merSETA

MANUFACTURING, ENGINEERING AND RELATED SERVICES SETA

ANNUAL REPORT 2025|26

merSETA | Annual Report 2025/26

merSETA

MANUFACTURING, ENGINEERING AND RELATED SERVICES SETA

ANNUAL REPORT
2025/2026

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REPORT TO THE HONOURABLE MINISTER OF HIGHER EDUCATION AND TRAINING

IN TERMS OF SECTION 10(2) OF THE PUBLIC AUDIT ACT, 2004 (ACT NO. 25 OF 2004)

MR BUTI MANAMELA

MINISTER OF HIGHER EDUCATION AND TRAINING

MR YUSUF CASSIM

DEPUTY MINISTER OF HIGHER EDUCATION AND TRAINING

DR NOMUSA DUBE-NCUBE

DEPUTY MINISTER OF HIGHER EDUCATION AND TRAINING

Mr Buti Kgwaridi Manamela
Minister of Higher Education and Training
Department of Higher Education and Training
123 Francis Baard Street
Pretoria

Dear Honourable Minister,

In terms of the provisions of Section 10(2) of the Public Audit Act, 2004 (Act No. 25 of 2004), it is an honour to submit the merSETA Annual Report for the financial year ended 31 March 2026.

This Annual Report presents the affairs of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA), including its operations, organisational performance, financial performance and progress against the performance targets agreed with the Department of Higher Education and Training.

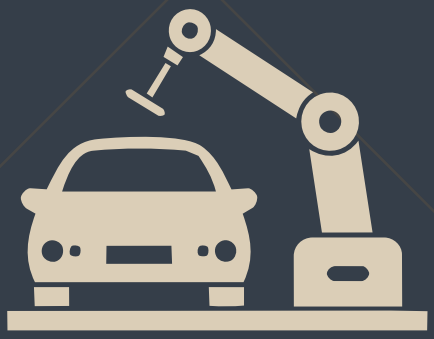
The Accounting Authority is responsible for the preparation of the merSETA Annual Report and for the judgements made in the information presented therein.

The merSETA extends its appreciation to the Honourable Minister and the Department of Higher Education and Training for the continued guidance and support provided during the year under review. We look forward to continuing our collaboration in advancing skills development and training within the manufacturing, engineering and related services sector.

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/1/04/20.
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
EMAIL	customerservice@merseta.org.za
EXTERNAL AUDITORS	Auditor-General South Africa **Registered Office Address** 4 Daventry 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	Ms Nonkululeko Mazibuko

2. LIST OF ABBREVIATIONS **AND ACRONYMS**

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

3. Foreword by the **Chairperson**

Prof Hoosen Rasool

On behalf of the Accounting Authority, it is my privilege to present the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) Annual Report for the 2025/26 financial year. The merSETA facilitates and funds skills development in the designated sector to create a globally competitive workforce and support manufacturing firms in a turbulent, rapidly changing world. This report presents what the merSETA has achieved against our mandate in the 2025/26 period and, quite frankly, where we fell short.

SECTOR DYNAMICS

Skills development within the manufacturing, engineering and related services sectors continues to play a critical role in supporting South Africa's industrial development, economic competitiveness and transition towards a future-ready workforce. During the year under review, the sectors operated in a challenging economic environment characterised by anaemic economic growth, weak consumer demand, geopolitical uncertainty, ever-rising input and energy costs, and rapid technological change. For instance, the automotive sub-sector is contending with a wave of imported Chinese vehicles that is disrupting the new car market. This adversely affects local automotive components manufacturers, leading to firm closures and job losses. The metals and engineering sub-sector has been under strain for over a decade, with declines in output and employment. The tyre sub-sector continues to erode market share due to cheaper import pressures. The plastics sub-sector is also facing a wave of cheaper imported products.

These dynamics make it difficult for employers to indenture apprentices, offer learnerships and make work-based training opportunities available to new college entrants.

The rapid advances in manufacturing, artificial intelligence, digitalisation, and the Just Energy Transition (JET) have caught training providers and quality councils off guard. There is an acute and urgent need for new qualifications and short skills programmes, for example, in new energy and electric vehicle technologies. Most Technical and Vocational Education and Training (TVET) colleges are unprepared for the digital and green economy. In this environment, the need for on-demand skills training is urgent.

OVERVIEW OF STRATEGY AND SECTOR PERFORMANCE

merSETA's strategy remains firmly anchored in the Skills Development Act, the National Skills Development Plan 2030 (NSDP 2030), the National Development Plan (NDP), and the Medium-Term Development Plan. These strategic frameworks guide the organisation in expanding access to occupationally directed learning, addressing scarce and critical skills, and strengthening learner transitions into sustainable employment. During the 2025/26 financial year, merSETA directed the majority of its discretionary grants to learnerships, apprenticeships, artisan development, and workplace-based learning, while continuing to disburse mandatory grants to levy-paying employers that invest in workforce training.

Despite a challenging economic environment, merSETA achieved 86% of its planned annual performance targets and, together with prior-year learner throughput, contributed to 43,804 learning opportunities. Several strategic targets exceeded expectations. These included the approval of 2,655 Workplace Skills Plans and Annual Training Reports for small firms, the training of seven cooperatives against a target of five, the registration of 528 TVET learners for workplace-based learning, 3,738 unemployed learners enrolled in learnership programmes, industry exposure opportunities for TVET lecturers, career development events, and the submission of occupational

"Our medium- to long-term priorities are to scale artisan and apprenticeship throughput, to expand demand-led training that responds to emerging technologies, electrification and the green economy, to improve the certification and employment outcomes of learners, and to strengthen partnerships between employers and post-school institutions."

qualifications and part-qualifications to the Quality Council for Trades and Occupations (QCTO). These achievements demonstrate the merSETA's continued commitment to expanding access to quality skills development and strengthening the competitiveness of the manufacturing, engineering and related services sector.

Where targets were not met, particularly in areas relating to artisan development, SMME training, organisational culture and certain partnership indicators, these are disclosed transparently in the Performance Information section together with the corrective measures approved by the Accounting Authority to strengthen future performance.

