishment, performs the QCTO delegated functions.
- iii. Grants Management - this sub-programme manages the application process of the discretionary grant funding. The application process includes the receipt of discretionary grant applications, evaluation, and facilitate approval processes for an award.

## INSTITUTIONAL OUTCOMES THAT THE PROGRAMME CONTRIBUTES TOWARDS

**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.

## PROGRAMME 3: PROGRAMMES AND PROJECTS

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL ACHIEVEMENT 2023/24	PLANNED ANNUAL TARGET (APP) 2024/25	2024/25 PLANNED ANNUAL TARGET (SLA/APP)	ACTUAL ACHIEVEMENT 2024/25	%	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024/25	REASONS FOR DEVIATION	
<b>Outcome 2:</b> Skills for productive enterprises within the social economy to support integration into the merSETA sector's engineering and manufacturing value chains.	<b>Strategic output 3:</b> Facilitation of skills development interventions to enable increased access to employment opportunities and support to economic growth opportunities.	3.1. Percentage of total approved Discretionary Grants (DG) allocations to employers, allocated to programmes or projects aimed at developing high-level skills, e.g., managers, professionals, technicians and associate professionals.	24%	10%	SETA FUNDED	10%	22%	220%	An increased number of DG applications were allocated for the development of high-level skills.	
					SECTOR FUNDED	0	0	0	n/a	
		3.2. Percentage of total approved Discretionary Grants (DG) allocations to employers, allocated to programmes or projects aimed at developing mid-level skills, e.g., clerical, sales and service, and skilled craft and trade workers.	62%	50%	SETA FUNDED	50%	66%	132%	16%	An increased number of DG applications were allocated for the development of intermediate skills.
					SECTOR FUNDED	0	0	0	n/a	
<b>Outcome 3:</b> PSET education, training and skills development in public institutions that are responsive to the changing occupations and skills demands required for the merSETA sector's engineering and manufacturing industries and related labour market.		3.3. Percentage of total approved Discretionary Grants (DG) allocations to employers, allocated to programmes or projects aimed at developing elementary skills, e.g., machine operators and elementary workers.	15%	15%	SETA FUNDED	15%	12%	80%	Insufficient DG applications were received relating to the development of elementary skills.	
					SECTOR FUNDED	0	0	0	0	n/a

## PROGRAMME 3: PROGRAMMES AND PROJECTS (CONTINUED)

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL ACHIEVEMENT 2023/24	PLANNED ANNUAL TARGET (APP) 2024/25	2024/25 PLANNED ANNUAL TARGET (SLA/APP)	ACTUAL ACHIEVEMENT 2024/25	%	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024/25	REASONS FOR DEVIATION
<b>Outcome 4:</b> Skills for a transformed SA merSETA sector's engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation towards more diversified ownership, control and management.  <b>Outcome 5:</b> 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 the related labour	3.4. Number of unemployed learners registered for WIL programmes at TVET colleges.		385	500	<b>SETA FUNDED</b> 500	199	40%	-301	There was insufficient uptake from industry partners to host WIL learners.
					<b>SECTOR FUNDED</b> 0	62	6200%	62	
		3.5. Number of unemployed learners completing WIL programmes at TVET colleges.	29	300	<b>SETA FUNDED</b> 150	293	195%	143	Overachieved due to funded organisations prioritising the implementation of the MoA.
					<b>SECTOR FUNDED</b> 150	41	27%	-109	Insufficient Host Employer Capacity.
	3.6. Number of unemployed learners registered for WIL programmes at HEIs.		315	750	<b>SETA FUNDED</b> 750	65	9%	-685	41
					<b>SECTOR FUNDED</b> 0	142	14200%	142	Underestimate of Baseline for industry-funded learners.
		3.7. Number of unemployed learners completing WIL programmes at HEIs.	146	180	<b>SETA FUNDED</b> 180	79	44%	-101	There was insufficient uptake from industry partners to host WIL learners.
					<b>SECTOR FUNDED</b> 0	7	700%	7	Underestimate of Baseline for industry-funded learners.
	3.8. Number of unemployed learners registered for workplace experience/internships.		109	563	<b>SETA FUNDED</b> 563	167	30%	-396	There was insufficient uptake from industry partners to host interns.
					<b>SECTOR FUNDED</b> 0	230	23000%	230	Underestimate of Baseline for industry-funded learners.
		3.9. Number of unemployed learners completing workplace experience/internships.	82	273	<b>SETA FUNDED</b> 273	96	35%	-177	Inadequate Workplace Placement Opportunities.
					<b>SECTOR FUNDED</b> 0	29	2900%	29	Underestimate of Baseline for industry-funded learners.
	3.10. Number of unemployed learners registered for skills programmes.		5409	4000	<b>SETA FUNDED</b> 3900	4964	127%	1064	Overachieved due to entities prioritising the implementation of the MoA.
					<b>SECTOR FUNDED</b> 100	871	871%	771	Underestimate of Baseline for industry-funded learners.
		3.11. Number of unemployed learners completing skills programmes.	1753	4000	<b>SETA FUNDED</b> 3900	2042	52%	-1858	The number of learners who achieved competence was insufficient.
					<b>SECTOR FUNDED</b> 100	1169	1169%	1069	Underestimate of Baseline for industry-funded learners.
	3.12. Number of unemployed learners registered for learnership programmes.		4815	4815	<b>SETA FUNDED</b> 4300	1225	28%	-3075	Employer reluctance to engage unemployed learners.
					<b>SECTOR FUNDED</b> 515	3412	663%	2897	Underestimate of Baseline for industry-funded learners.
		3.13. Number of unemployed learners completing learnership programmes.	2344	2500	<b>SETA FUNDED</b> 2000	1149	57%	-851	Overachieved due to entities prioritising the implementation of the MoA.
					<b>SECTOR FUNDED</b> 500	1585	317%	1085	Underestimate of Baseline for industry-funded learners.



### PROGRAMME 3: PROGRAMMES AND PROJECTS (CONTINUED)

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL ACHIEVEMENT 2023/24	PLANNED ANNUAL TARGET (APP) 2024/25	2024/25 PLANNED ANNUAL TARGET (SJA/APP)	ACTUAL ACHIEVEMENT 2024/25	%	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024/25	REASONS FOR DEVIATION
		3.14. Number of unemployed engineering graduates registered for candidacy programmes.	37	32	<b>SETA FUNDED</b>	32	33	103%	1
					<b>SECTOR FUNDED</b>	0	7	700%	7
		3.15. Number of unemployed engineering graduates completing candidacy programmes.	33	4	<b>SETA FUNDED</b>	4	5	125%	1
					<b>SECTOR FUNDED</b>	0	1	100%	1
		3.16. Number of unemployed learners registered for bursary programmes (new entries).	163	88	<b>SETA FUNDED</b>	88	349	397%	261
					<b>SECTOR FUNDED</b>	0	37	390%	37
		3.17. Number of unemployed learners registered for bursary programmes (continuing).	239	200	<b>SETA FUNDED</b>	350	419	120%	69
					<b>SECTOR FUNDED</b>	0	0	0	n/a
		3.18. Number of unemployed learners completing bursary programmes.	324	60	<b>SETA FUNDED</b>	60	159	265%	99
					<b>SECTOR FUNDED</b>	0	19	190%	19
		3.19. Number of employed learners registered for learnership programmes.	1187	2325	<b>SETA FUNDED</b>	2000	459	23%	-1541
					<b>SECTOR FUNDED</b>	325	1803	555%	1478
		3.20. Number of employed learners completing learnership programmes.	1227	860	<b>SETA FUNDED</b>	700	285	41%	-415
					<b>SECTOR FUNDED</b>	160	675	422%	515
		3.21. Number of employed learners registered for bursary programmes (new entries).	43	104	<b>SETA FUNDED</b>	104	129	124%	25
					<b>SECTOR FUNDED</b>	0	108	490%	108
		3.22. Number of employed learners registered for bursary programmes (continuing).	1	50	<b>SETA FUNDED</b>	40	3	8%	-37
					<b>SECTOR FUNDED</b>	10	14	140%	4
		3.23. Number of employed learners completing bursary programmes.	5	20	<b>SETA FUNDED</b>	15	1	7%	-14
					<b>SECTOR FUNDED</b>	5	1	20%	-4

PROGRAMME 3: PROGRAMMES AND PROJECTS (CONTINUED)									
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL ACHIEVEMENT 2023/24	PLANNED ANNUAL TARGET (APP) 2024/25	2024/25 PLANNED ANNUAL TARGET (SIA/APP)	ACTUAL ACHIEVEMENT 2024/25	%	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024/25	REASONS FOR DEVIATION
					<b>SETA FUNDED</b>	800	1315	164%	515
		3.24. Number of employed learners registered for skills programmes.	902	1000					Overachieved due to entities prioritising the implementation of the MoA.
					<b>SECTOR FUNDED</b>	200	317	159%	117
									High Employer Demand for Upskilling employed learners on Skills Programmes.
					<b>SETA FUNDED</b>	800	413	52%	-387
		3.25. Number of employed learners completing skills programmes.	650	1000					Employer Withdrawal and Learner Dropouts recorded.
					<b>SECTOR FUNDED</b>	200	676	338%	476
									Increase efforts to closeout legacy qualification on completions.
					<b>SETA FUNDED</b>	50	1668	3336%	1618
		3.26. Number of employed or unemployed learners registered for AET programmes.	746	50					Overachieved due to entities prioritising the implementation of the MoA.
					<b>SECTOR FUNDED</b>	0	289	2890%	289
									High Employer Demand for Upskilling employed learners on AET Programmes.
					<b>SETA FUNDED</b>	25	67	268%	42
		3.27. Number of employed or unemployed learners completing AET programmes.	513	30					Overachieved due to entities prioritising the implementation of the MoA.
					<b>SECTOR FUNDED</b>	5	160	3200%	155
									High Employer Demand for Upskilling employed learners on AET Programmes.
					<b>SETA FUNDED</b>	3500	1960	56%	-1540
		3.28. Number of learners registered for trade/artisan qualifications (new registrations).	2480	4000					Delays in Funding Approval and Contracting.
					<b>SECTOR FUNDED</b>	500	1212	242%	712
									Underestimated Target Baseline.
					<b>SETA FUNDED</b>	2200	606	28%	-1594
		3.29. Number of learners completing trade/artisan qualifications.	1218	2500					Not enough learners successfully complete the assessment for completions.
					<b>SECTOR FUNDED</b>	300	640	213%	340
									Underestimated Target Baseline.
					<b>SETA FUNDED</b>	1000	293	29%	-707
		3.30. Number of learners entering the Artisan Recognition of Prior Learning (ARPL) programme.	1069	1500					There were limited opportunities for workplace placements.
					<b>SECTOR FUNDED</b>	500	1124	225%	624
									High industry demand for individual ARPL applications.

### PROGRAMME 3: PROGRAMMES AND PROJECTS (CONTINUED)

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL ACHIEVEMENT 2023/24	PLANNED ANNUAL TARGET (APP) 2024/25	2024/25 PLANNED ANNUAL TARGET (SIA/APP)	ACTUAL ACHIEVEMENT 2024/25	%	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024/25	REASONS FOR DEVIATION
<b>Outcome 2:</b> Skills for productive enterprises within the social economy to support integration into the merSETA sector's engineering and manufacturing sector value chains.	<b>Strategic Output 5:</b> 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 the merSETA's engineering and manufacturing value chain.	3.31. Number of learners completing the Artisan Recognition of Prior Learning (ARPL) programme.	1069	1500	SETA FUNDED 1000 SECTOR FUNDED	251	25%	-749	Not enough learners successfully completed the assessment required for completion.
					500	750	150%	250	High industry demand for individual ARPL passing trade tests.
		3.32. Number of active TVET college partnerships established.	39	25	SETA FUNDED 25 SECTOR FUNDED	34	136%	9	Inclusion of active partnerships from previous financial years that continued to produce tangible outputs during the reporting period.
					0	0	0	0	n/a
		3.33. Number of active SETA–HEI partnerships established.	12	12	SETA FUNDED 12 SECTOR FUNDED	13	108%	1	Inclusion of active partnerships from previous financial years that continued to yield tangible outputs during the reporting period.
					0	0	0	0	n/a
		3.34. Number of active CET partnerships established.	4	4	SETA FUNDED 4 SECTOR FUNDED	4	100%	0	Target Achieved.
					0	0	0	0	n/a
		3.35. Number of new SETA-Employer partnerships established.	730	1200	SETA FUNDED 1200 SECTOR FUNDED	913	76%	-287	Proactive Stakeholder Engagement.
					0	0	0	0	n/a
<b>Outcome 2:</b> Skills for productive enterprises within the social economy to support integration into the merSETA sector's engineering and manufacturing sector value chains.	<b>Strategic Output 5:</b> 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 the merSETA's engineering and manufacturing value chain.	3.36. Number CBOs / NGOs/ NPOs funded for skills to grow/develop and sustain their activities or organisations.	26	22	SETA FUNDED 22 SECTOR FUNDED	29	132%	7	Overachieved due to the prioritisation of MoA implementation by entities.
					0	0	0	0	n/a
		3.37. Number of trade unions supported through skills development.	3	2	SETA FUNDED 2 SECTOR FUNDED	2	100%	2	Target Achieved.
					0	0	0	0	n/a
		3.38. Number of rural development projects supported through skills development.	6	4	SETA FUNDED 4 SECTOR FUNDED	3	75%	-1	Insufficient DG applications were received related to development in rural areas.
<b>Outcome 2:</b> Skills for productive enterprises within the social economy to support integration into the merSETA sector's engineering and manufacturing sector value chains.	<b>Strategic Output 5:</b> 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 the merSETA's engineering and manufacturing value chain.				0	0	0	0	n/a
		3.39. Number of people trained on entrepreneurship supported to start their businesses (number of people funded for enterprise growth/ enterprise development skills.	516	120	SETA FUNDED 100 SECTOR FUNDED	224	224%	124	Overachieved due to the prioritisation of MoA implementation by entities.
					20	0	0%	-20	Lack of Industry-Structured Programmes.

## PROGRAMME 4: QUALITY ASSURANCE

### PROGRAMME PURPOSE

The purpose of this budget programme is to catalyse quality improvement for the learning, assessment and certification of training delivery partners of the merSETA inclusive of modelised learning modalities and associated assessment and credential systems. For the coming MTEF, the focus is on supporting the quality of learning delivery of vocational and technical public sector education and training institutions, TVET and CET colleges as required by the NSDP. The function of quality learning, assessment and certification includes, but is not limited to the development of curriculum required for occupations and skills appropriate to the sector, raising quality of learning, assessment, and certification through the development of learning infrastructure and materials, and staffing (human resources). Table 14 below highlights performance indicators and targets for Programme 4 over the medium-term expenditure framework.

As the quality partner appointed by the QCTO for new occupational qualifications, the merSETA is focusing on aligning its quality development to the QCTO policy on development and review of occupational qualifications, part-qualifications and skills programmes of 9 September 2021.

### SUB-PROGRAMMES AND THEIR PURPOSES

- Marketing and Communications - facilitates smooth marketing and communication between the merSETA and its stakeholders, through better management, effective implementation and utilisation of efficient tools and strategies.

- Client Services - this sub-programme manages the application process of the discretionary grant funding. The application process includes the receipt of discretionary grant applications, evaluation, and facilitate approval processes for an award.
- Quality Assurance & Partnerships – part of the Operations division, focusing on quality assurance of learning and partnerships establishment performs the QCTO delegated functions.
- Grants Management - this sub-programme manages the application process of the discretionary grant funding. The application process includes the receipt of discretionary grant applications, evaluation and facilitate approval processes for an award.

### INSTITUTIONAL OUTCOMES THAT THE PROGRAMME CONTRIBUTES TOWARDS

#### 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 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.

PROGRAMME 4: QUALITY ASSURANCE											
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL ACHIEVEMENT 2023/24	PLANNED ANNUAL TARGET (APP) 2024/25	2024/25 PLANNED ANNUAL TARGET (SLA/APP)	ACTUAL ACHIEVEMENT 2024/25	%	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024/25	REASONS FOR DEVIATION		
<b>Outcome 3:</b> PSET education, training and skills development in public institutions that are responsive to the changing occupations and skills demands required for the merSETA sector's engineering and manufacturing industries and the related labour market.	<b>Strategic Output 6:</b> Support to the growth and quality improvement of Technical and Vocational Education and Training (TVET) colleges.	4.1. Number of TVET Centres of Specialisation (CoS) supported.	10	4	SETA FUNDED	4	9	225%	5		
					SETA FUNDED	0	0	0	0	n/a	
					SETA FUNDED	4	4	100%	0	Target Achieved.	
					SETA FUNDED	0	0	0	0	n/a	
					SETA FUNDED	70	70	100%	0	Target Achieved.	
				6	70	SETA FUNDED	0	0	0	0	n/a
				3	3	SETA FUNDED	3	3	100%	0	Target Achieved.
						SETA FUNDED	0	0	0	0	n/a
				0	4	SETA FUNDED	4	0	0	-4	Insufficient DG applications from CET colleges.
						SETA FUNDED	0	0	0	0	n/a
	<b>Strategic Objective 7:</b> Support to the growth and quality improvement of Community Education and Training Colleges (CET) colleges.	4.6. Number of CET learners accessing AET programmes.	22	20	SETA FUNDED	20	0	0	-20	Insufficient learner pipeline from CET colleges.	
					SETA FUNDED	0	0	0	0	n/a	



PROGRAMME 4: QUALITY ASSURANCE (CONTINUED)									
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL ACHIEVEMENT 2023/24	PLANNED ANNUAL TARGET (APP) 2024/25	2024/25 PLANNED ANNUAL TARGET (SLA/APP)	ACTUAL ACHIEVEMENT 2024/25	%	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024/25	REASONS FOR DEVIATION
<b>Outcome 5:</b> 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 the related labour market.	<b>Strategic Output 8:</b> Support career development services.	4.7. Number of career development events in urban areas on occupations in high demand.	27	21	SETA FUNDED 21 SECTOR FUNDED 0	21	100%	0	Target Achieved.
		4.8. Number of career development events in rural areas on occupations in high demand.	24	21	SETA FUNDED 21 SECTOR FUNDED 0	25	119%	4	Collaborations with local schools, community centres, non-profits, and businesses resulted in additional events being organised.
		4.9. Number of career development practitioners trained.	55	30	SETA FUNDED 30 SECTOR FUNDED 0	35	117%	5	The programme attracted more participants than expected and was deliberately designed to accommodate dropouts during its duration.
		4.10. Number of capacity-building workshops on career development services initiated.	8	9	SETA FUNDED 9 SECTOR FUNDED 0	9	100%	0	Target Achieved.
		4.11. Number of Occupational Qualifications/ Part-Qualifications and/or skills programmes submitted to the QCTO	New indicator	27	SETA FUNDED 27 SECTOR FUNDED 0	22	81%	-5	Proactive Stakeholder Engagement.
	<b>Strategic output 3:</b> Facilitation of skills development interventions to enable increased access to employment opportunities and support to economic growth opportunities.								