STRATEGIC RELATIONSHIPS

Skills development is a collaborative undertaking, and the merSETA's impact depends on the strength of its partnerships. During the year, the Accounting Authority emphasised strengthening relationships with TVET colleges, organised business and labour, and public and private training providers, including TVET Colleges and Universities of technology. These relationships are central to aligning skills supply with employer demand and to opening workplaces for practical, work-integrated learning.

CHALLENGES FACED BY THE ACCOUNTING AUTHORITY

The major setback for merSETA is another qualified audit finding for the 2025/26 financial year. In essence, this is the fourth qualified audit in four years. Unfortunately, the same findings are repeated year on year. Hence, there is an immediate need for the Accounting Authority to take stock of the internal organisational environment and implement appropriate actions in the 2026/27 financial year to avert this situation.

Notwithstanding the progress achieved, the Accounting Authority remained cognisant of several challenges that affected organisational performance during the year. These included constrained labour-market absorption and limited workplace placement opportunities, which directly affected the employment outcomes of our learners; weaknesses in our operational systems and processes, together with audit findings; and broader structural economic pressures. In addition, the transition towards occupational qualifications and rapidly evolving sectoral skills demands required the organisation to adapt quickly while maintaining operational stability, sound internal controls, and the prudent management of any irregular, fruitless and wasteful expenditure. These matters received the Accounting Authority's sustained oversight, and management's response to them is set out in the relevant sections of this report.

STRATEGIC FOCUS OVER THE MEDIUM TO LONG TERM

Looking ahead, the Accounting Authority's strategic focus is to position the merSETA as a more responsive and impact-driven skills authority. Our medium- to long-term priorities are to scale artisan and apprenticeship throughput; expand demand-led training that responds to emerging technologies, electrification and the green economy; improve the certification and employment outcomes of learners, and to strengthen partnerships between employers and post-school institutions. These priorities are underpinned by a commitment to sound governance, prudent financial management and a measurable contribution to the sector and the National Skills Development Plan.

"The rapid developments in manufacturing, propelled by artificial intelligence, digitalisation, and the Just Energy Transition (JET), have unexpectedly impacted training providers and quality councils."

ACKNOWLEDGEMENTS

On behalf of the Accounting Authority, I extend sincere appreciation to the Minister and the Department of Higher Education and Training (DHET) for their continued guidance, to organised business, organised labour, our strategic partners and stakeholders, and to my fellow Accounting Authority members and committee members for their diligence and counsel. I also thank the executive management and staff of the merSETA and our employers, training providers and learners, whose dedication and participation give life to our mandate.

CONCLUSION

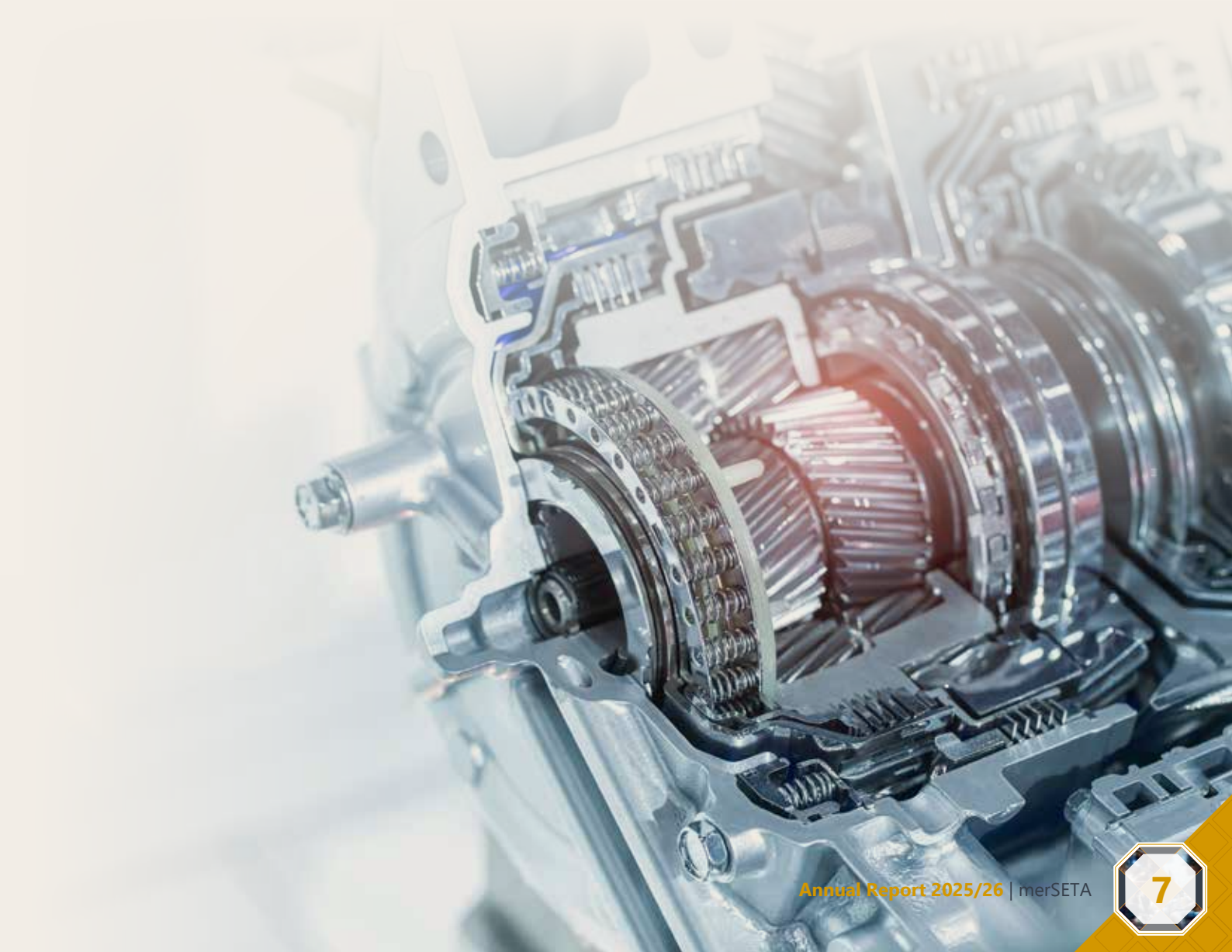
The merSETA remains firmly committed to building the skills that sustain and grow the manufacturing, engineering and related services sector. While we acknowledge the areas requiring improvement, the progress achieved during the year provides a solid foundation for continued institutional strengthening and improved sector impact.

The Accounting Authority is confident that, through continued collaboration and sound governance, the merSETA is well positioned to deliver greater impact for the sector and contribute meaningfully to South Africa's economic growth and skills development.

Prof Hoosen Rasool

Chairperson: Accounting Authority

Date: 7 August 2026



4. Overview by the Acting **Chief Executive Officer**

Mr Naphtaly Mokgotsane

The 2025/26 financial year marked a period of consolidation, recovery, and strategic focus for merSETA. Operating in an economic environment characterised by subdued GDP growth, persistent contraction in manufacturing output, and ongoing labour market pressures, the organisation remained committed to its legislative mandate to facilitate skills development and support inclusive economic participation in the manufacturing and engineering sectors.

Despite these hurdles, merSETA achieved 86% of its annual targets for the year under review, demonstrating a notable improvement compared to the previous reporting year.

This overview presents an account of merSETA's financial performance, operational achievements, challenges faced, and strategic outlook for the year under review.

GENERAL FINANCIAL REVIEW OF THE PUBLIC ENTITY

The organisation's strong liquidity position and substantial cash reserves demonstrate confidence in its capacity to honour multi-year grant commitments, address emerging sector priorities, and maintain strategic investments in artisan development, occupational qualifications, digitalisation, and workplace-based learning within the PSET landscape.

Total revenue rose from R2,289 million in the 2024/25 financial year to R2,347 billion in the 2025/26 financial year, representing a growth of approximately 2.5%. Skills development levy income contributed R1.884 billion, while investment income of R439,5 million reflected the organisation's prudent treasury management practices in line with National Treasury Regulations.

The organisation recorded a net surplus of approximately R540 million for the year under review, reflecting prudent financial management, effective revenue collection, and disciplined expenditure aligned with the organisation's strategic objectives.

The reported surplus does not represent excess operational resources but is substantially committed to contractual discretionary grant obligations amounting to R5.596 billion.

Cash and cash equivalents increased to approximately R6,4 billion at year-end, illustrating the organisation's strong liquidity position, effective cash flow management, and ability to fulfil both current and future operational and strategic commitments.

SPENDING TRENDS OF THE PUBLIC ENTITY

The organisation continued to allocate most of its expenditure towards delivering its core mandate, with total employer grant and project expenditure amounting to approximately R1,57 billion during the review period. Spending was mainly focused on discretionary grants, implementing learning programmes, artisan development, workplace-based learning, and strategic sector projects aligned with the National Skills Development Plan (NSDP) 2030 and the Sector Skills Plan.

Administration expenditure decreased from R258,8 million in the previous financial year to R235,1 million in the current year, reflecting the organisation's ongoing commitment to cost containment and operational efficiency. Personnel-related expenditure amounted to R196,1 million across 286 employees, reflecting prudent human capital investment aligned with organisational requirements.

The organisation also further strengthened expenditure monitoring mechanisms, refined grant management processes, and enhanced project verification controls to improve financial accountability and value for money.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE PUBLIC ENTITY

The year under review presented several operational and institutional challenges that required targeted management intervention. These included evolving sector skills demands driven by Fourth Industrial Revolution technologies (4IR) and the Just Energy Transition (JET), capacity limitations in certain operational areas, delays in workplace placement opportunities, and the increasing complexity of grant administration and project monitoring.

The specific challenges encountered during the year included managing discretionary grant accruals, historical receivables, contract monitoring, and asset verification procedures. Underperformance was observed in artisan development, where the transition from legacy to occupational qualifications disrupted the artisan pipeline. Specifically, only 25 unemployed engineering graduates registered for candidacy programmes, aligning exactly with the target; however, broader artisan-related indicators demonstrated moderate underachievement.

Limited availability of accredited providers and assessment centres further constrained both enrolments and completions, while low conversion rates of employer and SMME applications impacted partnership-related indicators. Audit-related findings from the previous year, particularly regarding the understatement of discretionary grant accruals, also required targeted remedial action during the reporting period.

Additional challenges included constrained economic conditions affecting employer participation, sector instability in key areas such as automotive and metals, limitations in operational systems, delays in project execution, and rising stakeholder expectations within a highly regulated environment.

To address these challenges, the organisation has prioritised:

- Strengthening governance and oversight structures across all levels of the organisation
- Enhancing digital transformation and automation initiatives to improve turnaround times and data integrity
- Improving contract and discretionary grant management systems
- Strengthening organisational capacity through targeted recruitment and skills development
- Enhancing monitoring and evaluation processes for improved performance reporting
- Improving stakeholder engagement and sector partnerships, particularly with employers, TVET colleges, and Community Education and Training (CET) institutions

"...merSETA will continue implementing sustainable financial management strategies aimed at safeguarding institutional viability while ensuring ongoing investment in strategic skills development programmes."

DISCONTINUED KEY ACTIVITIES/ACTIVITIES TO BE DISCONTINUED

During the reporting period, merSETA continued reviewing existing programmes and projects to ensure alignment with strategic priorities, sector needs, and organisational sustainability. Certain non-performing or outdated interventions were phased out or restructured to improve operational efficiency and to reallocate resources towards high-impact programmes that address demand-driven skills planning and align with the objectives of the National Skills Development Plan.

NEW OR PROPOSED KEY ACTIVITIES

The organisation strengthened its focus on occupational qualifications, digital transformation, artisan development, green economy skills, future manufacturing technologies, and strategic partnerships aimed at improving labour market responsiveness and sector competitiveness. Additional emphasis was placed on strengthening sector intelligence, improving data-driven planning, and expanding partnerships with public institutions, TVET colleges, universities, and industry stakeholders.

Notable performance highlights reflecting the organisation's strategic shift include registering 528 unemployed learners in Work-Integrated Learning (WIL) programmes from TVET colleges. Additionally, 1,060 employed learners enrolled in learnership programmes — surpassing the target of 1,000 — and 877 employed learners registered for skills programmes, exceeding the target of 800. Overall, the organisation reached 120% of its learner targets, with unemployed beneficiaries constituting 53% of supported learners. This represents a 204% achievement against the unemployment indicator, underscoring the organisation's dedication to tackling youth unemployment and promoting inclusive participation.