## OUTCOMES, OUTPUTS, OUTPUT INDICATORS, TARGETS AND ACTUAL ACHIEVEMENT

Overall, the merSETA tracked 60 indicators for the financial year 2024-2025 with 38 performance indicators achieved at 100% or more, 13 indicators were achieved at moderate achievement between 50 and 99 percent and 9 indicators were achieved at a poor level with target numbers lower than 50%.

Table 4: Achievement Status of targets 2020-2025

ACHIEVEMENT LEVEL	NUMBER OF TARGETS	%
Achieved (100% +)	38	63%
Moderate (50-99%)	13	22%
Poor (< 50%)	9	15%
<b>Grand Total</b>	<b>60</b>	<b>100%</b>

## STRATEGIES TO ADDRESS AREAS NEEDING IMPROVEMENT

The merSETA has initiated a comprehensive action plan to address inefficiencies and improve performance, aiming for 100% target achievement in the next period.

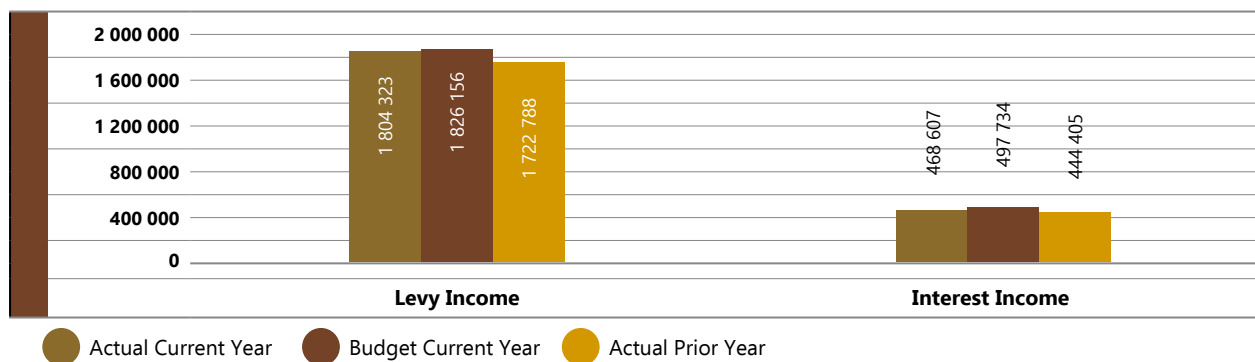
Key measures include:

1. **Organisational Redesign:** The conclusion and implementation of the redesigned organisational structure to foster a high-performance culture, supported by ethical leadership, best practices and appropriate competencies. The organisational structure may undergo further refinement depending on organisational demands. We will also ensure that all vacancies are filled and that employees in acting positions resume their normal duties, which in turn will alleviate the pressure to “top-up” the staff compliment with short term and temporary personnel.
2. **Audit Action Plan:** Developing and implementing a comprehensive audit action plan to resolve AGSA findings, including reviewing business processes for accruals and performance reporting.
3. **Improved Data Systems:** Enhancing ICT/MIS systems for robust data management and governance, ensuring reliable and valid data for strategic decision-making and reporting.
4. **Programme Evaluation Plan:** Developing an evaluation plan for key skills programmes to identify areas for improvement and set goals more efficiently.
5. **Tracer Studies:** Implementing large-scale tracer studies to determine occupations taken up by unemployed learners for emerging, transforming and new occupations, and to assess programme effectiveness.
6. **Refining Occupational Definitions:** Defining emerging, transforming and new occupations and skills to enable more precise measurement and targeted interventions.
7. **MoA Management and QMS:** Implementing end-to-end MoA management at the regional level and a Quality Management System (QMS) to embed standard process flows and internal controls.
8. **Capacity Building and Skilling of Staff:** Identifying gaps in technical, managerial and digital skills, and developing targeted training programmes (e.g., GRAP, project management, stakeholder engagement) to enhance capacity.
9. **Stakeholder Engagement and Partnerships:** Strengthening communication and collaboration with employers, training providers, TVETs, HEIs, CETs and government stakeholders, and establishing feedback loops with industry partners and learners to continuously refine programmes.



## 5. REVENUE COLLECTION

NAME	2024/25			2023/24		
	BUDGET	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION BUDGET	BUDGET	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION BUDGET
Skills development levy income	1 826 156	1 804 323	21 833	1 732 608	1 722 788	9 820
Skills development penalties and interest	22 335	16 076	6 259	20 681	21 418	(737)
Interest Income	497 734	468 607	29 127	456 800	444 405	12 395
<b>Total</b>	<b>2 346 225</b>	<b>2 289 006</b>	<b>57 219</b>	<b>2 210 089</b>	<b>2 188 611</b>	<b>21 478</b>



## 6. CAPITAL INVESTMENT

	2024/25			2023/24		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	-	-	-	-	-	-
<b>Total</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>



## PART C **GOVERNANCE**



## INTRODUCTION

The merSETA Accounting Authority (AA) is appointed by the Minister of Higher Education and Training (previously 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. The Chairperson and fourteen members of the Accounting Authority are appointed for a five-year term as provided for in the Act. The current AA was appointed on 1 April 2020, with its term ending on 31 March 2025.

## PORTFOLIO COMMITTEE

The merSETA is a Schedule 3A public entity and reports to the Minister of Higher Education and Training. The merSETA reports to Parliament through the Minister and appears before the Portfolio Committee by invitation when necessary to present its annual performance report.

## EXECUTIVE AUTHORITY

The Minister of Higher Education and Training serves as the Executive Authority for the merSETA, bearing responsibility to Parliament for the organisation's activities. The merSETA has diligently fulfilled its obligations by submitting all requisite documentation to the Executive Authority, National Treasury and Parliament. These submissions encompass quarterly reports detailing financial and performance metrics, the Annual Report, the Annual Performance Plan, the Sector Skills Plan and the Service Level Agreement within the specified timeframe.

## THE ACCOUNTING AUTHORITY

Ms Kate Moloto was appointed Chairperson of the Accounting Authority, while Mr Louis van Huyssteen (employer) and Mr Jacobus (Koos) de Beer (labour) served as Deputy Chairpersons. In the year under review, the AA comprised the following other members: Dr Alex Mashilo, Ms Kirtida Bhana, Dr Lesley Lee\*, Ms Thandeka Phiri, Mr Renai Moothilal, Mr Siboniso Mdletshe, Mr Rick Grobler, Ms Sumaya Hoosen, Mr Neil Rademan and Mr Thapelo Molapo.

\* Resigned during the reporting period.

## ATTENDANCE AT THE ACCOUNTING AUTHORITY AND COMMITTEE MEETINGS

Details of attendance during the 2024/25 financial year are summarised in the table below:

NAME	ACCOUNTING AUTHORITY*	AUDIT & RISK COMMITTEE	EXECUTIVE COMMITTEE	HR & REMUNERATION COMMITTEE	FINANCE & GRANTS COMMITTEE	GOVERNANCE & STRATEGY	OTHER MEETINGS **
Kate Moloto (AA Chairperson)	23/23	2/2	5/5	7/7			49
Louis van Huyssteen (AA Deputy Chairperson) *	22/23	1/1	5/5			6/6	9
Jacobus (Koos) de Beer (AA Deputy Chairperson) **	21/23	11/11	5/5	13/14		6/6	39
Dr Alex Mashilo	17/23					5/6	
Kirtida Bhana**	22/23					4/6	3
Siboniso Mdletshe	12/23					4/6	
Mokgatle (Thapelo) Molapo**	16/23	1/1		13/14	7/8		31
Thandeka Phiri**	19/23	0/1	5/5	14/14	6/8		21
Renai Moothilal**	17/23	11/11			8/8		6
Sumaya Hoosen**	21/23				7/8		2
Neil Rademan**	23/23			14/14		6/6	8
Rick Grobler**	22/23				6/8	6/6	8
Siyabonga Msweli*	6/10					4/6	
Khumo Mzozoyana*	17/17	11/11					29
Margaret Phiri*	4/7	11/11					2
Tshepo Fari*	6/7	11/11					

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

\*\* Includes Chamber Meetings and other AA and Committee meetings attended by some members.

## REMUNERATION OF THE ACCOUNTING AUTHORITY AND COMMITTEE MEMBERS

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

NAME	REMUNERATION (R000)	OTHER ALLOWANCES DATA (R000)	OTHER RE-IMBURSEMENTS FUEL (R000)	TOTAL (R000)
Kate Moloto (Accounting Authority and EXCO Chairperson)	667			667
Louis van Huyssteen* (Accounting Authority Deputy Chairperson)	373			373
Jacobus (Koos) de Beer (Accounting Authority Deputy Chairperson)	737	4	26	767
Dr Alex Mashilo (GSC Chairperson)	99			99
Kirtida Bhana*	245	3		248
Siboniso Mdletshe	129	1		130
Mokgatle (Thapelo) Molapo (FGC Chairperson)	564			564
Thandeka Phiri (HRRC Chairperson)	488			488
Renai Moothilal	376	4	1	381
Sumaya Hoosen*	250			250
Neil Rademan	402	4		406
Rick Grobler	357		5	362
Siyabonga Msweli**	84			84
Khumo Mzozoyana** (ARC Chairperson)	873	4		877
Margaret Phiri**	249	4		253
Tshepo Fari**	299		1	300
<b>Total</b>	<b>6 192</b>	<b>24</b>	<b>33</b>	<b>6 249</b>

\* 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).

## 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, which is ably assisted by the CFO and Internal Audit, the Accounting Authority was able to approve the Enterprise-wide Risk Management Strategy, Materiality Framework and Strategic Register, through which the organisation's risk profile, appetite, mitigation and aggravation factors, and strategic interventions were clearly defined and constantly monitored. The Audit and Risk Committee received and considered risk management reports on a quarterly basis.

## INTERNAL CONTROL UNIT

Within merSETA, there is no single, centralised "Internal Control Unit." Instead, the concept of internal control is understood as a broad set of functions and responsibilities that are distributed across several different departments and entities.

The responsibility for internal auditing is not handled by an in-house team; this function has been outsourced to an external service provider. Similarly, governance oversight is not the responsibility of a single unit but is a shared duty, collaboratively managed by the Legal and Company Secretariat divisions, with some limited involvement from the outsourced Internal Audit function.

Furthermore, any initiatives related to process improvement are managed by the Strategy, Research, and Reporting department. For matters concerning the oversight of policy implementation, this is also a distributed responsibility, with the Human Resources department taking the lead on the broader enforcement of policies throughout the organisation.

## INTERNAL AUDIT

The internal audit function is entrusted to an independent service provider through an outsourcing arrangement. This function is executed in accordance with a formally approved three-year internal audit plan, which provides a structured framework for assurance activities. During the reporting period, the services of one external audit firm were engaged to fulfil the internal audit mandate. These services were transitioned to a successor firm to ensure continuity of assurance and adherence to governance requirements. All internal audit activities are carried out under the guidance of the approved Internal Audit

Charter and Plan, which prescribe the scope, standards, and reporting responsibilities of the function.

Furthermore, the Audit and Risk Committee reviews the performance of internal auditors in accordance with PFMA requirements.

In the year under review, internal auditors independently appraised the adequacy and effectiveness of the merSETA's systems, financial internal controls and accounting records, with their findings reported to the Audit and Risk Committee quarterly. The internal control environment of the merSETA was found to have weakened, leading to a number of adverse audit findings."

## THE AUDIT AND RISK COMMITTEE (ARC)

The Audit and Risk Committee, established in terms of Section 51 of the Public Finance Management Act, monitors compliance with the approved governance protocols related to financial management and reporting. It is also responsible for monitoring the internal audit and risk management functions and reports to the AA on all matters within its purview.

## COMPOSITION

The Audit and Risk Committee comprises the following members:

- Ms Khumo Mzozoyana (Independent member and Chairperson);
- Ms Margaret Phiri (Independent member);
- Mr Tshepo Fari (Independent member);
- Mr Koos de Beer (AA member representing organised labour); and
- Mr Renai Moothilal (AA member representing organised employers).

## 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.

## **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 the 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 that corrective measures are put in place. The merSETA furthermore actively participates in processes that deal with proposed changes to legislation, in particular, enacted legislation that has a direct impact on the merSETA operations.

## **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 governance structures. The whistleblower report is periodically submitted to the Audit and Risk Committee, which decides on appropriate action to be taken on all reported cases.

## **MINIMISING CONFLICT OF INTEREST**

All members of the Accounting Authority, as well as every employee and official associated with the merSETA, are mandated to steer clear of any direct or indirect conflicts, or situations that might potentially undermine the interests of the merSETA. To uphold this principle, a Conflict of Interest Policy was ratified by the Accounting Authority in March 2020, and is slated for reassessment in 2025. This policy delineates essential directives regarding disclosure requirements for both the Accounting Authority and staff members.

Furthermore, it is incumbent upon members and staff to declare their vested interests annually, ensuring transparency and preventing the organisation from entering into contracts with employees, members, or their affiliates. Additionally, it is obligatory for members

and management to disclose their interests during meetings of the Accounting Authority, committees and the management committee.

## **CODE OF CONDUCT**

The merSETA has established a comprehensive Code of Conduct applicable to both its employees and members of the Accounting Authority, alongside an overarching Code of Ethics applicable across the organisation. Regular reviews ensure these codes remain current and effective. They delineate the standards of behaviour expected from employees and Accounting Authority members while operating within the SETA framework and when representing the merSETA on various platforms.

Upon appointment, members and employees receive access to these codes and are obligated to acquaint themselves thoroughly with their contents. Conveniently, these codes are readily accessible through the electronic database for ease of reference.

## **HEALTH, SAFETY AND ENVIRONMENTAL ISSUES**

A 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 Environmental Management Act No. 107 of 1998.

## **COMPANY SECRETARY**

Mr Tlale D. Mokutu was the Company Secretary during the year under review. He was responsible for advising and supporting the Accounting Authority, Accounting Authority Committees and the merSETA management on matters related to corporate governance and provided overall corporate governance and compliance advisory support to the Accounting Authority.

## **SOCIAL RESPONSIBILITY**

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



# Report of the AUDIT AND RISK COMMITTEE

## 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 2025. 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. In doing so, the committee gave effect to the provisions of the Treasury Regulations dealing with audit committees, internal audit, risk management, internal controls, supply chain management, the identification and treatment of irregular, fruitless and wasteful expenditure, and financial reporting and disclosure in terms of the PFMA and GRAP. 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 in accordance with the relevant requirements of the PFMA, Treasury Regulations, and Generally Recognised Accounting Practice (GRAP).

In 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 judgments, estimates, and accounting for significant transactions in the annual financial statements. Where appropriate, the committee sought the input and views of the external auditors and encouraged rigorous challenging of controls, accounting and disclosure matters.

The committee focused on specific control issues, in particular, the controls relating to financial reporting. The committee concluded that the internal control environment has deteriorated, judging from the nature of matters raised by both the internal auditors and external auditors. Thus, the entity is required to focus its attention on all transactions that emanate from discretionary grants. The committee appreciates management's concerted efforts to detect irregular expenditure, even though improvement is necessary in the prevention of irregular expenditure.

During the year under review, there was a noticeable decline in the quality of performance information reporting. The committee is concerned that despite prior-year commitments and action plans by management, as well as repeated recommendations from internal and external auditors, the SETA still fails to meet its performance targets. Management's commitment to improve and implement corrective measures regarding performance information has not produced the desired outcomes. Therefore, focused and sustained efforts are necessary to address performance information issues.

The committee considered the following:

- the effectiveness of internal control systems and governance processes,
- legal matters that could have a material impact on the merSETA,
- the effectiveness of the risk management system and processes,
- financial reporting,
- internal financial controls,
- the entity's compliance with legal and regulatory requirements,
- the annual audit plan,
- the audit charter,
- the independence, effectiveness, and 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 require attention.
- The compliance framework requires improvements, and there should be more focus on the application thereof, especially in terms of PFMA requirements.
- The internal accounting controls were insufficient to ensure the reliability of the financial records for preparing the financial statements and maintaining accountability for assets and liabilities.
- The delay in Internal Audit procurement processes resulted in the appointment only being made in the second quarter. After evaluating the performance of the Internal Auditors, a new service provider was appointed for a 12-month period. Management should expedite the procurement process to secure a longer-term contract.
- The audit committee charter was adhered to.
- The information contained in the annual report is reliable and does not contradict the information in the annual financial statements.

The committee is concerned that the SETA has received a qualified audit opinion; management should ensure that these issues are addressed adequately to ensure that they do not recur. It is of grave concern to the committee that the SETA's performance continues to deteriorate. This is also exacerbated by the fact that the CEO has been on suspension since November 2022 and the COO post has been vacant, with people acting in these positions. The senior management vacancy rate is a serious cause for concern.

## EVENTS AFTER REPORTING DATE

During the course of the audit, there was no Accounting Authority in place to provide governance oversight and discharge its fiduciary responsibilities. This governance gap must be addressed as a matter of urgency for proper accountability and strategic direction for the entity.

## RECOMMENDATION

The committee has evaluated the Annual Financial Statements of the merSETA for the year ended 31 March 2025 and, based on the information provided, considers that they comply, except for the matters qualified, with the requirements of the PFMA and GRAP, in all material respects. 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 (who is the CEO, appointed by the Minister in terms of section 49(1),(2)(a)&(b) and section 3 of the PFMA).

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 has received a qualified audit opinion for the 2024/25 financial year, which remains consistent with the audit opinion issued for the preceding financial year.

## B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The merSETA underwent a verification audit in the year under review and achieved a B-BBEE level 8 contributor status. The merSETA follows the Preferential Procurement Policy Framework Act No. 5 of 2000 and its regulations for preferential procurement.