REQUESTS FOR ROLL-OVER OF FUNDS

The organisation continues to manage multi-year discretionary grant commitments in line with approved contractual obligations and relevant legislative frameworks. Requests for rolling over committed funds, where applicable, will be processed following National Treasury requirements and approved project implementation schedules to ensure the continuity of strategic learning initiatives and the safeguarding of beneficiary commitments.

SUPPLY CHAIN MANAGEMENT

The merSETA continued to strengthen its Supply Chain Management (SCM) environment during the reporting period to improve compliance, transparency, accountability, and operational effectiveness. SCM processes and systems remained in place and were continuously reviewed to ensure alignment with the Public Finance Management Act (PFMA), National Treasury Regulations, the Preferential Procurement Policy Framework Act, and applicable SCM instruction notes.

Procurement through other means amounted to R2,26 million across 17 transactions during the year, while contract variations and expansions totalled R5,019 million. Management implemented measures aimed at improving procurement planning, contract management, bid administration, record keeping, and consequence management processes, while strengthening internal oversight mechanisms to reduce the risk of irregular expenditure and non-compliance.

ALL CONCLUDED UNSOLICITED BID PROPOSALS FOR THE YEAR UNDER REVIEW

There were no concluded unsolicited bid proposals during the 2025/26 financial year.

WHETHER SCM PROCESSES AND SYSTEMS ARE IN PLACE

The merSETA confirms that SCM processes and systems remained in place throughout the reporting period and were applied consistently in accordance with applicable legislative and regulatory frameworks. The organisation continued to enhance its SCM control environment through ongoing policy reviews, staff capacity building, and strengthened oversight by the Bid Committees, Internal Audit, and the Audit and Risk Committee (ARC)..

AUDIT REPORT MATTERS IN THE PREVIOUS YEAR AND HOW THEY WOULD BE ADDRESSED

The organisation continued implementing action plans to address matters raised in prior-year audit findings. Particular focus was placed on strengthening discretionary grant accrual management, improving commitment management processes, enhancing supporting documentation, strengthening asset management controls, and improving financial reporting accuracy.

The prior-year audit qualification relating to discretionary grants continued to affect the 2025/26 audit outcome, as certain restated balances could not be supported by sufficient audit evidence. Management continues to strengthen grant management, supporting documentation, reconciliations, financial controls and oversight to address these deficiencies. Management has implemented enhanced reconciliation procedures, monthly accrual reviews, and strengthened oversight by the Chief Financial Officer and Audit and Risk Committee to prevent recurrence.

Management remains committed to enhancing governance systems, promoting accountability, improving consequence management, and strengthening internal control maturity to support improved audit outcomes in the forthcoming financial year.

OUTLOOK/PLANS FOR THE FUTURE TO ADDRESS FINANCIAL CHALLENGES

Looking ahead, merSETA will continue implementing sustainable financial management strategies aimed at safeguarding institutional viability while ensuring ongoing investment in strategic skills development programmes. Key priorities include:

- Maintaining prudent investment and cash flow management practices
- Strengthening discretionary grant disbursement and accrual processes
- Enhancing financial reporting systems and internal controls
- Improving budget execution and expenditure monitoring
- Aligning resource allocation to high-impact, demand-led skills interventions

In addition, merSETA will deepen its contribution to the Medium-Term Development Plan (MTDP) 2024–2029, industrial master plans, localisation initiatives, the Minister's Skills Revolution, and the Just Energy Transition through targeted skills interventions, strengthened industry partnerships, and expanded workplace-based learning opportunities. Support for the transition to occupational programmes delivery will be heightened through TVET colleges and private Skills Development Providers.

"...merSETA will deepen its contribution to the Medium-Term Development Plan (MTDP) 2024–2029, industrial master plans, localisation initiatives, the Minister's Skills Revolution, and the Just Energy Transition through targeted skills interventions, strengthened industry partnerships, and expanded workplace-based learning opportunities."

EVENTS AFTER THE REPORTING DATE

Management is not aware of any material events occurring after the reporting date that may have a significant impact on the organisation's financial position or operational performance, other than those disclosed in the Annual Financial Statements.

ECONOMIC VIABILITY

The merSETA remains financially viable, supported by the liquidity position and revenue streams outlined above. The organisation's prudent financial management approach, combined with strengthened governance and expenditure controls, positions the institution to continue fulfilling its legislative mandate sustainably over the medium to long term.

ACKNOWLEDGEMENT AND APPRECIATION

I wish to express my sincere appreciation to the Honourable Minister of Higher Education and Training, the Chairperson Prof Hoosen Rasool, and Members of the Accounting Authority for their strategic leadership, guidance, and continued support throughout the year under review.

My gratitude is also extended to the DHET, organised business, organised labour, our strategic partners, levy-paying employers, TVET colleges, universities, executive management, and all merSETA employees for their dedication, professionalism, and commitment to advancing the organisation's mandate.

The merSETA remains dedicated to building a responsive, accountable, financially sustainable, and future-oriented institution capable of supporting the changing needs of the manufacturing and engineering sectors and the broader national skills development agenda.

Mr Naphtaly Mokgotsane
Acting Chief Executive Officer
Date: 7 August 2026

5. STATEMENT OF **RESPONSIBILITY**

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

- All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines for annual reports as issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the standards applicable to the public entity.
- The accounting authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information, human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2026.

Mr Naphtaly Mokgotsane
Acting Chief Executive Officer
Date: 7 August 2026

Prof Hoosen Rasool
Chairperson: Accounting Authority
Date: 7 August 2026

6. STRATEGIC **OVERVIEW**

6.1. VISION

Leading catalyst for innovative skills development.

6.2. 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.

6.3. 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 and aligned merSETA strategic priorities require the merSETA to do the following:

7.1. DEVELOP THE SECTOR LABOUR MARKET INTELLIGENCE SYSTEM

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

7.2. 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 efforts.
- Strategically cultivate partnerships with both local and international HEIs to facilitate the exchange of innovative ideas and research findings for the betterment of the sector.