The merSETA continued to apply the Broad-Based Black Economic Empowerment (B-BBEE) Act in its awarding of discretionary grant funding, as expressed in its Grant Funding Policy. During the year under review, the merSETA engaged with stakeholders on various matters related to B-BBEE applicability in awarding discretionary grant funding.

The merSETA has recently begun taking steps to seek a legally informed and transparent way forward in dealing with stakeholders' concerns, as well as establishing an internal committee to identify and implement strategies to improve the merSETA B-BBEE contributor status.

Has the Public Entity applied any relevant code of good practice (B-BBEE Certificate Levels 1–8) with regard to the following:

CRITERIA	RESPONSE YES / NO	DISCUSSION
Determining qualification criteria for the issuing of licenses, concessions or other authorisations in respect of economic activity in terms of any law?	Y	All bidding documentation has evaluation criteria stipulated.  This sets out the criteria for evaluations commencing from initiation up until award.
Developing and implementing a preferential procurement policy?	Y	The merSETA has developed and implemented a Preferential Procurement Policy and continues to apply the same.
Determining qualification criteria for the sale of state-owned enterprises?	N	This is not applicable to the merSETA.
Developing criteria for entering into partnerships with the private sector?	Y	The merSETA has in place an approved Grant Funding Policy and Criteria Guideline, which serves as its guiding document together with relevant legislation, which informs the entering into partnerships with the private sector.
Determining criteria for the awarding of incentives, grants, and investment schemes in support of Broad-Based Black Economic Empowerment?	Y	The merSETA has in place an approved Grant Funding Policy and Criteria Guideline, which serves as its guiding document, together with relevant legislation, which informs the awarding of grants in support of Broad-Based Black Economic Empowerment.



## PART D **HUMAN RESOURCE MANAGEMENT**



## INTRODUCTION

At the merSETA, our vision is to establish a premier knowledge-centred institution, serving as a dynamic hub for knowledge, skills development, and innovation within our sector. The Human Capital Strategy serves as our roadmap, aimed at enhancing the experience of our workforce both presently and in the future, while also facilitating the achievement of the merSETA's objectives. We aspire to redefine the contemporary meaning of employment at the merSETA by recognising the significance of every role contributing to our organisational success, and by ensuring that we possess the necessary capability and capacity to fulfil our mandate.

## CAPACITATION OF THE HUMAN RESOURCE DIVISION

The year 2024/25 witnessed the re-establishment of the HR Division, with the following portfolios being capacitated with the necessary resources:

1. Human Resource Development;
2. Employee Relations and Wellness; and
3. Human Resource Administration

The above initiative aimed to strengthen the HR function, with a clear focus on business partnering in supporting the delivery of the merSETA's business objectives, and ensuring that HR is aligned in such a way that we achieve the greatest impact by driving organisational performance.

## STAFF DEVELOPMENT

The establishment of the Training and Development Unit, led by the Manager: Human Resources Development and the Specialist: Human Resources Development, is yielding positive results. This dedicated unit focuses on staff development, enhancing the organisation's overall growth and effectiveness.

The importance of continuous staff capacity building, fostering a high-performance culture, and empowering staff to operate effectively in their roles, as well as ensuring that they receive support to address performance issues, is crucial to ensuring that the unit makes a meaningful impact within the organisation.

Building a high-performance culture is essential to driving excellence across all aspects of the merSETA's operations. Human Resources plays a central role in fostering an environment where employees are empowered to perform optimally. As the organisation prepares to implement its 2025–2030 strategic plan, there is a deliberate focus on optimising leadership capabilities and competencies through effective people management and development. The Leadership and Management Development initiatives at the merSETA will directly support the institution's strategic objectives and performance plans, ensuring strong and capable leadership for the future.

The Performance Management System (PMS) plays a crucial role in guiding the development, monitoring, and evaluation of employee performance, ensuring that both individual and departmental goals are consistently achieved efficiently and effectively. Since the implementation of the new Performance Management Policy on 1 April 2024, HR has introduced several initiatives to enhance employees' understanding of the process and policy. While these efforts are acknowledged, a more robust and results-driven approach is essential - one that not only recognises and rewards high-performing employees, but also takes decisive action when performance falls below expectations.

## LABOUR RELATIONS

Whilst the entity has faced several challenges in respect of labour issues, HR undertook a number of efforts to address these. Notably, the capacitation of the HR Division with a Manager: Employee Relations and Wellness, as well as a Specialist: Employee Relations and Wellness. These two resources aided in ensuring that labour relations received dedicated attention with specialised technical support. Key to our strategic improvements was the extensive training and capacitation of managers and supervisors throughout the organisation in handling disciplinary matters. This initiative aimed to reduce our dependency on external legal counsel.

Furthermore, management has actively worked to build internal capacity, empowering our staff to chair and initiate disciplinary hearings independently. This shift towards internal management of disciplinary issues promises to streamline operations, reduce legal expenses, and eliminate unnecessary delays. By fostering this capability, we are not only enhancing our operational efficiency but also ensuring that disciplinary actions are both swift and cost-effective.

## POLICY DEVELOPMENT AND REVISION

We intend to establish a comprehensive HR Policy Governance Framework, designed to ensure that the development of HR policies is supported by clear communication strategies and inclusive stakeholder engagement. This framework will incorporate structured consultation and socialisation processes, providing practical guidance for managers and employees, and clearly outlining roles, responsibilities, and accountabilities.

Ongoing monitoring of the implementation of revised policies will be critical to maintaining alignment with legislative changes and to identifying and addressing any gaps in the application of HR practices. The HR Policy Governance Framework will also guide the consultation and socialisation of policies, delineating the policy review process, key role players, and approval protocols. This approach will support alignment with labour stakeholders, thereby mitigating the risk of disputes and promoting effective policy adoption across the organisation.

## EMPLOYEE WELL-BEING

Employee well-being is a fundamental pillar of the Human Resources Strategy and a critical factor in fostering a productive, engaged, and resilient workforce. Ensuring that employees receive the necessary support not only enhances individual performance but also strengthens the overall organisational culture. Two key risk areas—mental health and financial management—require focused attention from management to mitigate their potential impact on employee morale, productivity, and long-term retention.

To address these concerns effectively and proactively, targeted interventions were implemented in collaboration with the Employee Well-Being Partner (LYRA), ensuring that employees have access to mental health support, financial literacy programmes, and stress management resources.

## LESSONS LEARNT

As we reflect on the 2024/25 period, our Human Capital Strategy continues to be both ambitious and forward-looking, serving the needs of the organisation as a whole and supporting the growth of every individual within it. The strategy is informed by lessons learnt, guiding how each HR function adapts to challenges, reinforces effective practices, and remains agile enough to pivot when necessary. A key insight gained is the importance of effective cross-functional partnerships, which not only enhance employee engagement but also support a more integrated, systems-based approach to delivering HR programmes.

As highlighted in this report, notable progress has been achieved across several critical areas. However, some challenges persist and demand continuous focus and decisive intervention. Priorities moving forward include strengthening organisational culture, reinforcing leadership accountability, upholding ethical conduct, and promoting employee performance and well-being. The implementation of the 2025–2030 Strategic Plan presents a timely opportunity to accelerate transformation, enhance leadership capabilities, and establish a culture rooted in high performance and integrity.

## HUMAN RESOURCE OVERSIGHT STATISTICS

### EMPLOYMENT AND VACANCIES

#### PERSONNEL COSTS BY OCCUPATIONAL LEVEL

OCCUPATIONAL LEVEL	PERSONNEL EXPENDITURE (PERMANENT STAFF) R'000	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COSTS %	NUMBER OF EMPLOYEES (PERMANENT STAFF)	AVERAGE ANNUAL COST PER EMPLOYEE R'000
<b>Top management</b>	2 399	1.6	1	2 399
<b>Senior management</b>	4 437	3	2	2 218
<b>Professional qualified</b>	39 003	26.7	31	1 258
<b>Skilled</b>	68 748	47.1	105	654
<b>Semi-skilled</b>	29 029	19.9	76	381
<b>Unskilled</b>	2 364	1.7	12	197
<b>Total</b>	<b>145 980</b>	<b>100</b>	<b>227</b>	<b>7 107</b>

#### PERFORMANCE REWARDS

OCCUPATIONAL LEVEL	PERFORMANCE REWARDS #	PERSONNEL EXPENDITURE R'000	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST %
<b>Top management</b>	0	0	0
<b>Senior management</b>	2	409	5
<b>Professional qualified</b>	27	2 103	25.9
<b>Skilled</b>	88	3 659	45
<b>Semi-skilled</b>	68	1 797	22
<b>Unskilled</b>	12	164	2.1
<b>Total</b>	<b>197</b>	<b>8 132</b>	<b>100</b>

Note: Total number of employees eligible for Performance Rewards

#### TRAINING COSTS

PERSONNEL EXPENDITURE R'000	TRAINING EXPENDITURE R'000	TRAINING EXPENDITURE AS % OF PERSONNEL COSTS	NUMBER OF EMPLOYEES	AVERAGE ANNUAL TRAINING COST PER EMPLOYEE R'000
145 980	4 105	2.8	227	18

## EMPLOYMENT AND VACANCIES

PROGRAMME/ ACTIVITY/ OBJECTIVE	2024/2025 NUMBER OF EMPLOYEES	2024/2025 NEW APPROVED POSTS	2023/2024 NUMBER OF EMPLOYEES	2023/2024 NEW APPROVED POSTS
<b>Recruitment</b>	227	29	208	9

OCCUPATIONAL LEVEL	2023/2024 NUMBER OF EMPLOYEES	2023/2024 APPROVED POSTS	2024/2024 NUMBER OF EMPLOYEES	NUMBER OF VACANCIES	%
<b>Top management</b>	1	0	1	0	0
<b>Senior management</b>	3	1	2	2	11.8
<b>Professional qualified</b>	28	10	31	7	41.2
<b>Skilled</b>	86	16	105	5	29.4
<b>Semi-skilled</b>	78	2	76	3	17.6
<b>Unskilled</b>	12	0	12	0	0
<b>Total</b>	<b>208</b>	<b>29</b>	<b>227</b>	<b>17</b>	<b>100</b>

## EMPLOYMENT CHANGES

OCCUPATIONAL LEVEL	EMPLOYMENT AT BEGINNING OF PERIOD – 1 APRIL 2024 (PERMANENT STAFF)	APPOINTMENTS 2024/2025	TERMINATIONS 2024/2025	EMPLOYMENT AT END OF THE PERIOD 31 MARCH 2025
<b>Top management</b>	1	0	0	1
<b>Senior management</b>	3	0	1	2
<b>Professional qualified</b>	28	11	6	31
<b>Skilled</b>	86	28	6	105
<b>Semi-skilled</b>	78	12	4	76
<b>Unskilled</b>	12	0	0	12
<b>Total</b>	<b>208</b>	<b>51</b>	<b>17</b>	<b>227</b>

## REASONS FOR STAFF LEAVING

REASON	NUMBER	% OF TOTAL NUMBER OF STAFF LEAVING
<b>Resignation</b>	8	47.1
<b>Dismissal</b>	4	23.5
<b>Retirement</b>	5	29.4
<b>Total</b>	<b>17</b>	<b>100</b>



## LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
CCMA	12
Verbal Warning	3
Written Warning	2
Final Written Warning	1
Disciplinary hearing – Not guilty	0
Disciplinary hearing – pending	2
Dismissal	4
Resignation during hearing	0
Grievance	4
Suspensions	7

## EMPLOYMENT EQUITY STATUS

OCCUPATIONAL LEVELS	MALE				FEMALE				FNM	FNF	TOTAL
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE			
Top management	0	1	0	0	0	0	0	0	0	0	1
Senior management	0	0	1	0	1	0	0	0	0	0	2
Professionally qualified	14	0	0	3	8	4	1	0	0	1	31
Skilled technical	45	7	4	3	36	6	1	2	1	0	105
Semi-skilled	28	1	0	0	44	1	0	2	0	0	76
Unskilled	1	0	0	0	9	2	0	0	0	0	12
Total Permanent	88	9	5	6	98	13	2	4	1	1	227
Total Temporary	19	2	1	0	39	1	0	0	0	0	62



## PART E **PFMA COMPLIANCE REPORT**

## IRREGULAR EXPENDITURE

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

- the Public Financial Management Act, 1999 (Act No. 1 of 1999) (PFMA);
- the Skills Development Act, 1998 (Act No. 97 of 1998) as amended; and
- Instructions and circulars issued by the National Treasury.

The merSETA may have received value for such irregular expenditure.

Irregular expenditure is recorded in the annual report when it is either -

- confirmed;
- under assessment, determination and/or investigation;
- condoned by the relevant authority;
- transferred to receivables for recovery;
- written off if it is not recoverable; or
- not condoned and removed.

### A) RECONCILIATION OF IRREGULAR EXPENDITURE

DESCRIPTION	2024/25 R000	2023/24 R000
Opening balance	80 896	1 295 164
Add : Irregular expenditure confirmed	3 244	2 972
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	(885)	(1 217 240)
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
<b>Closing balance</b>	<b>83 255</b>	<b>80 896</b>

DESCRIPTION	2024/25 R000	2023/24 R000
Irregular expenditure that was under assessment in 2023/24	-	-
Irregular expenditure that relates to 2023/24 and identified in 2024/25	-	-
Irregular expenditure for the current year	3 244	2 972
<b>Total</b>	<b>3 244</b>	<b>2 972</b>

### RECONCILING NOTES

#### B) CURRENT YEAR IRREGULAR EXPENDITURE

DETAIL OF IRREGULAR EXPENDITURE	2024/25 R000	2023/24 R000
Expenditure incurred outside SCM prescripts	3 244	2 791
Expenditure incurred in contravention with the merSETA declaration of interest policy	-	181
<b>Total</b>	<b>3 244</b>	<b>2 972</b>

### C) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE (UNDER ASSESSMENT, DETERMINATION, AND INVESTIGATION)

DESCRIPTION	2024/25 R000	2023/24 R000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	82 374	-
Irregular expenditure under investigation	-	-
<b>Total</b>	-	-

### D) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE CONDONED

DESCRIPTION	2024/25 R000	2023/24 R000
Irregular expenditure condoned	-	-
<b>Total</b>	-	-

### E) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE REMOVED - (NOT CONDONED)

DESCRIPTION	2024/25 R000	2023/24 R000
Discretionary grant contracts signed in contradiction with the delegation of authority This was reported to the Accounting Authority	-	1 195 025
Expenditure incurred outside SCM prescripts	885	22 215
<b>Total</b>	<b>1 217 240</b>	<b>1 217 240</b>

During the prior year National Treasury did not condone irregular expenditure in regards to discretionary grant contracts signed in contradiction with the delegation of authority. The Accounting Authority removed this expenditure amounting to R1,195 billion.

National Treasury did not condone irregular expenditure in regards to non-compliance with SCM prescripts. The Accounting Authority removed this expenditure amounting to R885 thousand (2023/24: R22,2 million).

### F) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE RECOVERED

There was no current and prior year irregular expenditure recovered.

### G) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE WRITTEN OFF (IRRECOVERABLE)

There was no current and prior year irregular expenditure written off (irrecoverable).

### H) ADDITIONAL DISCLOSURE RELATING TO INTER-INSTITUTIONAL ARRANGEMENTS

Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance).

There were no cases of non-compliance where the merSETA was involved in an inter-institutional arrangement where such an institution was responsible for the non-compliance.



#### I) DETAILS OF NON-COMPLIANCE CASES WHERE AN INSTITUTION IS INVOLVED IN AN INTER-INSTITUTIONAL ARRANGEMENT (WHERE SUCH INSTITUTION IS RESPONSIBLE FOR THE NON-COMPLIANCE)

There were no cases of non-compliance where the merSETA was involved in an inter-institutional arrangement where the merSETA was responsible for the non-compliance.

#### J) DETAILS OF CURRENT AND PREVIOUS YEAR DISCIPLINARY OR CRIMINAL STEPS TAKEN AS A RESULT OF IRREGULAR EXPENDITURE

DISCIPLINARY STEPS TAKEN
During the current year, no verbal warnings were issued to staff members for contravention of SCM prescripts. There was one such verbal warning issued in the previous year.
The merSETA undertook various training and capacity building sessions to employees who were involved in transactions which were deemed irregular during the year.

#### FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is recorded in the annual report when it is either -

- confirmed;
- under assessment, determination and/or investigation;
- recovered or transferred to receivables for recovery;
- written off if it is not recoverable; or
- details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure.

#### A) RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE

DESCRIPTION	2024/25 R000	2023/24 R000
Opening balance	47 460	47 456
Add: Fruitless and wasteful expenditure confirmed	298	4
Less: Fruitless and wasteful expenditure written off	(47 252)	-
Less: Fruitless and wasteful expenditure recoverable	-	-
<b>Closing balance</b>	<b>506</b>	<b>47 460</b>

#### B) RECONCILING NOTES

DESCRIPTION	2024/25 R000	2023/24 R000
Fruitless and wasteful expenditure that was under assessment in 2023/24	-	-
Fruitless and wasteful expenditure that relates to 2023/24 and identified in 2024/25	-	-
Fruitless and wasteful expenditure for the current year	298	4
<b>Total</b>	<b>298</b>	<b>4</b>

**C) DETAILS OF CURRENT AND PREVIOUS YEAR FRUITLESS AND WASTEFUL EXPENDITURE  
(UNDER ASSESSMENT, DETERMINATION, AND INVESTIGATION)**

DESCRIPTION	2024/25 R000	2023/24 R000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation **	-	1 457
<b>Total</b>	<b>-</b>	<b>1 457</b>

\*\* In the prior year there was an investigation underway into property and equipment that could not be accounted for during the asset count. The carrying value of this property, plant and equipment amounted to R1.457 million.

**D) DETAILS OF CURRENT AND PREVIOUS YEAR FRUITLESS AND WASTEFUL EXPENDITURE  
RECOVERED**

There was no fruitless and wasteful expenditure recovered in current or prior year.