7.3. INCREASE FLOW OF NEWLY SKILLED WORKERS INTO THE SECTOR

- Mitigate existing skills shortages while accommodating anticipated growth, adapting to technological advancements and addressing replacement demands.
- Facilitate access to work experience opportunities for individuals seeking to enter the workforce.
- Prioritise transformation objectives encompassing race, gender, socioeconomic status, geographic location, disability and age inclusivity.
- Enhance career guidance and development initiatives within rural communities to foster greater opportunities for professional advancement.

7.4. LEGISLATIVE MANDATE

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

- Constitution of the Republic of South Africa Act No 108 of 1996
- Skills Development Act No 97 of 1998 (as amended) and the regulations thereof
- 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
- Labour Market Legislation

7.5. 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
- Industrial Policy Action Plan (IPAP)

8. ORGANISATIONAL **STRUCTURE**

PROF. HOOSEN **RASOOL**

Accounting Authority
Chairperson

XOLANI **TSHAYANA**

Accounting Authority
Deputy Chairperson

KIRTIDA **BHANA**

Accounting Authority
Deputy Chairperson

JACOBUS KOOS **DE BEER**

Accounting Authority

LOUIS **VAN HUYSSTEEN**

Accounting Authority

THANDEKA **PHIRI**

Accounting Authority

OAGISENG **BOJANG**

Accounting Authority

VUYOLWETHU **TOLI**

Accounting Authority

SHARON **VAN DEN HEEVER**

Accounting Authority

NDUDUZO CHALA

Accounting Authority

NONTUTHUKO **BUSANE**

Accounting Authority

RENAI **MOOTHILAL**

Accounting Authority

VALENCIA **MODIBA**

Accounting Authority

ZIZILE **LUSHABA-NYAWO**

Accounting Authority

PETUNIA **MATJEBE**

Accounting Authority

KHUMO **MZOZOYANA**

Independent Member of ARC
(ARC Chairperson)