**E) DETAILS OF CURRENT AND PREVIOUS YEAR FRUITLESS AND WASTEFUL EXPENDITURE NOT  
RECOVERED AND WRITTEN OFF**

DESCRIPTION	2024/25 R000	2023/24 R000
Suspended discretionary grant contracts	47 252	-
<b>TOTAL</b>	<b>47 256</b>	<b>-</b>

**F) DETAILS OF CURRENT AND PREVIOUS YEAR DISCIPLINARY OR CRIMINAL STEPS TAKEN AS A  
RESULT OF FRUITLESS AND WASTEFUL EXPENDITURE**

There was no disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure in current or previous year.

**DETAILS OF CURRENT AND PREVIOUS YEAR MATERIAL LOSSES THROUGH CRIMINAL  
CONDUCT**

DESCRIPTION	2024/25 R000	2023/24 R000
Theft	-	-
Other material losses	-	-
Less: recovered	-	-
Less: Not recovered and written off	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

The amounts have not been determined as reports emanating from investigations conducted during the year have been forwarded to the South African Police Services.

## LATE AND/OR NON-PAYMENT OF SUPPLIERS

DESCRIPTION	NUMBER OF INVOICES	CONSOLIDATED VALUE R000
Valid invoices received from 1 April 2024 to 31 March 2025	2 477	149 762
Invoices paid within 30 days or agreed period	2 135	132 704
Invoices paid after 30 days or agreed period	340	17 058
Invoices older than 30 days or agreed period (unpaid and without dispute)	-	-
Invoices older than 30 days or agreed period (unpaid and in dispute)	-	-

Some invoices were paid late due to constraints on the part of the supplier. This is due to such matters like outstanding bank details, invoices needing correction, or awaiting further supporting documents or evidence.

A number of invoices were paid late due to internal processes such as budget constraints that first needed to be resolved, delays in obtaining required signatures or late submissions by project owners. The timing of payments is being monitored and corrective action is being taken to remedy delays that are related to internal processes.

## SUPPLY CHAIN MANAGEMENT

### PROCUREMENT BY OTHER MEANS

PROJECT DESCRIPTION	NAME OF SUPPLIER	TYPE OF PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT R'000
Decommissioning of Electronic Equipment	Sirius Risk Management	Deviation	Once--off Payment	57
Venue Hire and Accommodation	Emperors Palace	Deviation	Once-off Payment	128
Maintenance and Support of NSDMS Contract Extension	JumpCo Consulting	Single Source	Short-term Contract	1000
Catering Services by Middleburg Country club	Middleburg Country Club	Deviation	Once-off Payment	27
Appointment of Nexus Forensic Services for Lifestyle Audit Services	Nexus Forensic and Services	Deviation	Once-off Payment	23
Catering Services for CLOs Meetings	Underwraps Caterers	Deviation	Onc- off Payment	29
Personal Protection Security Services on a Month to Month ntil outcome of the security risk is concluded.	D and K Management Consultants	Deviation	Short-term Contract	111
Appointment of an SP for Risk Assessment Services	Alwinco CC	Deviation	Once-off Payment	165
Facilitation of the GSCAA Workshop	Century Business Academy	Deviation	Once-off Payment	92
Venue Hire for 21 June 2024	Southern Sun Bloemfontein	Single Source	Once-off Payment	7
Renewal of KnowB4 Licenses	NClose	Deviation	Short-term Contract	200
Adobe Pro Licenses	First Technology	Deviation	Once-off Payment	118

PROJECT DESCRIPTION	NAME OF SUPPLIER	TYPE OF PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT R'000
Venue Hire on 24-26 July 2024	The Venue at Houghton	Deviation	Once-off Payment	104
B-BBEE Verification Services	JSBEE Solution	Deviation	RT44-2020	104
Management of Engine OpManager Professional and Manage Engine Endpoint	ITR Technology	Deviation	Short-term Contract	329
Catering services	Underwraps Caterers	Deviation	Once-off Payment	13
Appointment of CCMA to Conduct an Intervention Between Employees and Management	CCMA	Deviation	N/A	26
Board Pack Solutions Services	Gijima	Single Source	Short-term Contract	299
Risk Management for AA Members Personal Security (Rate per day)	Sirius Risk Management	Deviation	N/A	7
Catering Services	College of Cape Town	Deviation	Once-off Payment	116
Catering Services for SDP Forum	Northlink College	Deviation	Once-off Payment	18
Catering Services for Automechanika JHB	Rammase Catering and Events	Deviation	Once-off Payment	65
Catering Services on 13 November 2024	Khayelimnandi Catering and Events	Deviation	Once-off Payment	3
Catering and Events on 22 October 2024	Rammase Catering and Events	Deviation	Once-off Payment	4
Risk Management for AA Members Personal Security	Sirius Risk Management	Deviation	Short-term Contract	13
Catering Services	Northlink College	Deviation	Once-off Payment	10
Cleaning Services on 10 December 2024	Ilitha Projects and cleaning Services	Deviation	Once off payment	5
Office 365 License Renewal	Nihka Technology Group	Deviation	Onc- off Payment	290
Catering Services for CLO's and CRM's for a 24/25 audit Readiness and Accruals Updates	Underwraps Caterers	Deviation	Once-off Payment	30
Minutes Taker Services	LK Administration Support Services	Deviation	Once-off Payment	6
Catering Services	Underwraps Caterers	Deviation	Once-off Payment	19
Board Pack Solution for a Period of Six (6) Months	Gijima Group Limited	Deviation	N/A	297
<b>Total</b>				<b>3 715</b>



## CONTRACT VARIATIONS AND EXPANSIONS

PROJECT DESCRIPTION	NAME OF SUPPLIER	CONTRACT MODIFICATION TYPE (EXPANSION OR VARIATION)	CONTRACT NUMBER	ORIGINAL CONTRACT VALUE	VALUE OF PREVIOUS CONTRACT EXPANSION/S OR VARIATION/S	VALUE OF CURRENT CONTRACT EXPANSION OR VARIATION
Legal Services to Finalise the Disciplinary Matter (Rate per hour).	MMMG	Expansion	N/A	1 900	0	4
Contract Variation for Finalisation of Accounting Services Project	Naledi Ya Leruo Consulting	Variation	RFQ/FIN/24 /25/201	919	0	439
Mpumalanga Regional Office Lease	De Bruyn Commercial Property	Variation	DEB001	1 449	5 688	269
Internal Audit Services	Shumba Inc.	Variation	SHU001	1 478	592	388
LAN six (6) Months Extension with No Cost Implications	MTN	Variation	N/A	7 321	0	0
Quality Management System, Audit and ISO 9001	British Standard Institute (BSI)	Extension	N/A	13	0	0
Staff Wellness Services	Lyra Southern Africa	Extension	N/A	970	0	150
Wide Area Network Service	MTN	Variation	N/A	8 407	1 806	0
Finalisation of Advisory Services Project	Kopax Advisory	Extension	N/A	960	0	1 164
Secretariat Services for the Accounting Authority & Sub-committees	Rilapax (Pty) Ltd	Extension	N/A	990	0	150
Secretariat Services for the Accounting Authority & S-committees	Rilapax (Pty) Ltd	Extension	N/A	990	150	270
					<b>8 326</b>	<b>2 834</b>



## PART F **FINANCIAL INFORMATION**

# REPORT OF THE AUDITOR-GENERAL

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON MANUFACTURING, ENGINEERING AND RELATED SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### QUALIFIED OPINION

1. I have audited the financial statements of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) set out on pages 73 to 116, which comprise the statement of financial position as at 31 March 2025, statement of financial performance, statement of changes in net assets, the 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 material accounting policy information
2. In my opinion, except for the effects of the matter described in the basis for qualified opinion section of the auditor's report, the financial statements present fairly, in all material respects, the financial position of the merSETA as at 31 March 2025 and 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 Management Act 1 of 1999 (PFMA) and the Skills Development Act 97 of 1998 (SDA).

#### BASIS FOR QUALIFIED OPINION

##### EMPLOYER GRANT AND PROJECT EXPENSES

3. Discretionary grants were not accounted in accordance with GRAP 1, Presentation of financial statements. The entity did not account for discretionary grant project direct costs in the periods in which services were rendered. The effect on the financial statements was that the total expenditure for the current year is overstated by R78 386 000. Additionally, there was an impact on the surplus for the period and the accumulated surplus.

##### GRANTS AND TRANSFER PAYABLES

4. I was unable to obtain sufficient audit evidence that Grants and Transfer payables for the current year had been properly accounted for, due to insufficient financial records. I was unable to confirm accruals by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the grants and transfer payables stated at R612 284 000 in note 15 to the financial statements.
5. In addition, the public entity did not recognise all amounts meeting the definition of expenditure and accruals in the prior year in accordance with GRAP 19, Provisions, provisions, contingent liabilities and contingent assets. Also, included in these comparative figures are restatements made at incorrect amounts. I could not determine the full extent of the misstatement on prior year grants payable-discretionary stated at R424 092 000 in note 15 and on the accumulated surplus, as it was impractical to do so.
6. There is a consequential impact on the following corresponding line items in the financial statements
  - Discretionary reserve commitments – contractual stated at R4 625 295 000 in note 20.1 to the financial statements.
  - Prior-year adjustment relating to understatement of discretionary grant accruals stated at R111 901 000 in note 5 to the financial statements.

## RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

7. I was unable to obtain sufficient appropriate audit evidence for employer receivables- discretionary grants, as the public entity did not maintain proper accounting records to support the balances disclosed. I was also unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to employer receivables – discretionary grants, stated at R23 420 000 in note 10 to the financial statements.

## CONTEXT FOR OPINION

8. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
9. 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.
10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## EMPHASIS OF MATTER

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## RESTATEMENT OF CORRESPONDING FIGURES

12. As disclosed in note 5 to the financial statements, the corresponding figures for 31 March 2024 were restated as a result of an error in the financial statements of the public entity at, and for the year ended 31 March 2025.

## RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

13. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA and 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.
14. 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.

## RESPONSIBILITIES OF THE AUDITOR-GENERAL FOR THE AUDIT OF THE FINANCIAL STATEMENTS

15. 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.
16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 71, forms part of my auditor's report.



## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof; I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
18. I selected the following programmes presented in the annual performance report for the year ended 31 March 2025 for auditing. I selected programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

PROGRAMME 2	PAGE NUMBERS	PURPOSE
<b>Programme planning 2:</b>	31	Establishing an effective mechanism of systems, processes and policies for decision making. The initiatives of this programme are intended to allow for the research of economic labour market and social drivers, signals and indicators that impact skills development for the sector, particularly pertaining to shortages and gaps related to occupations on demand
<b>Programme 3: Learning programmes and projects</b>	33	Skills development delivery to the range of learner beneficiaries of the SDA (employed and unemployed learners) as well as the organisational beneficiaries' whole role is mainly partner with the Seta as delivery agents towards ensuring a skilled and capable workforce for the sector

19. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
20. I performed procedures to test whether:
  - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
  - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
  - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
  - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
  - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
  - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
  - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
21. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
22. The material findings on the reported performance information for the selected programmes are as follows:

### PROGRAMME 3: PROGRAMMES AND PROJECTS

23. Based on the audit evidence, the actual achievements of 6 indicators did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially less. Consequently, the targets were not achieved, the under achievements on the targets were more than reported and the achievements against the targets were lower than reported.

INDICATOR	TARGET	REPORTED ACHIEVEMENT
3.6 Number of unemployed learners registered for work-integrated learning WIL programmes from higher education institutions (HEIs)	750	207
3.8 Number of unemployed learners who registered for workplace internships	563	397
3.10 Number of unemployed learners registered for skills programmes	4 000	5 835
3.14 Number of unemployed engineering graduates registered for candidacy programmes	32	40
3.19 Number of employed learners registered for learnership programmes	2 325	2 262
3.24 Number of employed learners registered for skills programmes	1 000	1 411

## OTHER MATTERS

24. I draw attention to the matters below.

## ACHIEVEMENT OF PLANNED TARGETS

25. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements. This information should be considered in the context of the material findings on the reported performance information.
26. The tables that follow provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 30 to 40.

## PROGRAMME 2: SKILLS PLANNING

**TARGETS ACHIEVED: 86%**

**BUDGET SPENT 24%**

KEY SERVICE DELIVERY INDICATOR NOT ACHIEVED	PLANNED TARGET	REPORTED ACHIEVEMENT
2.7 Number of small and emerging enterprises trained on sector and national identified priority occupations or skills	584	480

## PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS

**TARGETS ACHIEVED: 51%**

**BUDGET SPENT 94%**

KEY SERVICE DELIVERY INDICATOR NOT ACHIEVED	PLANNED TARGET	REPORTED ACHIEVEMENT
3.3 Percentage of discretionary grant budget allocated at developing elementary skills	15%	12%
3.4 Number of unemployed learners registered for WIL programmes from technical and vocational education and training (TVET)	500	199
3.6 Number of unemployed learners registered for WIL programmes from HEIs	750	65
3.7 Number of unemployed learners completing WIL programmes from HEIs	180	207
3.8 Number of unemployed learners registered for workplace experience / internships	563	167
3.9 Number of unemployed learners completing workplace experience / internships	273	96
3.11 Number of unemployed learners completing skills programmes	3 900	2 042
3.12 Number of unemployed learners registered for learnership programmes	4 300	1 225
3.13. Number of unemployed learners completing learnership programmes	2 000	1 149
3.19 Number of employed learners registered for learnership programmes	2 000	459
3.20. Number of employed learners completing learnership programmes.	700	285
3.22 Number of employed learners registered for bursary programmes (continuing)	40	3

KEY SERVICE DELIVERY INDICATOR NOT ACHIEVED	PLANNED TARGET	REPORTED ACHIEVEMENT
3.23 Number of employed learners completing bursary programmes	15	1
3.25. Number of employed learners completing skills programmes	800	413
3.28 Number of learners registered for trade / artisan qualifications (new registrations)	3 500	1 960
3.29 Number of learners completing trade / artisan qualifications	2 200	606
3.30 Number of learners entering artisan recognition of prior learning (ARPL) programme	1 000	293
3.31 Number of learners completing ARPL programme	1 000	251
3.35 Number of Seta-employer partnerships established	1 200	913

### MATERIAL MISSTATEMENTS

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for learning programmes and projects. Management did not correct all the misstatements, and I reported material findings in this regard.

### REPORT ON COMPLIANCE WITH LEGISLATION

28. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
29. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
30. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
31. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### ANNUAL FINANCIAL STATEMENTS

32. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.
33. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA.
34. Material misstatements of related parties identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.

### OTHER INFORMATION IN THE ANNUAL REPORT

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

37. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
38. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## INTERNAL CONTROL DEFICIENCIES

39. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
40. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
41. The public entity did not prepare accurate, complete financial statements and performance reporting that were supported and evidenced by reliable information. This is evidenced by material misstatements identified in the financial statements and reported findings on performance reporting
42. The public entity did not adequately implement the audit action plan to address the prior year qualification in the financial statements and reported performance information. In addition, the entity did not effectively review and monitor the compliance laws and regulations.

*Auditor - General*

Pretoria

4 August 2025



AUDITOR - GENERAL  
SOUTH AFRICA



## ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

## AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

### PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

43. 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 selected requirements in key legislation.

### FINANCIAL STATEMENTS

44. 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
  - conclude on the appropriateness of the 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 public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

45. 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.
46. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## COMPLIANCE WITH LEGISLATION – SELECTED LEGISLATIVE REQUIREMENTS

47. The selected legislative requirements are as follows.

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(b); Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii); Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2; 16A9.2(a)(ii); 30.1.1; 30.1.3(a); Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1. Regulation 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); Regulation 32.1.1(c); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); Section 45(4); 46(1)(a); 46(1)(b); 46(1)(c); Section 112(2)(a); 129(7)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment National Treasury Instruction note. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction note. 5 of 2020/21	Paragraph 2
National Treasury instruction note 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury instruction note 1 of 2021/22	Paragraph 4.1
National Treasury instruction note 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction note 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction note 03 of 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2; Paragraph 7.6
National Treasury SCM instruction note 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; Regulation 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2025

		2025			2024		
	Note	Actual R'000	Budget R'000	Variance R'000	Actual Restated R'000	Budget R'000	Variance R'000
REVENUE							
NON- EXCHANGE REVENUE							
Skills development levy income	2	1 804 323	1 826 156	(21 833)	1 722 788	1 732 608	( 9 820)
Skills development levy penalties and interest	3	16 076	22 335	(6 259)	21 418	20 681	737
Total non-exchange revenue		1 820 399	1 848 491	( 28 092)	1 744 206	1 753 289	( 9 083)
EXCHANGE REVENUE							
Interest income	4	468 607	497 734	(29 127)	444 405	456 800	(12 395)
Total revenue		2 289 006	2 346 225	( 57 219)	2 188 611	2 210 089	( 21 478)
EXPENSES							
Employer grant and project expenses	6	(1 860 365)	(2 068 825)	208 460	(1 594 665)	(1 990 777)	396 112
Administration expenses	7	(258 796)	( 277 400)	18 604	(224 836)	(219 312)	(5 524)
Total expenses		(2 119 161)	(2 346 225)	227 064	(1 819 501)	(2 210 089)	390 588
Net surplus for the year		169 845	-	169 845	369 110	-	369 110

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2025

		2025			2024		
	Note	Actual R'000	Budget R'000	Variance R'000	Actual Restated R'000	Budget R'000	Variance R'000
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	8	6 208 798	5 698 969	509 829	5 702 539	5 361 816	340 723
Receivables from exchange transactions	9	788	6 143	(5 355)	5 745	7 000	(1 255)
Receivables from non-exchange transactions	10	34 395	13 150	21 245	11 487	16 000	(4 513)
Consumables	11	166	350	( 184)	257	430	( 173)
		6 244 147	5 718 612	525 535	5 720 028	5 385 246	334 782
NON-CURRENT ASSETS							
Property and equipment	12	17 150	13 331	3 819	8 290	14 835	(6 545)
Intangible assets	13	2 385	2 597	( 212)	1 399	1 576	( 177)
		19 535	15 928	3 607	9 689	16 411	(6 722)
Total assets		6 263 682	5 734 540	529 142	5 729 717	5 401 657	328 060
LIABILITIES							
CURRENT LIABILITIES							
Payables from exchange transactions	14	26 856	18 640	8 216	17 422	10 600	6 822
Grants and transfers payable	15	838 839	375 250	463 589	486 320	336 022	150 298
Other payables	16	1 302	1 500	( 198)	1 194	1 400	( 206)
Provisions	17	40 591	41 000	( 409)	38 532	45 330	(6 798)
		907 588	436 390	471 198	543 468	393 352	150 116
Net assets		5 356 094	5 298 150	57 944	5 186 249	5 008 305	177 944
Administration reserve		19 535	15 928	3 607	9 689	16 411	(6 722)
Employer grant reserve		479	563	( 84)	531	585	( 54)
Discretionary reserve		5 336 080	5 281 659	54 421	5 176 029	4 991 309	184 720
Total net assets		5 356 094	5 298 150	57 944	5 186 249	5 008 305	177 944



# STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2025

Note	Administration reserve R'000	Employer grant reserve R'000	Discretionary grant reserve R'000	Unappropriated surplus R'000	Total R'000
<b>Balance at 31 March 2023</b>	<b>(4 882)</b>	<b>532</b>	<b>4 831 576</b>	<b>-</b>	<b>4 827 226</b>
Prior period adjustment	-	-	(10 087)	-	(10 087)
<b>Restated balance at 31 March 2023</b>	<b>(4 882)</b>	<b>532</b>	<b>4 821 489</b>	<b>-</b>	<b>4 817 139</b>
Net surplus for the year per statement of financial performance	-	-	-	369 110	369 110
Allocation of unappropriated surplus for the year	1 276	121 188	246 646	(369 110)	-
As previously stated	1 276	121 188	348 460	(470 924)	-
Restatement due to prior year adjustment	-	-	(101 814)	101 814	-
Excess reserves transferred to discretionary reserve	13 295	(121 189)	107 894	-	-
<b>Restated balance at 31 March 2024</b>	<b>9 689</b>	<b>531</b>	<b>5 176 029</b>	<b>-</b>	<b>5 186 249</b>
Net surplus for the year per statement of financial performance	-	-	-	169 845	169 845
Allocation of unappropriated surplus for the year	(21 978)	117 325	74 498	(169 845)	-
Excess reserves transferred to discretionary reserve	31 824	(117 377)	85 553	-	-
<b>Balance at 31 March 2025</b>	<b>19 535</b>	<b>479</b>	<b>5 336 080</b>	<b>-</b>	<b>5 356 094</b>

\*

\*\*

\* 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 19.1.2.