9. MANAGEMENT **COMMITTEE**

NAPHTALY **MOKGOTSANE**

Acting Chief Executive Officer

NCEDISA **MPANDE**

Chief Financial Officer

MTHUNZI **LUBANDO**

Acting Chief Operations Officer

TEBOGO **MOEPI**

Chief Information Officer

LAURA **HARRIS**

Acting Strategy and Research Executive

DR. RAJESH **JOCK**

Corporate Services Executive

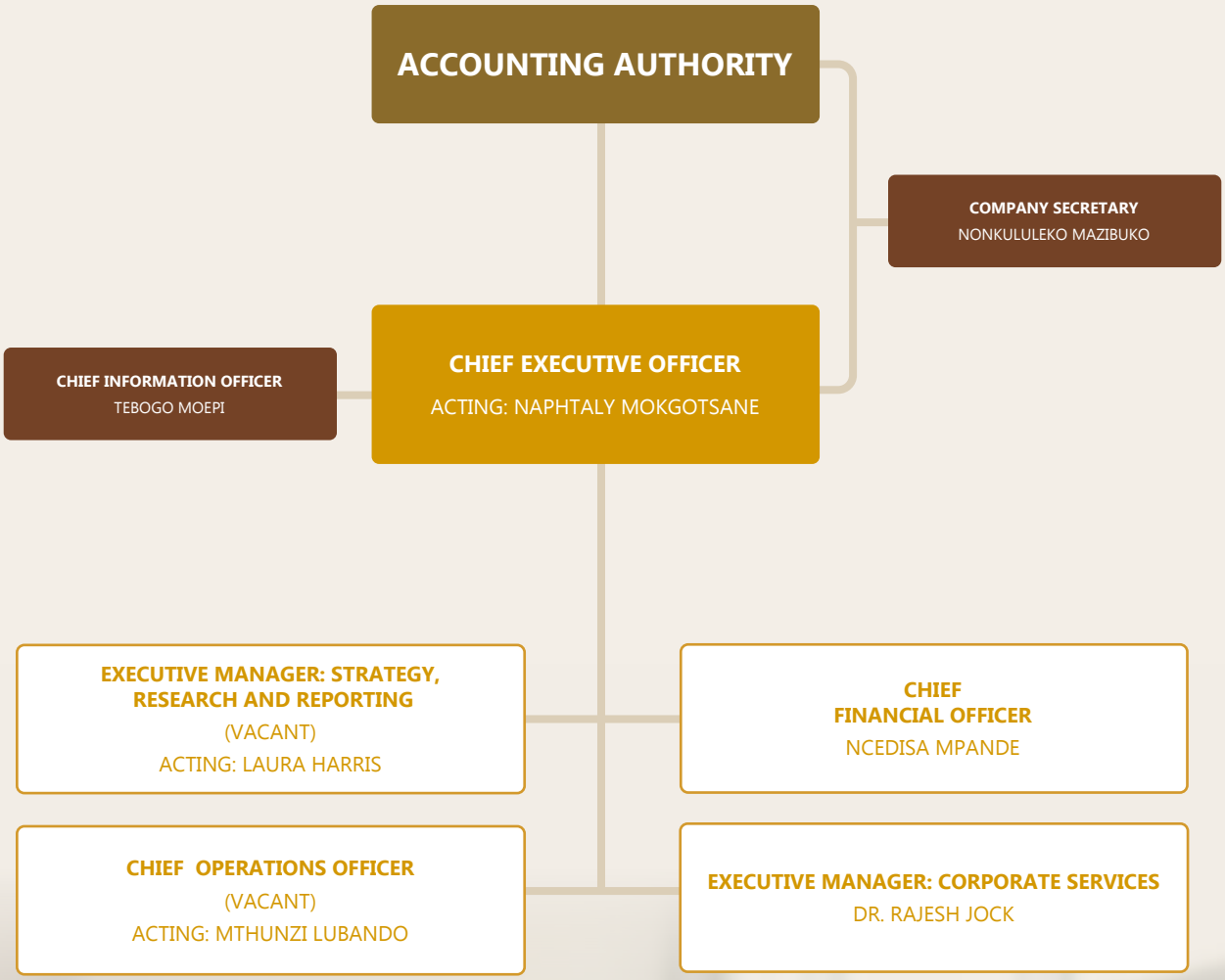
STACEY **JAMES**

SM: Legal and Compliance

NONKULULEKO **MAZIBUKO**

Company Secretary

10. ORGANOGRAM



PART B

PERFORMANCE INFORMATION

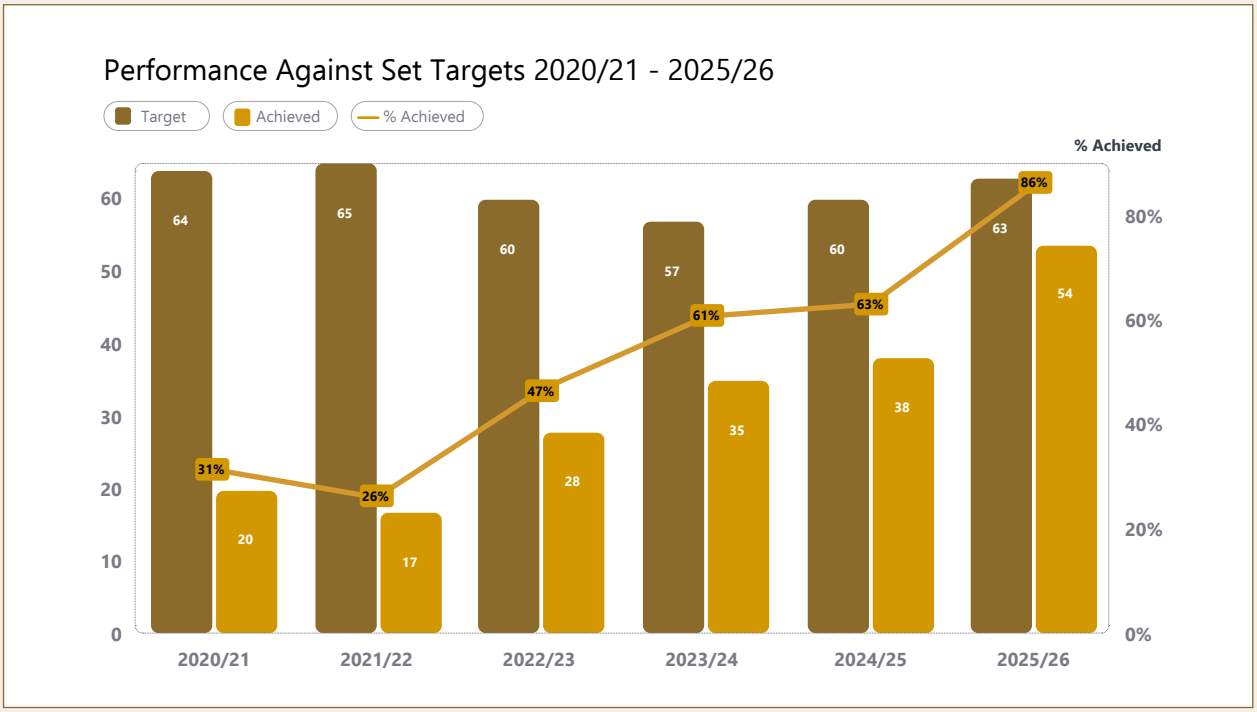
1. AUDITOR'S REPORT: **PREDETERMINED OBJECTIVES**

The AGSA/auditor currently performs certain audit procedures on the performance information. The level of assurance provided may be reasonable (an opinion), or limited (a conclusion) or none (findings) as predetermined by the AGSA. Assurance in the form of an audit opinion or conclusion on the usefulness and reliability of the reported performance information is currently included in the management report. Material findings are reported in the auditor's report.

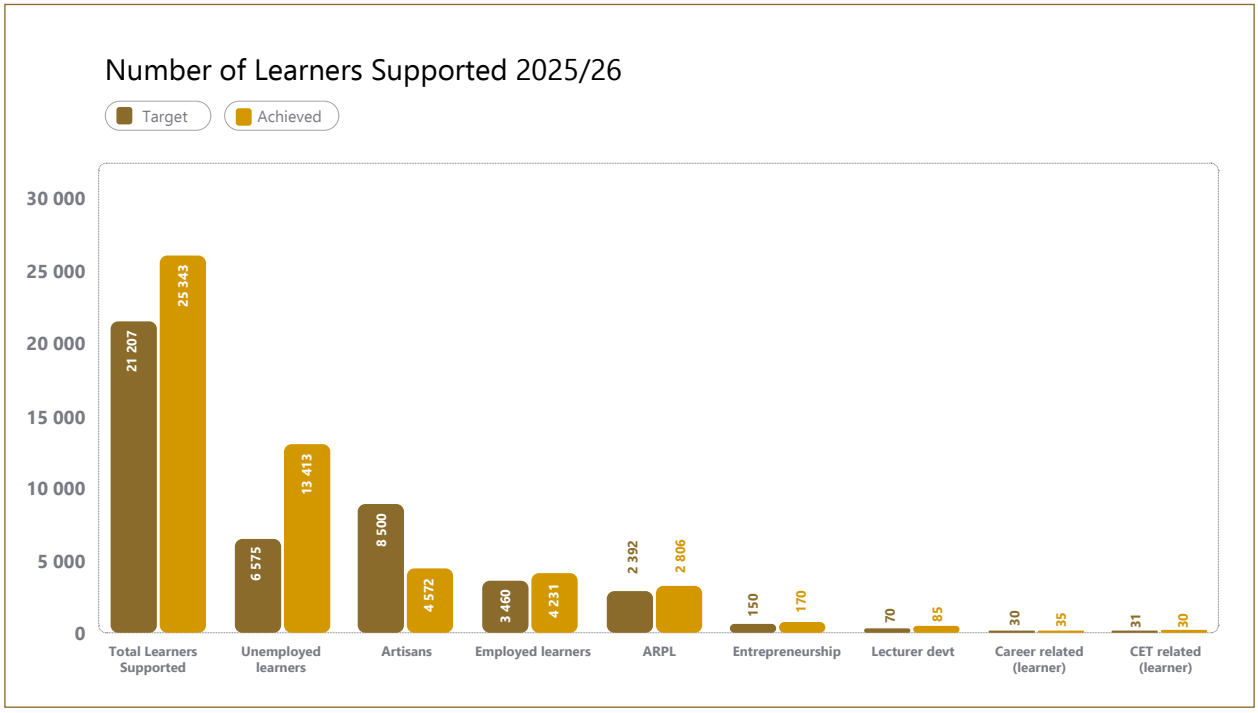
Refer to Part F: Financial Information for the Report of the Auditors.