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2025

		2025			2024		
	Note	Actual R'000	Budget R'000	Variance R'000	Actual R'000	Budget R'000	Variance R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>OPERATING ACTIVITIES</b>							
<b>Cash receipts from stakeholders and others</b>		<b>1 820 270</b>	<b>1 848 256</b>	<b>(27 986)</b>	<b>1 751 362</b>	<b>1 758 340</b>	<b>(6 978)</b>
Levies, interest and penalties received		1 820 270	1 848 256	(27 986)	1 751 362	1 758 340	(6 978)
<b>Cash paid for grants and projects</b>		<b>(1 530 515)</b>	<b>(2 068 298)</b>	<b>537 783</b>	<b>(1 592 373)</b>	<b>(1 944 307)</b>	<b>351 934</b>
Employment costs		(62 829)	(72 669)	9 840	(49 797)	(71 290)	21 493
Mandatory grants		(168 848)	(353 298)	184 450	(319 214)	(347 909)	28 695
Discretionary grant and projects		(1 298 838)	(1 642 331)	343 493	(1 223 362)	(1 525 108)	301 746
<b>Cash paid for administration</b>		<b>( 242 937)</b>	<b>( 266 477)</b>	<b>23 540</b>	<b>( 208 791)</b>	<b>( 211 259)</b>	<b>2 468</b>
Employment costs		(119 571)	(130 685)	11 114	(115 445)	(117 332)	1 887
Payments to suppliers		(123 366)	(135 792)	12 426	(93 346)	(93 927)	581
<b>Cash generated from (utilised in) operations</b>	18	<b>46 818</b>	<b>(486 519)</b>	<b>533 337</b>	<b>(49 802)</b>	<b>(397 226)</b>	<b>347 424</b>
Interest received		472 569	497 336	(24 767)	446 141	459 284	(13 143)
<b>Net cash inflow from operating activities</b>		<b>519 387</b>	<b>10 817</b>	<b>508 570</b>	<b>396 339</b>	<b>62 058</b>	<b>334 281</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>							
Purchase of property and equipment	12	(9 996)	(11 249)	1 253	(2 907)	(8 918)	6 011
Purchase of intangible assets	13	(3 178)	(3 138)	( 40)	(1 919)	(2 220)	301
Proceeds from disposal of property and equipment		46	-	46	130	-	130
<b>Net cash outflow from investing activities</b>		<b>(13 128)</b>	<b>(14 387)</b>	<b>1 259</b>	<b>(4 696)</b>	<b>(11 138)</b>	<b>6 442</b>
<b>Net increase in cash and cash equivalents</b>		<b>506 259</b>	<b>(3 570)</b>	<b>509 829</b>	<b>391 643</b>	<b>50 920</b>	<b>340 723</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>5 702 539</b>	<b>5 702 539</b>	<b>-</b>	<b>5 310 896</b>	<b>5 310 896</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>	8	<b>6 208 798</b>	<b>5 698 969</b>	<b>509 829</b>	<b>5 702 539</b>	<b>5 361 816</b>	<b>340 723</b>

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2025

The budget is done on the accrual basis and is for the period 1 April 2024 to 31 March 2025.

Note	Original budget R'000	Revisions R'000	Final approved budget R'000	Actual R'000	Variance R'000
<b>REVENUE</b>					
Skills development levy income	1 871 216	( 45 060)	1 826 156	1 804 323	( 21 833)
Skills development penalties and interest	22 335	-	22 335	16 076	(6 259)
<b>Total non-exchange revenue</b>	<b>1 893 551</b>	<b>( 45 060)</b>	<b>1 848 491</b>	<b>1 820 399</b>	<b>( 28 092)</b>
Interest income	525 320	( 27 586)	497 734	468 607	( 29 127)
Other income	1	( 1)	-	-	-
<b>Total exchange revenue</b>	<b>525 321</b>	<b>(27 587)</b>	<b>497 734</b>	<b>468 607</b>	<b>(29 127)</b>
<b>Total revenue</b>	<b>2 418 872</b>	<b>( 72 647)</b>	<b>2 346 225</b>	<b>2 289 006</b>	<b>(57 219)</b>
<b>EXPENSES</b>					
Employer grant and project expenses	(2 178 628)	109 803	(2 068 825)	(1 860 365)	208 460
Administration expenses	(240 244)	(37 156)	( 277 400)	( 258 796)	18 604
<b>Total expenses</b>	<b>(2 418 872)</b>	<b>72 647</b>	<b>(2 346 225)</b>	<b>(2 119 161)</b>	<b>227 064</b>
<b>Net surplus for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169 845</b>	<b>169 845</b>

## REVISIONS TO THE ORIGINAL BUDGET

Skills development levy income was reduced by R45.1 million. The original budget made provision for a 8% increase, but actual levy income showed a 6% increase over the previous year. The budget was revised accordingly.

Interest income, which represents interest earned on cash and cash equivalents was reduced by R27.6 million. This was due to reductions in the REPO rate during the year.

Employer grant and project expenses were reduced by R109.8. This was due to the fact that merSETA had been experiencing significant reductions in training contracts during the year. Budget costs were therefore reduced to the point where a balanced budget would be achieved.

During the 2023/24 year the classification of some costs had to be changed from a project expense to an administration expense. It was necessary to adjust the budget accordingly. It was also necessary to increase legal fees to cover increasing legal costs incurred during the year.

## COMPARISON OF BUDGET VERSUS ACTUAL

Levy income is 1% below budget and shows an increase of 4.7% over the previous year. This is lower than the 8% increase shown in the previous year.

Interest received from cash and cash equivalents is 5.9% below budget but shows an increase of 5.4% over the previous year. This is mainly due to increasing cash reserves. The increasing cash reserves are as a result of lower than expected project expenditure, as projects are not performing as expected and significant reductions in training contracts was experienced.

Disbursement of employer grants and projects is 10% below budget and has increased by 17% over the prior year. The variance from budget is largely attributable to discretionary projects as mandatory grants only shows a 1% variance from budget. The lower than budgeted expenditure on discretionary projects is largely due to cancellation or reductions on training contracts during the year amounting to R564 million.

Administration expenses are 6.7% below budget. This is mainly due to staff vacancies that were not filled during the year and many of the staff were in acting positions.

The surplus for the year is R170 million against a budgeted surplus of nil. 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 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.

## **4. EMPLOYER 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**

A SETA may in accordance with criteria as defined in the SETA Grant Regulations allocate funds to employers and other associations or organisations. The criteria for allocating funds are approved by the SETA Accounting Authority.

A SETA allocates discretionary grants to employers and other associations or organisations who have submitted an application for a discretionary grant within the agreed upon cut-off period.

Project payments are made in accordance with milestones achieved and are paid in tranches. The milestones for each project are contained in the Memorandum of Agreement (MOA). The expenditure in the Statement of Financial Performance is recognised when the required deliverables according to tranches have been met during the financial period.

The merSETA may determine and allocate discretionary grants to employers, education and training providers and any other body stipulated by the gazetted grant regulations annually.

#### **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.

Discretionary grants and project expenditure is recognised as expenditure in the period in which it is incurred.



#### **PROSPECTIVE ADJUSTMENTS FOR EXPENDITURE:**

Subsequent to Tranche 1 payments, payments and expenditure may be adjusted in instances where the number of learners has decreased from the original contracted number of learners.

Such an adjustment is considered a change in estimate and treated in line with the requirements of GRAP 3 on Standard of Generally Recognised Accounting Practice Accounting Policies, Changes in Accounting Estimates and Errors. The application of para .38 of GRAP 3 allows the entity to apply the change in estimate retrospectively.

In the event that the number of learners be reduced subsequent to the initial contract, to the extent that cumulative payments made on a contract exceeds the total contract value, then the amounts paid in excess of the total contract value will be recovered from the entity. This will become due and payable at the time payments on the contract exceed the contract value.

#### **4.3 OPERATIONAL ADMINISTRATION EXPENSES REAPPORTIONED TO PROJECT ADMINISTRATION EXPENSES**

Administration expenses comprises operational administration expenses and project administration expenses. Operational administration expenses are apportioned as follows:

1. In principle there is no allocation done from non-core units and support units. The full cost of these units are treated as operational administration costs. The only exception is where certain operational costs within these units are centralised. Apportionment of these costs are done on the basis of the levy income ratio.
2. Apportionment of the administration costs of core business units is done on the basis of the levy income ratio with the exception of the Administration Unit. 62,5% of the costs of these units are allocated to project administration.
3. A large portion of the work done by the Administration Unit relates to mandatory grants. It was determined that 80% of the work done by the Administration Unit is on mandatory grants, thus 20% of the costs are allocated to project administration costs.

#### **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.

#### **4.5 BAD DEBTS AND DOUBTFUL DEBTS**

An assessment of receivables that are required to be written off is done once a year. This determination is done for debt that has gone through rigorous debt recovery processes, both internally and through external debt collection agencies. Once all recovery measures have been exhausted and the debt remains irrecoverable it is submitted to the Accounting Authority for approval for write off. Bad debts are charged to the Statement of Financial Performance once such approval has been obtained.

A provision for doubtful debts is made in accordance with the policy set out in note 20 below and is charged to the Statement of Financial Performance in the year in which such determination is made.

### **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 comprise cash at bank and on hand, call accounts and deposits held by merSETA with the South African Reserve Bank (Corporation for Public Deposits). 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.

### DERECOGNITION OF FINANCIAL ASSETS

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.

## 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 OF FINANCIAL LIABILITIES

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

## 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

### 6.1 EMPLOYER RECEIVABLES

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.

### 6.2 INTER-SETA TRANSFERS – RECEIVABLES / PAYABLES

Inter-SETA transactions arise due to employer(s) requesting transfer from one SETA to another SETA. The recognition criteria for interSETA transfers are aligned to the Standard Operating Procedures issued by DHET.

#### INTER-SETA RECEIVABLES

Inter-SETA receivables are due to employers requesting transfer from another SETA to merSETA. A recoverable is recognised together with an increase in revenue when the following criteria has been met:

- a. SARS has made the transfer and DHET portal confirm the transfer
- b. Inter-SETA submitting a claim to the previous SETA requesting transfer of current year levies
- c. The previous SETA has not yet made payment but confirms their obligation to transfer to merSETA and
- d. The previous SETA has approved a WSP for past scheme year and sent confirmation to merSETA

#### INTER-SETA PAYABLES

Inter-SETA payables arise due to employer(s) requesting transfer from merSETA to another SETA. A payable is recognised against a reduction in revenue when the following have been met:

- a. SARS has affected the transfer and DHET portal confirming the transfer
- b. Submission of claim to merSETA by new SETA
- c. merSETA has not yet made payment but confirms obligation to transfer to the new SETA.
- d. merSETA has approved a WSP for 2024/24 and sent confirmations to the new SETA

## 7. 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.

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

The useful life of assets was 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.

merSETA derecognises items of property and equipment upon disposal or when no future economic benefits or service potential can be derived from the asset.

## 9. 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.

## **10. OTHER PAYABLES**

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

## **11. 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.

### **11.1 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.

### **11.2 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.

### **11.3 PROVISION FOR EMPLOYEE RELATED ENTITLEMENTS**

The cost of other employee benefits (not recognised as retirement benefits - see policy note 16) 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.



## 12. RESERVES

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

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:

	%
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
	<b>100</b>

### ADMINISTRATION RESERVE

This reserve represents the carrying amount of the non-current assets of merSETA.

### MANDATORY GRANT RESERVE

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

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.

### DISCRETIONARY GRANT RESERVE

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

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.

## 13. 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.

## 14. 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%
<b>Total contribution</b>	<b>19.58%</b>

## 15. 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.

merSETA has four classes of contingent liabilities and each amount is measured as follows:

1. Refunds to National Treasury  
The surplus amount is measured as the difference between available discretionary grant reserves and commitments.
2. Mandatory Grants for newly registered companies  
The amount retained in the employer grant reserve is a mandatory grant contingency for newly registered companies participating after the legislative cut-off date. Companies joining from 1 October are considered as companies have six months to make a submission.
3. Pending Litigations  
Disclosed amounts are measured on the basis of the best estimate, using experience of similar transactions or reports from independent
4. Outcome of the Minister of Higher Education and Training and Employers, represented by Business Unity South Africa.  
The amount cannot be measured as viability of its payment is dependent on the outcome of the case

## 16. COMMITMENTS

Commitments are disclosed where merSETA, in the normal course of operations, entered into contractual agreements with entities relating to discretionary grants. Commitments are measured at the amount the entity would pay to settle future obligations as per contractual relationship with the beneficiaries.

Commitments are included in the disclosure note to the financial statements. Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements and these include discretionary grant contracts that are non-cancellable or only cancellable at significant cost.

Commitments are derecognised when either the grant programmes are terminated through a signed termination agreement, or when the contractual obligation is fully paid.

Notice No. 35940 of 2012 of the Grant Regulations defines a commitment as a contractual obligation (an agreement (written) with specific terms between the SETA and a third party whereby the third party undertakes to perform something in relation to a discretionary project for which a SETA will be obliged to make a payment against the discretionary grant) that will obligate the SETA to make a payment in the ensuing year.

Discretionary grant commitments are recorded when the grant application has been approved and contracted through a signed Memorandum of Agreement by the employer/ grant recipient and merSETA. Commitments are included in the disclosure note to the financial statements.

#### **COMMITMENTS ARE DERECOGNISED WHEN:**

- (a) employers/grant recipients fail to register enrolments within the stipulated timelines or cancel before registration;
- (b) the grant programmes are terminated through a signed termination agreement; or
- (c) when employers/grant recipients submit grant claim forms together with all the supporting documents.

#### **EXPIRED DISCRETIONARY GRANTS COMMITMENTS**

Expired contracts are removed from the commitment register. However, should employer companies provide proof that their learning programme was completed within the agreed time frames, the SETA will honour the request for payment by reinstating the commitment using reinstatement letters.

### **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 expenditure, other than unauthorised expenditure 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)
- Instructions and circulars issued by National Treasury

Fruitless and wasteful expenditure means expenses that were incurred in vain and would have been avoided had reasonable care been exercised.

Where an instance of irregular expenditure or fruitless and wasteful expenditure has been identified, the incident is recorded in a register, investigated and reported to the Accounting Authority.

In line with National Treasury Instruction no 4 of 2022/23, irregular expenditure and fruitless and wasteful expenditure is recognised in the notes to the annual financial statements when confirmed after assessment. The merSETA recognises irregular expenditure and fruitless and wasteful expenditure incurred and confirmed during the current year, unless it is impractical to determine, then a note to that effect is disclosed.

Current year irregular and fruitless and wasteful expenditure is recognised against the respective class of expense in the period in which it is incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered in the same accounting period, it is shown net of any recoveries.

Expenditure recognised in the prior year include amounts:

- confirmed in that financial year;
- amounts that were under assessment in the prior year but only confirmed in the current financial year, and
- amounts that relate to the prior year but were only identified and confirmed in the current financial year.

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.

In line with National Treasury Instruction no 4 of 2022/23, current year irregular expenditure is derecognised when it is either recovered or condoned by National Treasury in that year, or in cases where National Treasury has declined to condone, removed or written off by the Accounting Authority. Prior year irregular expenditure is derecognised in the Annual Financial Statements in line with National Treasury instructions no 4 of 2022/23.

Current year fruitless and wasteful expenditure is removed from the notes to the annual financial statements when it is either recovered, or removed by the Accounting Authority in line with the framework issued by National Treasury.