2. OVERVIEW OF **PERFORMANCE**

The 2025/26 financial year marked a continued improvement in the merSETA's performance trajectory, reflecting a transition from sustained underperformance towards a more stable, moderate level of delivery. The organisation achieved 86% of its annual targets for 2025/26, representing a notable improvement from the previous financial year and confirming the positive trajectory established over the Strategic Plan period. This performance was reinforced by the achievement of 77% of Quarter 4 targets, demonstrating consistency in year-end execution driven by the SETA's commitment to fulfil its mandate despite past challenges.



Performance gains were largely driven by strong delivery in core programme areas, particularly in learning programme implementation and quality assurance. The organisation exceeded several key targets, most notably achieving 120% of overall learner targets, with a significant emphasis on unemployed beneficiaries, who constituted 53% of learners supported, with an achievement of 204% against the set indicators for unemployed learners.



Despite these gains, performance challenges persisted in specific indicators, particularly those linked to artisan development, partnerships, SMME support, and organisational performance metrics. In response, management has initiated targeted corrective actions, including strengthening internal controls, refining discretionary grant processes, improving stakeholder mobilisation, and enhancing planning and monitoring mechanisms.

2.1. SERVICE DELIVERY ENVIRONMENT

The service delivery environment during the reporting period remained constrained and complex, shaped by broader economic pressures, structural labour market challenges, and ongoing sectoral shifts within the manufacturing and engineering landscape.

South Africa's economic context remained subdued, with marginal GDP growth and a continued contraction in manufacturing output, which directly impacted employer participation and demand for training interventions. High unemployment levels, particularly among youth, persisted as a defining feature of the labour market.

Within the mer-sector, declining confidence, reduced investment, and global trade disruptions—particularly within the automotive and metals subsectors—further constrained opportunities for workplace-based learning. In response, merSETA continued to align its service delivery approach to Sector Skills Plan priorities.

2.2. ORGANISATIONAL ENVIRONMENT

The organisational environment during the year reflected progress in strengthening core capabilities, though significant internal constraints continued to impact overall performance.

Operationally, the organisation demonstrated strong performance in programme delivery functions, particularly in learning programmes and quality assurance. However, underperformance within the Administration programme highlighted challenges in governance, systems, and organisational efficiency. These challenges were further exacerbated by audit-related issues, specifically financial misstatements that affected reporting accuracy and audit outcomes. Process inefficiencies, particularly within discretionary grant management, verification, and data management systems, continued to hinder optimal performance.

While progress has been made in digitising certain business processes, the organisation remains partially reliant on manual and fragmented systems, which affect turnaround times, data integrity, and overall operational efficiency. In recognition of these constraints, merSETA has initiated a comprehensive organisational transformation process aimed at aligning its structure, systems, and capabilities with its strategic mandate. This includes strengthening ICT infrastructure, enhancing data and knowledge management systems, improving internal controls, and building organisational capacity to support effective programme implementation. These interventions are intended to support the transition towards a more agile, digitally enabled, and performance-driven organisation capable of delivering on its expanded mandate.

2.3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The reporting period was characterised by a dynamic, evolving policy environment that continues to shape the strategic direction and operational priorities of the merSETA. At the centre of this environment is the National Skills Development Plan (NSDP) 2030, which reinforces the shift towards occupationally directed programmes, workplace-based learning, and demand-led skills planning. This is complemented by the National Development Plan (NDP) 2030, which positions skills development as a critical lever for addressing unemployment, poverty, and inequality. The introduction of the Medium-Term Development Plan (MTDP) 2024–2029 has further strengthened the focus on inclusive growth, industrialisation, and job creation, requiring SETAs to align their interventions with national economic priorities. In addition, emerging policy priorities such as the Just Energy Transition and the advancement of industrial master plans (automotive, metals, and plastics) are reshaping sectoral skills demand, particularly in relation to green skills, digital transformation, and advanced manufacturing technologies.

Legislatively, the organisation continues to operate within the framework of the Skills Development Act, Skills Development Levies Act, and the Public Finance Management Act, with increased emphasis on governance, accountability, and audit compliance. Collectively, these policy developments underscore the need for an increasingly responsive, agile, and partnership-driven approach to skills planning and delivery.

3. PROGRESS TOWARDS ACHIEVEMENT OF **INSTITUTIONAL IMPACTS AND OUTCOMES**

Progress towards the achievement of institutional impacts during the reporting period reflects a strengthening alignment between merSETA's operational delivery and its five Strategic Outcomes.

STRATEGIC OUTCOME 1: IMPROVED EMPLOYABILITY AND LABOUR MARKET OUTCOMES

Progress against this outcome is evident in improved employability levels among programme beneficiaries. merSETA interventions continue to equip learners with industry-relevant technical and workplace skills. Tracer evidence indicates a significant improvement in economic activity post-training, with participation increasing to approximately 43%.

STRATEGIC OUTCOME 2: INCREASED ACCESS TO OCCUPATIONALLY DIRECTED LEARNING PROGRAMMES

The organisation continues to perform strongly in expanding access to occupationally directed programmes, particularly for unemployed youth and previously disadvantaged groups. Workplace-based learning remains central to this outcome.

STRATEGIC OUTCOME 3: STRENGTHENED ALIGNMENT BETWEEN SKILLS PROVISION AND SECTOR DEMAND

merSETA has made progress in aligning training provision with sector priorities through its chamber-based model and SSP-driven planning. However, alignment at outcome level remains moderate, with only a portion of learners securing employment within their trained sector.