## 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

In arriving at a provision for doubtful debts consideration is given to the ageing of debt. Debts that have prescribed (older than three years) are provided for in full. For debt less than three years, the provision is based on the prevailing recovery rate over the past three years. Consideration is given to emerging trends. The provision for debt where ageing is less than three years is thus a percentage of gross debt, based on this determination.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

	Total per Statement of Financial Performance R'000	Administration reserve R'000	Employer grants reserve R'000	Discretionary grants R'000
<b>YEAR ENDED 31 MARCH 2025</b>				
<b>Total revenue</b>	<b>2 289 006</b>	<b>236 818</b>	<b>451 080</b>	<b>1 601 108</b>
Skills development levy income				
Admin levy income (10.5%)	236 818	236 818	-	-
Grant levy income (69.5%)	1 567 505	-	451 080	1 116 425
Skills development levy: penalties and interest	16 076	-	-	16 076
Investment income	468 607	-	-	468 607
<b>Total expenses</b>	<b>2 119 161</b>	<b>258 796</b>	<b>333 755</b>	<b>1 526 610</b>
Employer grants and project expenses	1 860 365	-	333 755	1 526 610
Administration expenses	258 796	258 796	-	-
<b>Net surplus per the statement of financial performance allocated</b>	<b>169 845</b>	<b>(21 978)</b>	<b>117 325</b>	<b>74 498</b>

<b>YEAR ENDED 31 MARCH 2024</b>				
<b>Total revenue</b>	<b>2 188 611</b>	<b>226 112</b>	<b>430 713</b>	<b>1 531 786</b>
Skills development levy income				
Admin levy income (10.5%)	226 112	226 112	-	-
Grant levy income (69.5%)	1 496 676	-	430 713	1 065 963
Skills development levy penalties and interest	21 418	-	-	21 418
Investment income	444 405	-	-	444 405
<b>Total expenses</b>	<b>1 819 501</b>	<b>224 836</b>	<b>309 525</b>	<b>1 285 140</b>
Employer grants and project expenses	1 594 665	-	309 525	1 285 140
Administration expenses	224 836	224 836	-	-
<b>Net surplus per the statement of financial performance allocated</b>	<b>369 110</b>	<b>1 276</b>	<b>121 188</b>	<b>246 646</b>

## 2. SKILLS DEVELOPMENT LEVY INCOME

31 March 2025 31 March 2024  
R'000 R'000

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

<b>Levy income: Administration</b>	<b>236 818</b>	<b>226 112</b>
Levies received from SARS	236 820	226 146
InterSETA transfers - Admin	( 18)	( 18)
Provision for refund SARS	16	( 16)
<b>Levy income: Employer Grants</b>	<b>451 080</b>	<b>430 713</b>
Levies received from SARS	451 075	430 746
InterSETA transfers - Mandatory	( 25)	( 3)
Provision for refund SARS	30	( 30)
<b>Levy income: Discretionary Grants</b>	<b>1 116 425</b>	<b>1 065 963</b>
Disc Levies received from SARS	1 116 437	1 066 123
InterSETA transfers - Discretionary	( 87)	( 86)
Disc Provision for refund SARS	75	( 74)
	<b>1 804 323</b>	<b>1 722 788</b>

## 3. SKILLS DEVELOPMENT LEVY PENALTIES AND INTEREST

Penalties	8 798	10 194
Interest	7 278	11 224
	<b>16 076</b>	<b>21 418</b>

## 4. INTEREST INCOME

Interest income from cash and cash equivalents	468 607	444 405
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## 5. PRIOR YEAR ADJUSTMENTS

In the 2024 financial year merSETA received a qualified audit opinion relating to the understatement of discretionary grant accruals and related expenditure. The prior year figures have been adjusted to reflect the corrected accruals and expenditure.

The effect on the prior year is shown below:

Decrease in opening retained income	(10 087)
Increase in discretionary grant expenditure	101 814
Increase in discretionary grant accruals	111 901

These adjustments also impacted the commitment register reducing the opening balance of the prior year by R10 million and increasing accruals in the prior year by R112 million.

## 6. EMPLOYER GRANT AND PROJECT EXPENSES

		31 March 2025	31 March 2024
	Note	R'000	R'000
<b>Mandatory grants</b>		<b>333 755</b>	<b>309 525</b>
Mandatory grants		333 293	309 565
Bad debts written off- mandatory		570	100
Movement in allowance for doubtful debts - mandatory		( 108)	( 140)
<b>Discretionary projects</b>		<b>1 526 610</b>	<b>1 285 140</b>
Discretionary projects direct costs	20.1	1 437 889	1 195 834
Discretionary projects administration costs - indirect	7	67 765	70 661
Discretionary projects administration costs - direct		17 375	4 472
Bad debts written off - discretionary		1 800	665
Movement in allowance for doubtful debts		1 202	13 276
Other discretionary project costs		579	232
		<b>1 860 365</b>	<b>1 594 665</b>

## 7. ADMINISTRATION EXPENSES

Advertising, marketing and promotions, communication		3 133	7 120
Amortisation - intangible assets		2 195	1 977
Audit costs - internal audit		560	248
Audit costs - external audit		6 941	7 808
Audit costs - other audits		15	55
Bank charges		292	439
<b>Accounting Authority and sub-committee costs</b>		<b>7 402</b>	<b>7 649</b>
Remuneration to members of the audit committee		1 376	1 129
Accounting Authority and sub-committee members' fees		4 818	5 163
Stakeholder training		-	182
Board assessments		226	235
Secretarial services		982	940
Cleaning and groceries		782	753
Depreciation		2 545	2 141
Depreciation - adjustment due to change in useful lives of assets		(1 021)	( 19)
<b>Employment costs</b>		<b>183 765</b>	<b>172 742</b>
Recruitment costs		515	385
Salaries, wages and benefits	7.1	178 611	167 270
Staff training, development and welfare		4 639	5 087
Derecognition of property and equipment		(1 457)	1 457
Insurance and licence fees		1 997	1 950
Investigations and forensic costs		1 942	466
Legal fees		20 987	15 962
Loss on disposal of property and equipment	18	861	208

## 7. ADMINISTRATION EXPENSES (continued)

31 March 2025 31 March 2024  
R'000 R'000

### Operating lease rentals

	<b>15 315</b>	<b>15 239</b>
Rental Buildings	13 374	13 302
Rental Parking	1 941	1 937
Printing, stationery and postages	1 488	549
QCTO administration cost	11 917	10 561
Rates, water and electricity	3 562	3 877
Rental - computer equipment	439	836
Rental - office equipment	57	-

### Repairs, maintenance and running costs

	<b>5 441</b>	<b>1 931</b>
Buildings	3 062	1 383
Property and equipment	2 379	548
Security	2 066	3 281
Service provider administration fees	11 554	6 369
Special functions	1 301	664
Storage	229	201
Telecommunication expenses	25 001	16 253
Travel, conferences and meeting expenses	17 252	14 780

Less: amounts allocated to project expenses

6

### Net administration cost

### 7.1 SALARIES AND WAGES

	<b>158 858</b>	<b>148 207</b>
Basic salaries	139 258	125 409
Performance awards	8 772	8 482
Other non-pensionable allowance	2 332	2 718
Temporary staff	5 437	8 432
Leave pay	3 059	3 166

### Social contributions

	<b>19 753</b>	<b>19 063</b>
Medical aid contributions	4 465	4 661
Pension contributions: defined contribution fund	12 751	12 033
UIF	558	563
Insurance	394	321
Other salary related costs	1 585	1 485

**178 611 167 270**

## 7. ADMINISTRATION EXPENSES (continued)

31 March 2025 31 March 2024

R'000

R'000

### NUMBER OF EMPLOYEES

#### Average number of employees during the year

Permanent staff

Interns

283

247

36

293

235

58

#### Number of employees at the end of the year

Permanent staff

Interns

287

270

17

286

235

51

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.

## 8. CASH AND CASH EQUIVALENTS

Cash on hand

Cash at bank

Call accounts

Corporation for Public Deposits

30

114 576

2 985 581

3 108 611

30

301 494

2 529 813

2 871 202

6 208 798

5 702 539

Cash and cash equivalents at the end of the reporting period comprise of bank balances and call 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 8.21% (2024: 8.14%).

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

Public entities are required to invest surplus funds with the Corporation for Public Deposits in terms of Treasury Regulations, unless specifically exempted.

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

## 9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits

Interest receivable

788

-

788

1 783

3 962

5 745

## 10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Employer receivable - discretionary grants

Employer receivable - mandatory grants

Receivable - discretionary projects (UIF)

InterSETA receivable

10.1

10.2

10.3

22.2

23 420

102

10 873

-

11 044

426

-

17

34 395

11 487



## 10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

**31 March 2025    31 March 2024**  
**Note            R'000            R'000**

### 10.1 EMPLOYER RECEIVABLE - DISCRETIONARY GRANTS

Employer receivable - discretionary grants	10.1.1	68 343	43 892
Allowance for doubtful debts	10.1.2	(44 923)	(32 848)
Net receivable from employers	10	<b>23 420</b>	<b>11 044</b>

The employer receivable of R 68,3 million (March 2024: R 43,9 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 R 44,9 million (March 2024: R 32,8 million) was provided against such employer receivables.

	2025		2024	
	Gross R'000	Impairment R'000	Gross R'000	Impairment R'000
<b>10.1.1 AGEING OF RECEIVABLES:</b>				
Current	33 230	(20 602)	183	( 128)
30 Days	201	( 125)	1 435	(1 005)
60 Days	138	( 86)	89	( 63)
90 Days	999	( 620)	24 697	(17 288)
91 Days to 6 Months	3 588	(2 225)	505	( 354)
6 Months - 1 year	2 100	(1 302)	215	( 150)
1 Year plus	28 087	(19 963)	16 768	(13 860)
<b>Total</b>	<b>68 343</b>	<b>(44 923)</b>	<b>43 892</b>	<b>(32 848)</b>

		<b>31 March 2025</b>	<b>31 March 2024</b>
<b>10.1.2 ALLOWANCE FOR DOUBTFUL DEBTS:</b>	<b>Note</b>	<b>R'000</b>	<b>R'000</b>
Opening carrying amount		(32 848)	(19 572)
Amount utilised		1 800	665
Reduction/ (addition) to provision during the period		(13 875)	(13 941)
Closing carrying amount	10.1	<b>(44 923)</b>	<b>(32 848)</b>

### 10.2. EMPLOYER RECEIVABLE -MANDATORY GRANTS

Employer receivable - mandatory grants recoveries	936	1 367
Allowance for doubtful debts	( 834)	( 941)
<b>Net receivable from employers</b>	<b>102</b>	<b>426</b>

The employer receivable of R 936 thousand (March 2024: R 1,4 million) represents recoverable amounts due to SARS retrospective adjustments to levies on which mandatory grants have already been paid.

An amount of R 834 thousand (March 2024: R 941 thousand) was provided against such employer receivables.

## 10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

10.2.1 AGEING OF RECEIVABLES:	2025		2024	
	Gross R'000	Impairment R'000	Gross R'000	Impairment R'000
Current	98	( 76)	175	( 95)
30 Days	-	-	21	( 11)
60 Days	-	-	2	( 1)
90 Days	-	-	26	( 14)
91 Days to 6 Months	2	( 2)	14	( 7)
6 Months - 1 year	249	( 192)	17	( 9)
1 Year plus	587	( 564)	1 112	( 804)
<b>Total</b>	<b>936</b>	<b>( 834)</b>	<b>1 367</b>	<b>( 941)</b>

10.2.2 ALLOWANCE FOR DOUBTFUL DEBTS:	Note	31 March 2025 R'000	31 March 2024 R'000
Opening carrying amount		( 941)	(1 081)
Amount utilised		100	100
Reduction/ (addition) to provision during the period		7	40
<b>Closing carrying amount</b>	<b>10.2</b>	<b>( 834)</b>	<b>( 941)</b>

### 10.3 RECEIVABLE - UIF

Receivable - discretionary projects (UIF)	10.3.1	10 873	6 823
Allowance for doubtful debts	10.3.2	-	(6 823)
<b>Net receivable from UIF</b>	<b>10</b>	<b>10 873</b>	<b>-</b>

The receivable of R 10,8 million (March 2024: R 6,8 million) represents recoverable amounts from the UIF for the training layoff project. This debt has been outstanding for more than two years.

The UIF have acknowledged the debt for R10.8 million. Consequently, the amount provided against the receivable was reversed. The full amount was provided for in the previous year.

#### 10.3.1 ALLOWANCE FOR DOUBTFUL DEBTS:

Opening carrying amount		(6 823)	(6 823)
Amount utilised		-	-
Reduction/ (addition) to provision during the period		6 823	-
<b>Closing carrying amount</b>	<b>10.3</b>	<b>-</b>	<b>(6 823)</b>

## 11. CONSUMABLES

Opening carrying value	257	319
Consumables purchased	691	865
Consumables issued	( 782)	( 967)
Adjustments	-	40
<b>Closing carrying value</b>	<b>166</b>	<b>257</b>

## 12. PROPERTY AND EQUIPMENT

### YEAR ENDED 31 MARCH 2025

	Cost R'000	Accumulated depreciation/ derecognition R'000	Closing carrying amount R'000
<b>OWNED ASSETS</b>			
Computer equipment	13 797	(5 083)	8 714
Office furniture and fittings	8 623	(4 239)	4 384
Office equipment	3 602	(1 695)	1 907
Motor vehicles	6 440	(4 295)	2 145
<b>Total owned assets</b>	<b>32 462</b>	<b>(15 312)</b>	<b>17 150</b>

### YEAR ENDED 31 MARCH 2024

<b>OWNED ASSETS</b>			
Computer equipment	13 472	(9 295)	4 177
Office furniture and fittings	6 574	(4 711)	1 863
Office equipment	3 706	(2 162)	1 544
Motor vehicles	4 794	(4 088)	706
<b>Total owned assets</b>	<b>28 546</b>	<b>(20 256)</b>	<b>8 290</b>

<b>MOVEMENT SUMMARY 2025</b>	Opening carrying amount R'000	Additions R'000	Carrying amount of disposals R'000	Depreciation charge R'000	Carrying amount of derecognised assets R'000	Closing carrying amount R'000
<b>OWNED ASSETS</b>						
Computer equipment	4 177	5 041	( 687)	(1 148)	1 331	8 714
Office furniture and fittings	1 863	2 804	( 153)	( 165)	35	4 384
Office equipment	1 544	504	( 67)	( 165)	91	1 907
Motor vehicles	706	1 647	-	( 208)	-	2 145
<b>Total owned assets</b>	<b>8 290</b>	<b>9 996</b>	<b>( 907)</b>	<b>(1 686)</b>	<b>1 457</b>	<b>17 150</b>

### MOVEMENT SUMMARY 2024

<b>OWNED ASSETS</b>						
Computer equipment	4 903	2 098	( 73)	(1 420)	(1 331)	4 177
Office furniture and fittings	2 252	99	( 168)	( 285)	( 35)	1 863
Office equipment	1 437	710	( 97)	( 415)	( 91)	1 544
Motor vehicles	1 082	-	-	( 376)	-	706
<b>Total owned assets</b>	<b>9 674</b>	<b>2 907</b>	<b>( 338)</b>	<b>(2 496)</b>	<b>(1 457)</b>	<b>8 290</b>

## 12. PROPERTY AND EQUIPMENT (continued)

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

In the current year the assets were tested for impairment. 328 assets were found to be obsolete, broken or otherwise impaired. The carrying value of the assets amounted to R585 thousand. The Management Committee of merSETA gave approval for these assets to be written off.

243 ICT assets could not be accounted for. 212 assets were older than five years. The Management Committee of merSETA gave approval for these assets to be written off. The carrying value of the assets was R365 thousand.

During the asset count 275 assets with a carrying value of R1,5 million could not be accounted for. These are disclosed as de-recognised.

In the current year an exercise was undertaken to assess the useful life of assets. The useful life of some of the assets were extended resulting in a reversal of depreciation of R1 million (see note 7).

## 13. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Cost R'000	Accumulated amortisation R'000	Closing carrying amount R'000
<b>YEAR ENDED 31 MARCH 2025</b>			
Intangible assets	3 884	(1 499)	2 385

### YEAR ENDED 31 MARCH 2024

Intangible assets	2 498	(1 099)	1 399
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	Opening carrying amount R'000	Additions R'000	Carrying amount of disposals R'000	Amortisation charge R'000	Carrying amount of impairments R'000	Closing carrying amount R'000
<b>MOVEMENT SUMMARY 2025</b>						
Intangible assets	1 399	3 178	-	(2 192)	-	2 385

### MOVEMENT SUMMARY 2024

Intangible assets	1 456	1 919	-	(1 976)	-	1 399
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		31 March 2025 R'000	31 March 2024 R'000
<b>14. PAYABLES FROM EXCHANGE TRANSACTIONS</b>	<b>Note</b>		
Trade payables from exchange transactions		26 856	17 422

## 15. GRANTS AND TRANSFERS PAYABLE

Grants payable - discretionary		612 284	424 092
Grants payable - mandatory		226 417	62 102
InterSETA payables	22.2	138	126
		<b>838 839</b>	<b>486 320</b>

<b>16. OTHER PAYABLES</b>	<b>Note</b>	<b>31 March 2025 R'000</b>	<b>31 March 2024 R'000</b>
Accruals salaries and wages		1 302	1 194

### 17. PROVISIONS

Provision for SARS refund	17.1	18 618	18 776
Provision for mandatory grants	17.2	268	-
Provision for leave pay	17.3	12 406	10 781
Provision for Workman's Compensation	17.3	515	514
Provision for performance bonuses	17.3	8 784	8 461
		<b>40 591</b>	<b>38 532</b>

#### 17.1 PROVISION FOR SARS REFUND

Opening carrying amount		18 776	18 708
Amount utilised		(4 192)	(3 886)
Additional provision during the period		4 034	3 954
<b>Closing carrying amount</b>	<b>17</b>	<b>18 618</b>	<b>18 776</b>

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.

#### 17.2 PROVISION FOR MANDATORY GRANTS

Opening carrying amount		-	609
Amount utilised		-	( 609)
Provision reversal/additional provision during the period		268	-
<b>Closing carrying amount</b>	<b>17</b>	<b>268</b>	<b>-</b>

<b>17.3 PAYROLL RELATED PROVISIONS</b>	<b>Leave pay R'000</b>	<b>Workman's compensation R'000</b>	<b>Performance bonuses R'000</b>
Opening carrying amount 2024	9 148	196	8 345
Amounts utilised 2024	(7 325)	( 2)	(8 394)
Additional provision during the period	8 958	320	8 510
<b>Closing carrying amount 2024</b>	<b>10 781</b>	<b>514</b>	<b>8 461</b>
Amounts utilised 2025	(9 040)	( 404)	(8 185)
Additional provision during the period	10 665	405	8 508
<b>Closing carrying amount 2025</b>	<b>12 406</b>	<b>515</b>	<b>8 784</b>

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



## 18. RECONCILIATION OF NET SURPLUS TO CASH UTILISED IN OPERATIONS

	Note	2025		2024	
		Actual R'000	Budget R'000	Actual R'000	Budget R'000
Net surplus per the statement of financial performance	1	169 845	-	369 110	-
<b>Adjusted for non-cash items:</b>					
Depreciation property and equipment	12	1 686	6 208	2 496	3 757
Amortisation of intangible assets	13	2 192	1 940	1 976	2 100
Derecognition of property and equipment	7, 12	(1 457)	-	1 457	-
Loss on disposal of property and equipment	7	861	-	208	-
Movements in provisions	17	2 059	2 468	1 526	8 324
<b>Adjusted for items separately disclosed</b>					
Interest received		(472 569)	(497 336)	(446 141)	(459 284)
<b>Adjusted for working capital changes:</b>					
Decrease in receivables from exchange transactions	9	4 957	( 398)	1 736	2 217
(Increase) decrease in receivables from non-exchange transactions	10	(22 908)	(1 663)	4 993	480
Decrease in consumables	11	91	( 93)	62	( 111)
Increase in payables from exchange transactions	14	9 434	1 218	7 819	997
Increase in grants and transfers payable	15	352 519	831	4 996	44 128
Increase/ (decrease) in other payables	16	108	306	( 40)	166
<b>Cash utilised in operations</b>		<b>46 818</b>	<b>(486 519)</b>	<b>(49 802)</b>	<b>(397 226)</b>

## 19. CONTINGENCIES

### 19.1 CONTINGENT LIABILITIES

#### 19.1.1 REFUNDS TO NATIONAL TREASURY

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury should an application for retention of surplus funds be denied.

National Treasury instruction 12 of 2020/21 states that the surplus should be based on the following:

		31 March 2025	31 March 2024
	Note	R'000	R'000
Cash and cash equivalents at the end of the year	8	6 208 798	5 702 539
Add: Receivables from exchange transactions	9	788	5 745
Add: Receivables from non-exchange transactions	10	34 395	11 487
Less: Current Liabilities		(907 588)	(543 468)
<b>Total surplus per current legislation</b>		<b>5 336 393</b>	<b>5 176 303</b>

SETAs are required to submit their surplus retention applications to National Treasury through their Executive Authority, DHET. The surpluses mainly cover discretionary grant commitments entered into, where the work will be undertaken in the following years. The SETA Grant regulations require that SETAs be 95% committed at each financial year end. The SETAs may motivate to DHET to support their application to retain any surpluses if they have not reached this target.

merSETA's position in regards to commitments not included in the above surplus calculation is as follows:

Total surplus per current legislation	5 336 393	5 176 303
Less: discretionary grant commitments	(5 135 681)	(4 625 295)
<b>Uncommitted surplus</b>	<b>200 712</b>	<b>551 008</b>

National Treasury approved merSETA's 2023/24 surplus in October 2024 and merSETA did not forfeit any funds. merSETA will submit the request for approval of 2024/25 surpluses to National Treasury in July 2025.

#### 19.1.2 MANDATORY GRANTS FOR NEWLY REGISTERED COMPANIES

Contingent liabilities comprise an Employer Grant Reserve of R479 000 (2024: R 531 000) 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.

#### 19.1.3 PENDING LITIGATIONS

Pending litigations in the year under review are as follows:

Two disputes rose between merSETA and service providers during 2020 and 2021. One matter has become dormant as the service provider has failed to respond to the litigation process and the other matter is currently awaiting a hearing date.

The forensic investigation recommended that four discretionary grant contracts be suspended and subsequently terminated in 2022 and 2023. These matters are currently being addressed through a litigation process wherein the merSETA approached the court to review and set aside these contracts. Each matter is at various stages of litigation process and is currently underway.

## 19. CONTINGENCIES (continued)

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In the previous year the merSETA initiated legal action against a former merSETA official in order to recoup damages as a result of the former employee's actions. Litigation proceedings are currently underway.

Furthermore, during the previous year, a former employer instituted legal action against the merSETA and its forensic investigator to review and set aside a forensic investigation report. This matter is being addressed through a litigation process.

As at 31 March 2025, merSETA estimates the potential liability of all these matters to be an amount of about of R179 339 876. The estimated amount has not changed in the year under review. These matters are at various stages of litigation and merSETA is not in a position to provide an assessment of the likely outcome for all of these matters.

### 19.1.4 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. The merSETA received no communication from the department on the percentage to be paid and the merSETA continued with paying 20% towards mandatory grant applications.

The Minister published a proposed amendment to the SETA Grant Regulations on 27 January 2024 for public comment. The regulations in this form have indicated that the percentage to be paid for mandatory grants will remain at 20% but until such time as the SETA Grant Regulations are promulgated, the merSETA will continue to allocate 20% towards mandatory grants

## 20. COMMITMENTS

### 20.1 DISCRETIONARY RESERVE COMMITMENTS - CONTRACTUAL

Of the balance of R5,336 billion available in the discretionary reserve on 31 March 2025 an amount of R5,136 billion has been approved for future discretionary projects as set out below. This represents a commitment ratio of 96%. 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	Administration expenses/ other adjustments 2024			Approved contractual expenses & reductions 2024			Charged to statement of financial performance 2024 restated		Opening balance 2025 restated		Administration expenses/ other adjustments 2025		Approved contractual expenses & reductions 2025		Charged to statement of financial performance 2025		Closing balance 2025	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>PROG 2: SKILLS PLANNING</b>																		
31 SSP Strategy & Research	-	-	-	-	-	-	-	-	-	-	196	-	12 012	-	(1 746)	-	10 462	-
N5 Chamber Development Programme	-	-	-	-	-	-	-	-	-	-	-	-	9 500	-	(8 802)	-	698	-
K4 Walter Sisulu University	24 662	-	-	(3 079)	-	(21 583)	-	-	-	-	-	-	-	-	-	-	-	-
P8 Research Project - Skills 4.0	-	-	-	8 166	-	(817)	-	7 349	-	-	-	-	-	-	(3 406)	-	3 943	-
S6 UWC Professional TVET Lecturer	2443	-	-	-	-	(1 149)	-	1 294	-	-	-	-	-	-	-	-	1 294	-
Q5 Skills for Entrepreneurs	1167	-	-	(1 167)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>28 272</b>	<b>-</b>	<b>-</b>	<b>3 920</b>	<b>-</b>	<b>(23 549)</b>	<b>8 643</b>	<b>196</b>	<b>21 512</b>	<b>(13 954)</b>	<b>16 397</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROG 3: LEARNING PROGRAMMES &amp; PROJECTS</b>																		
L7 MOA Project DG Year 2017	5 505	-	-	(2 453)	-	(2 033)	1 019	-	-	-	-	-	(306)	-	(713)	-	-	-
N7 MOA Project DG Year 2018	45 935	-	-	(30 233)	-	(1 380)	14 322	(580)	-	-	-	-	(8 447)	-	(516)	-	4 779	-
P5 MOA Project DG Year 2019	340 372	-	-	(238 593)	-	10 502	112 281	(5 373)	-	-	-	-	(62 073)	-	4 603	-	49 438	-
S1 MOA Project DG Year 2020	380 804	-	-	(10 949)	-	(27 683)	342 172	(355)	-	-	-	-	(265 333)	-	30 290	-	106 774	-
U9 MOA Project DG Year 2021	407 011	-	-	(14 040)	-	(40 147)	352 824	262	-	-	-	-	(14 978)	-	(27 787)	-	310 321	-
V6 MOA Project DG Year 2022	386 712	-	-	(7 852)	-	(13 648)	365 212	103	-	-	-	-	(17 777)	-	(40 726)	-	306 812	-
W3 MOA Project DG Year 2023	356 149	-	-	388 015	-	(193 052)	551 112	(6 294)	-	-	-	-	39 029	-	(109 937)	-	473 910	-
X1 MOA Project DG Year 2024	-	-	-	487 567	-	(157 933)	329 634	-	-	-	-	-	529 090	-	(263 257)	-	595 467	-
X6 MOA Project DG Year 2025	-	-	-	-	-	-	-	-	-	-	-	-	758 617	-	(206 263)	-	552 354	-

## 20. COMMITMENTS (continued)

### PROJECT/ DISCRETIONARY GRANT PROGRAMMES

	Opening balance 2024 restated R'000	Administration expenses/ other adjustments 2024 R'000	Approved contractual expenditures & reductions 2024 R'000	Charged to statement of financial performance 2024 restated R'000	Opening balance 2025 restated R'000	Administration expenses/ other adjustments 2025 R'000	Approved contractual expenditures & reductions 2025 R'000	Charged to statement of financial performance 2025 R'000	Closing balance 2025 R'000
<b>PROG 3: LEARNING PROGRAMMES &amp; PROJECTS</b> (continued)									
70 Bursaries	29 577	6 049	-	(13 938)	21 688	6 579	-	(11 899)	16 368
83 Career Path & Development	-	12 015	-	(12 015)	-	12 081	-	(12 081)	-
A8 Non Levy Paying NGOs and CBOs	72 314	-	56 450	(49 555)	79 209	(34)	114 834	(73 364)	120 645
C1 Retrenchment Assistance Programme	78 720	17	(1 010)	(13 449)	64 278	-	(930)	(1 265)	62 083
C9 People with Disabilities	23 858	-	(148)	(1 707)	22 003	-	(2 540)	(2 140)	17 323
E1 KZN - Office of Premier Project	33 563	-	314	(5 070)	28 807	-	7 839	(5 975)	30 671
E3 Eastern Cape - Office of Premier	65 851	-	224 899	(38 352)	252 398	-	(2 308)	(15 696)	234 394
G7 National Students Financial Aid scheme (NSFAS)	141 750	-	-	(42 000)	99 750	-	-	(67 665)	32 085
H1 Central University of Technology	5 833	-	13 069	(7 674)	11 228	(11)	-	1 885	13 102
H4 Tshwane University of Technology - Institute for Advanced Tooling	-	-	5 080	(1 414)	3 666	(1 214)	-	1 358	3 810
H5 Correctional Services Kimberly	250	-	(250)	-	-	-	-	-	-
J5 Gauteng Dept of Education (GDE)	-	(7 339)	16 005	(1 500)	7 166	-	5 596	(4 914)	7 848
J7 National Department of Public Works (NDPW)	262	-	-	-	262	-	(262)	-	-
J9 Worker Initiated Project	66 358	-	3 889	(27 981)	42 266	-	3 897	(15 092)	31 071
K3 TVET NCV Learners	215 076	3	76 549	(55 188)	236 440	1 204	155 901	(64 944)	328 601
K8 Saldhana Bay - Industrial Development Zone	851	-	(21)	(639)	191	-	(83)	98	206
K9 Mpumalanga Education Depart.	22 612	-	(6 113)	-	16 499	-	(16 499)	-	-
L3 North West Office of Premier	24 009	-	(11 304)	(193)	12 512	-	-	(3 490)	9 022
L8 Cape Peninsula Univ Technology	5 984	-	16 648	(8 117)	14 515	-	(2 365)	(114)	12 036
M2 Free State Office of Premier	56 326	-	(14 157)	(891)	41 278	-	(374)	(7 387)	33 517



## 20. COMMITMENTS (continued)

### PROJECT/ DISCRETIONARY GRANT PROGRAMMES

	Opening balance 2024 restated R'000	Administration expenses/ other adjustments 2024 R'000	Approved contractual expenses & reductions 2024 R'000	Charged to statement of financial performance 2024 restated R'000	Opening balance 2025 restated R'000	Administration expenses/ other adjustments 2025 R'000	Approved contractual expenses & reductions 2025 R'000	Charged to statement of financial performance 2025 R'000	Closing balance 2025 R'000
<b>PROG 3: LEARNING PROGRAMMES &amp; PROJECTS</b> (continued)									
M5 Dept. of Basic Education -Technology	6 187	-	9 453	(4 043)	11 597	-	5 253	(3 214)	13 636
M9 Department of Small Business Develop.	44 277	-	(165)	(6 056)	38 056	-	237 239	(51 153)	224 142
N3 Mangosuthu University Of Technology	16 946	-	19 049	(14 139)	21 856	-	14 641	(10 893)	25 604
N6 Chinese Cultural Training Centre	24 784	-	(24 784)	-	-	-	-	-	-
O3 Offenders Awaiting Parole (KZN)	742	-	(233)	(509)	-	-	-	-	-
O7 Innovation, Research & Support - University of North West	(1)	-	2 118	(2 118)	(1)	1	-	-	-
O9 Office of Premier - Limpopo	35 326	-	134 772	(46 322)	123 776	(180)	19 801	(42 987)	100 410
P6 ISFAP Bursaries	27 253	-	-	(27 253)	-	-	18 000	(18 000)	-
Q8 TVET Quality Prog Skills 4.0	17 313	-	53 587	(11 318)	59 582	-	28 134	(20 882)	66 834
S2 Centre of Specialisations	75 988	-	30 461	(18 654)	87 795	-	(3 724)	(7 103)	76 968
S3 MANCO Initiated Projects	-	-	-	-	-	-	89 066	(2 680)	86 386
T1 East Cape Mid College 4.0	100 327	-	(60 000)	(6 000)	34 327	-	-	-	34 327
T2 Univ FS Chair in Engin. 4.0	38 397	-	-	(8 752)	29 645	-	(1 853)	(11 381)	16 411
T3 False Bay C Swartklip Artisan.	26 929	-	(29 919)	2 990	-	-	-	-	-
T5 NMU Chair in Engineer.	1 515	-	-	(1 515)	-	-	-	-	-
T6 CUT Chair in Innovation	2 700	-	-	(2 700)	-	-	-	-	-
T9 Work Integrated Learn. (UNISA)	8 514	-	-	(873)	7 641	-	-	22	7 663
U1 Learning factories (CSIR)	15 377	-	-	(1 040)	14 337	-	-	(5 652)	8 685
U2 Chair on Intelligent Man. (TUT)	3 575	-	-	(2 778)	797	-	-	(797)	-
U3 Labour rep. tm legisl -Rhodes	-	-	-	-	-	-	7 780	(389)	7 391
U4 Ind 4.0 Dev. Cen. Supp (NMU)	1 070	-	-	(1 070)	-	-	-	-	-

## 20. COMMITMENTS (continued)

### PROJECT/ DISCRETIONARY GRANT PROGRAMMES

	Opening balance 2024 restated R'000	Administration expenses/ other adjustments 2024 R'000	Approved contractual expenses & reductions 2024 R'000	Charged to statement of financial performance 2024 restated R'000	Opening balance 2025 restated R'000	Administration expenses/ other adjustments 2025 R'000	Approved contractual expenses & reductions 2025 R'000	Charged to statement of financial performance 2025 R'000	Closing balance 2025 R'000
<b>PROG 3: LEARNING PROGRAMMES &amp; PROJECTS</b> (continued)									
U6 Trn & mentor small bus (RMI)	3 537	-	-	(259)	3 278	-	(374)	(223)	2 681
U8 Prog Raspberry PI (DUT)	-	-	10 000	-	10 000	-	-	(1 000)	9 000
X7 Moses Kotane KZN Prov ERRP P3	-	-	202 215	(29 110)	173 105	-	-	(56 160)	116 945
V1 Engineering Development	16 249	-	-	(6 164)	10 085	-	(8 529)	(1 556)	-
V2 TUT TVET Skills Development	34 965	-	-	(16 462)	18 503	1 214	-	(9 705)	10 012
V4 Viro- Vent COVID Response	14 420	-	-	(2 971)	11 449	-	-	(5 527)	5 922
V5 CUT Advanced Rubber Technology	3 600	-	-	-	3 600	11	-	(11)	3 600
V8 Private Skills Devel. Providers	50 411	-	33 764	(27 552)	56 623	-	62 877	(54 143)	65 357
V9 TVET Occupational Support	119 150	-	47 435	(30 602)	135 983	-	(6 086)	(45 767)	84 130
W5 Enterprise Development	65 270	-	107 687	(53 246)	119 711	6 308	226 006	(100 693)	251 332
W7 CET Support Programme 4	41 427	(1)	-	(3 254)	38 172	-	-	(11 132)	27 040
W8 World Skills MoA	38 503	-	-	(1 777)	36 726	-	-	(11 151)	25 575
W9 EON Knowledge Metaverse	-	-	7 591	(7 591)	-	-	-	-	-
X2 Gauteng City Region Academy	172 500	-	-	-	172 500	-	-	-	172 500
X3 Office of the Premier Free State - skills	245 682	-	-	(69 160)	176 522	-	-	(6 107)	170 415
X4 Gauteng Department of Education - tech schools	55 000	-	-	(5 500)	49 500	-	-	(22 000)	27 500
X5 Office of the Premier Northern Cape	210 136	(1)	-	(61 380)	148 755	-	-	(23 948)	124 807
X9 Industrial Fellowship Support	-	-	-	-	-	-	2 922	(1 548)	1 374
	<b>4 283 751</b>	<b>10 743</b>	<b>1 494 393</b>	<b>(1 172 235)</b>	<b>4 616 652</b>	<b>13 722</b>	<b>1 911 681</b>	<b>(1 422 771)</b>	<b>5 119 284</b>

## 20. COMMITMENTS (continued)

PROJECT/ DISCRETIONARY GRANT PROGRAMMES		Opening balance 2024 restated R'000	Administration expenses/ other adjustments 2024 R'000	Approved contractual expenses & reductions 2024 R'000	Charged to statement of financial performance 2024 restated R'000	Opening balance 2025 restated R'000	Administration expenses/ other adjustments 2025 R'000	Approved contractual expenses & reductions 2025 R'000	Charged to statement of financial performance 2025 R'000	Closing balance 2025 R'000
<b>PROG 4: QUALITY ASSURANCE</b>										
E9	QCTO CEP Pilot Project	17	-	33	( 50)	-	701	434	(1 135)	-
J3	Assessment Quality Partner	-	-	-	-	-	29	-	( 29)	-
		<b>17</b>	<b>-</b>	<b>33</b>	<b>( 50)</b>	<b>-</b>	<b>730</b>	<b>434</b>	<b>(1 164)</b>	<b>-</b>
<b>TOTAL CONTRACTUAL COMMITMENTS</b>		<b>4 312 040</b>	<b>10 743</b>	<b>1 498 346</b>	<b>(1 195 834)</b>	<b>4 625 295</b>	<b>14 648</b>	<b>1 933 627</b>	<b>(1 437 889)</b>	<b>5 135 681</b>
<b>PRIOR PERIOD ADJUSTMENT</b>										
TOTAL CONTRACTUAL COMMITMENTS AS PREVIOUSLY STATED		4 312 040	10 743	1 498 346	(1 195 834)	4 625 295				
<b>ADJUSTMENT TO OPENING BALANCE</b>		4 323 072	10 743	1 496 091	(1 094 020)	4 735 886				
		<b>(11 032)</b>	<b>-</b>	<b>2 255</b>	<b>( 101 814)</b>	<b>( 110 591)</b>				

The prior year balances of commitments has been restated. The total value of commitments in the prior year was reported as R4,736 billion. This has been adjusted to R4,624. This adjustment was made largely because of accruals that were not raised in the prior year.

## 20. COMMITMENTS (continued)

20.4 OPERATIONAL COMMITMENTS NATURE OF COMMITMENT	2025		2024	
	Not later than one year R'000	Later than one year but not later than 5 years R'000	Not later than one year R'000	Later than one year but not later than 5 years R'000
Annual report	-	-	279	-
Audit & forensic services	814	-	736	89
Banking services	-	-	600	2 395
Debt collection services	2 620	-	-	-
Finance consulting services	262	19	778	-
General ICT maintenance & support	3 217	2 999	5 800	6 120
General marketing programmes	230	210	197	341
Human resource related services	400	800	11	-
Hybrid AGM	-	-	330	-
Leases **	15 283	18 273	14 284	33 642
Secretarial services	381	-	182	182
Security services	187	279	113	190
Staff wellness & training	285	503	504	-
Telecommunication services	1 558	3 116	1 558	3 088
Transport services	236	1 462	714	443
	<b>25 473</b>	<b>27 661</b>	<b>26 086</b>	<b>46 490</b>

\*\* MerSETA has six non-cancellable operating lease contracts for the rental of premises. One is for the head office in Parktown, Johannesburg and the others are for five regional offices in various provinces. All these contracts are for a five-year term and escalate at a rate of between 6% and 8%.

## 21. FINANCIAL INSTRUMENTS

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

### MARKET RISK

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. merSETA's 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 its surplus cash in call accounts across different banks. These 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.

## 21. FINANCIAL INSTRUMENTS (continued)

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

### YEAR ENDED 31 MARCH 2025

	Floating rate		Fixed Rate		Non-interest bearing		TOTAL R'000
	Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in months	Amount R'000	Weighted average period until maturity in months
<b>FINANCIAL ASSETS</b>							
Cash and cash equivalents	6 208 798	8,21%	-	-	-	-	-
Receivables from exchange transactions	-	-	-	-	-	788	36
Employer receivable - discretionary grants	-	-	-	-	-	23 420	1
Receivable - UIF	-	-	-	-	-	10 873	1
<b>Total financial assets</b>	<b>6 208 798</b>		<b>-</b>			<b>35 081</b>	
<b>FINANCIAL LIABILITIES</b>							
Trade Payables	-	-	-	-	-	26 856	1
Discretionary grants payable	-	-	-	-	-	612 284	1
<b>Total financial liabilities</b>	<b>-</b>		<b>-</b>			<b>639 140</b>	
<b>Net financial assets</b>	<b>6 208 798</b>		<b>-</b>			<b>( 604 059)</b>	

### YEAR ENDED 31 MARCH 2024

<b>FINANCIAL ASSETS</b>							
Cash and cash equivalents	5 702 539	8,14%	-	-	-	-	-
Receivables from exchange transactions	-	-	-	-	-	5 745	36
Employer receivable - discretionary grants	-	-	-	-	-	11 044	1
Receivable - UIF	-	-	-	-	-	-	1
<b>Total financial assets</b>	<b>5 702 539</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>16 789</b>	
<b>FINANCIAL LIABILITIES</b>							
Trade Payables	-	-	-	-	-	17 422	1
Discretionary grants payable	-	-	-	-	-	424 092	1
<b>Total financial liabilities</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>441 514</b>	
<b>Net financial assets</b>	<b>5 702 539</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>( 424 725)</b>	
							<b>5 277 814</b>



## 21. FINANCIAL INSTRUMENTS (continued)

### CREDIT RISK

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

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

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

The entity's maximum exposure to credit risk is as follows:	Note	31 March 2025	31 March 2024
		R'000	R'000
Employer receivable	10	23 420	11 044
InterSETA receivable	10	-	17
		<b>23 420</b>	<b>11 061</b>

### LIQUIDITY RISK

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

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

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

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

	Carrying Amount R'000	Contractual Cash Flows R'000	6 months or less R'000	6 - 12 months R'000	1 - 2 years R'000	More than 2 years R'000
<b>2025</b>						
Trade payables from exchange transactions	26 856	26 856	26 856	-	-	-
<b>2024</b>						
Trade payables from exchange transactions	17 422	17 422	17 422	-	-	-

## 21. FINANCIAL INSTRUMENTS (continued)

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### 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.

## 22. RELATED PARTY TRANSACTIONS

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

1. Accounting Authority (refer to note 22.1 for disclosure)
2. Audit and Risk Committee (refer to note 22.1 for disclosure)
3. Executive and senior managers (refer to note 22.3 for disclosure)
4. Relatives of the above (no transactions)
5. Employers of Accounting Authority members (refer to note 22.1 for disclosure)
6. Entities under common control are entities operating under the auspices of Department of Higher Education and Training (DHET), which are QCTO, SAQA, NSFAS, NSA, TVET's, CHE, Universities and other SETAs. The related party transactions with these entities relate to merSETA funded learning programmes which are consistent with normal grant funding processes (terms and conditions) as directed by the Grants Policy. This will include any transaction that may occur during the period under review recognised in the statement of financial performance, any balance outstanding at the year under review recorded, the statement of financial position as well as any committed balance for learning programmes which are not completed at the end of the reporting date (refer to note 22.4 for disclosure)

## 22. RELATED PARTY TRANSACTIONS (continued)

### 22.1 ACCOUNTING AUTHORITY AND INDEPENDENT COMMITTEE MEMBERS FEES

ACCOUNTING AUTHORITY AND INDEPENDENT COMMITTEE MEMBERS	2025		2024	
	Net transfers in/(out) during the year R'000	Amount receivable/ (payable) R'000	Net transfers in/(out) during the year R'000	Amount receivable/ (payable) R'000
T Molapo (Chair, FGC)	( 564)	( 38)	( 525)	( 65)
K Bhana *	( 245)	( 15)	( 262)	( 19)
J A De Beer	( 737)	( 53)	( 637)	( 52)
T Fari (Independent)	( 300)	( 25)	( 273)	( 20)
R Grobler	( 357)	( 36)	( 80)	( 22)
S Hoosen *	( 250)	-	( 222)	-
J S Kubeka	-	-	( 121)	-
L Lee	-	-	( 97)	-
K Moloto (Chairperson, Accounting Authority & EXCO)	( 667)	( 62)	( 925)	( 69)
A Mashilo (Chairperson, Governance and Strategy)	( 99)	-	( 148)	( 27)
S C Mdletshe	( 130)	( 9)	( 174)	( 13)
R Moothilal	( 376)	( 42)	( 326)	( 40)
S Msweli (Independent)	( 84)	( 89)	( 71)	-
K Mzozoyana (Chair, ARC)	( 873)	-	( 653)	( 65)
R Ntlokotse	-	-	( 182)	-
T Phiri (Chair, HRRC)	( 488)	( 48)	( 537)	( 51)
M Phiri (Independent)	( 249)	( 25)	( 208)	( 20)
N Rademan	( 402)	( 18)	( 424)	( 31)
L Van Huyssteen *	( 373)	( 15)	( 427)	( 35)
	<b>(6 194)</b>	<b>( 475)</b>	<b>(6 292)</b>	<b>( 529)</b>

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 are paid to the employer body or representative union

## 22. RELATED PARTY TRANSACTIONS (continued)

### 22.2 TRANSACTIONS WITH OTHER SETAS

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

	Note	2025		2024	
		Net transfers in/(out) during the year R'000	Amount receivable/ (payable) R'000	Net transfers in/(out) during the year R'000	Amount receivable/ (payable) R'000
<b>Receivables</b>	10	<b>8</b>	<b>-</b>	<b>17</b>	<b>17</b>
CATHSSETA		-	-	1	1
MICT SETA		-	-	16	16
WRSETA		8	-	-	-
<b>Payables</b>	15	<b>( 138)</b>	<b>( 138)</b>	<b>( 124)</b>	<b>( 126)</b>
AGRISETA		( 17)	( 17)	( 2)	( 2)
CETA		( 3)	( 3)	-	-
FASSET		-	-	( 4)	( 4)
FP&M SETA		( 23)	( 23)	-	-
HWSETA		-	-	-	( 2)
MICT SETA		-	-	( 94)	( 94)
TETA		( 95)	( 95)	( 11)	( 11)
WRSETA		-	-	( 13)	( 13)
<b>Total</b>		<b>( 130)</b>	<b>( 138)</b>	<b>( 107)</b>	<b>( 109)</b>

## 22. RELATED PARTY TRANSACTIONS (continued)

### 22.3 KEY MANAGEMENT PERSONNEL COSTS

KEY PERSONNEL	Basic salary R000's	Travel Allowance R000's	Medical Aid R000's	Pension Fund R000's	Performance Bonus R000's	Acting Allowance R000's	Total 2025 R000's	Total 2024 R000's	Notes
Chief Executive Officer	2 258	104	-	225	-	-	2 587	2 213	April 24 to March 25
Acting Chief Executive Officer	-	-	-	-	-	1 304	1 304	546	April 24 to March 25
Chief Financial Officer	2 196	60	84	221	224	-	2 785	2 506	April 24 to March 25
Acting Chief Financial Officer	-	-	-	-	-	-	-	372	April 24 to March 25
Chief Operations Officer	-	-	-	-	-	-	-	2 064	April 24 to March 25
Acting Chief Operations Officer	-	-	-	-	-	920	920	277	April 24 to March 25
Executive: Corporate Services	1 709	-	-	178	180	-	2 067	1 963	April 24 to March 25
Acting Executive: Strategy and Research	-	-	-	-	-	218	218	275	April 24 to March 25
<b>TOTAL</b>	<b>6 163</b>	<b>164</b>	<b>84</b>	<b>624</b>	<b>404</b>	<b>2 442</b>	<b>9 881</b>	<b>10 216</b>	

\* Note that the performance bonuses for 2025 are based on a provision as the performance reviews were not finalised by 31 March 2025.

### 22.4 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, QCTO, NSF, CHE, SAQA 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.



## 22. RELATED PARTY TRANSACTIONS (continued)

TYPE OF ENTITY	NATURE OF TRANSACTION	2025			2024		
		Net transfers in/(out) during the year R'000	Amount receivable/(payable) R'000	Commitment value at end of year R'000	Net transfers in/(out) during the year R'000	Amount receivable/(payable) R'000	Commitment value at end of year R'000
Colleges	Bursaries & Training	(99 112)	63 221	592 143	(131 603)	1 222	598 242
NSFAS/ISFAP	Bursaries & training	(45 885)	25 665	32 085	(57 704)	-	111 300
QCTO	Administration fees	(11 917)	-	-	(10 561)	-	-
Universities	Bursaries & training	(47 007)	13 997	133 318	(119 057)	(16 828)	177 224
<b>Total</b>		<b>( 203 921)</b>	<b>102 883</b>	<b>757 546</b>	<b>(318 925)</b>	<b>(15 606)</b>	<b>886 766</b>

## 23. 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 sufficient available reserves to cover its liabilities. The merSETA has evaluated its ability to continue as a going concern and reviewed its cash flows and therefore believes it is going to be able to run as such for the next 12 months.

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

### CRIMINAL CONDUCT

MerSETA conducted forensic investigations into allegations of misconduct against current and former officials from 2022 into the year under review. The recommendations of these investigations have led to merSETA implementing disciplinary processes, instituting civil proceedings as well as opening criminal cases against current and former officials of the organisations. The South African Police Services are currently conducting their investigations.

IRREGULAR EXPENDITURE AND FRUITLESS AND WASTEFUL EXPENDITURE	2025 R'000	2024 R'000
Irregular expenditure	3 244	2 972
Fruitless and wasteful expenditure	298	4
	<b>3 542</b>	<b>2 976</b>

Irregular expenditure of R3.2 million was identified during the 2024/25 financial year. This was due to non-compliance with procurement prescripts resulting in contract overruns.

Fruitless and wasteful expenditure of R298 thousand was identified in the current financial year. This related to:

- 1) Cancellation of travel of travelling arrangements after costs already incurred;
- 2) Cost of a printer that went missing;
- 3) Security costs where services terminated after provider was appointed;
- 4) SARS penalties due to short payment on PAYE and;
- 5) Catering costs where meeting was cancelled but costs already incurred.

## 25. TAXATION

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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).

## 26. EVENTS AFTER THE REPORTING DATE

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The last term of the Accounting Authority expired 31 March 2025. At the time of reporting, the Minister of Higher Education and Training had not appointed the new Accounting Authority. On 22 May 2025, the Minister issued a letter appointing SETA CEOs to resume duties of the Accounting Authority until the new Board has been appointed.

## 27. NEW ACCOUNTING PRONOUNCEMENTS

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### DISCLOSURE OF THE POSSIBLE IMPACT OF NEW GRAP STANDARDS

Entities should ensure their accounting policies include all issued but not yet effective GRAP standards, along with an assessment of the potential impact that the application of the new standard may have on the entity's financial statements (GRAP 3.32)

### IMPACT OF NEW GRAP STANDARDS INTRODUCTION OF GRAP 104: FINANCIAL INSTRUMENTS

The Accounting Standards Board has issued GRAP 104, which will be effective from April 1, 2025. This standard introduces new requirements for the recognition, measurement, and disclosure of financial instruments.

### RECOGNITION AND MEASUREMENT

The new standard requires financial instruments to be measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income, depending on the business model and contractual cash flow characteristics. This change is expected to increase the volatility of reported earnings due to the fair value measurement of certain financial assets and liabilities.

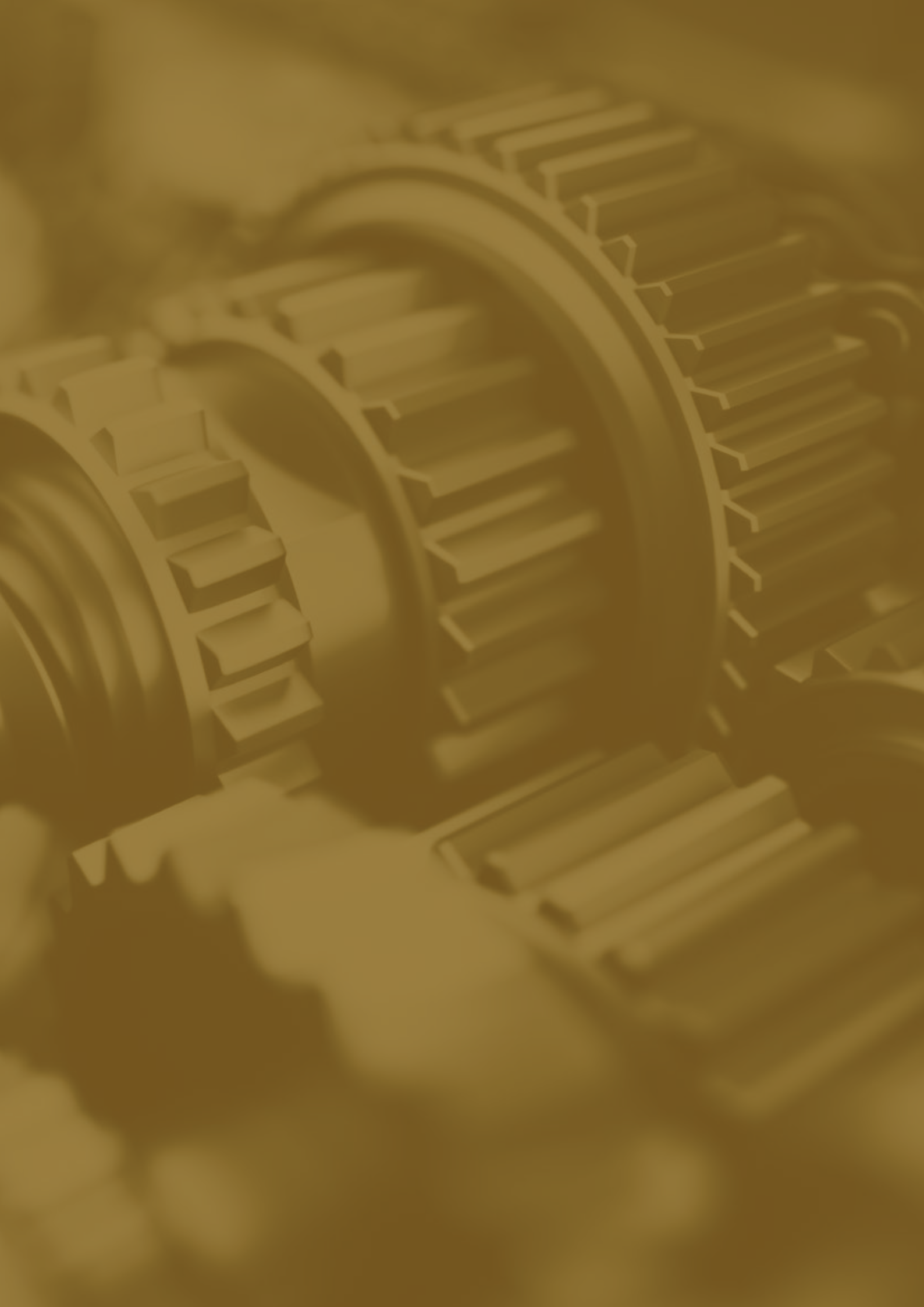
### DISCLOSURE REQUIREMENTS

Enhanced disclosures about the entity's risk management strategy, credit risk, and liquidity risk will be required. Additional disclosures on the fair value hierarchy and the methods and assumptions used in determining fair values will be necessary.

### MANAGEMENT'S ASSESSMENT

Management has conducted a preliminary assessment of the impact of GRAP 104 on the entity's financial statements. The key areas affected include:

- Financial Assets: No significant changes are expected in the measurement of financial assets.
- Financial Liabilities: No significant changes are expected in the measurement of financial liabilities.
- Disclosures: The entity will need to enhance its disclosures related to financial instruments, particularly in the areas of risk management and fair value measurement.





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