STRATEGIC OUTCOME 4: ENHANCED SECTOR PRODUCTIVITY AND ENTERPRISE DEVELOPMENT

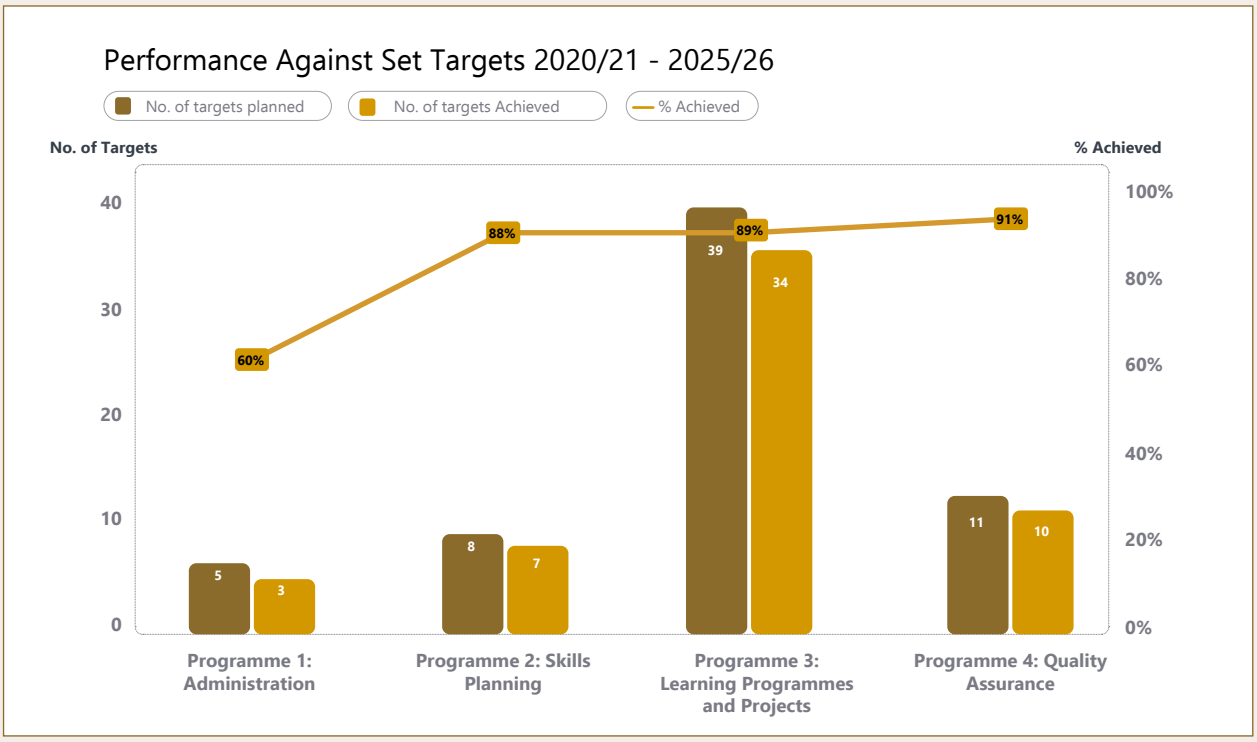
Clear progress is evident in relation to sector productivity outcomes. Employer feedback consistently indicates high levels of satisfaction with learner competence. Most employers report moderate to significant productivity improvements.

STRATEGIC OUTCOME 5: TRANSFORMATION AND INCLUSIVE PARTICIPATION

The organisation continues to advance transformation objectives, with strong participation by youth, African beneficiaries, and women. However, progress in relation to persons with disabilities remains limited.

4. INSTITUTIONAL PROGRAMME
PERFORMANCE INFORMATION

The merSETA's activities are implemented through four core programmes that support governance and administration, sector skills planning, skills development delivery, and quality assurance. These programmes collectively enable the organisation to fulfil its legislative mandate and contribute to the development of skills required for growth, productivity, and transformation within the sector.



4.1. PROGRAMME 1: ADMINISTRATION

Programme 1 provides the governance, leadership, management, and corporate support services required to ensure the efficient operation of the merSETA. The programme promotes compliance, accountability, and organisational effectiveness while supporting a high-performance work environment. Key sub-programmes include Information and Communication Technology (ICT), which enables business operations through technology systems and infrastructure, and Corporate Governance, which provides governance, secretariat, and compliance services.

PROGRAMME 1: ADMINISTRATION											
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
							SLA PLANNED TARGET	SLA ACTUAL ACHIEVEMENT			
Outcome 5: Ethical governance and a resourced fit-for-purpose merseta	**Strategic Output 5:** Governance and leadership practices are effectively and efficiently implemented	1.1. Percentage of compliance with Corporate Governance Compliance report	100%	100%	100%	**SETA funded**	100%	100%	100%	0	Annual Target Achieved
						SECTOR funded	0	0			
		1.2 The status of Auditor-General South Africa audit Outcomes	New indicator	Qualified audit opinion for 2023/24	Unqualified audit outcome for 2024/25	**SETA funded**	Unqualified Audit outcome for 2024/25	Qualified Audit outcome for 2024/25	Qualified Audit outcome for 2024/25	N/A	Merseta received a qualified audit opinion for the financial year 2024/25. The AG 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 (aopo indicators). This misstatement also had a knock-on effect on the opening balances of the financial statements
						SECTOR funded	0	0			
		1.3 Number of critical business Processes digitally enhanced (digitalised)	New indicator	6	7	**SETA funded**	7	7	100%	0	Annual Target Achieved
						SECTOR funded	N/A	N/A			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
						SLA PLANNED TARGET		SLA ACTUAL ACHIEVEMENT			
Outcome 5: Ethical governance and a resourced fit-for-purpose merseta	**Strategic Output 5:** Governance and leadership practices are effectively and efficiently implemented	1.4 Organisational culture strength score (CSS) processes digitally enhanced	New indicator	New indicator	70%	**SETA funded**	70%	67%	67%	-3%	The CSS closed at 67.2% against a 70% target. The under-performance is primarily driven by insufficient survey participation rather than a decline in cultural sentiment itself. A narrower respondent base reduced the confidence level of the score and amplified the weight of lower-rated dimensions, resulting in a marginal deviation from plan
						SECTOR funded	N/A	N/A			
		1.5 Net Promoter Score (NPS) for Stakeholder Satisfaction	New indicator	New indicator	0.6	**SETA funded**	0,6	1	1	0.4	Over the years, the merSETA has shown steady improvement in its Net Promoter Score (NPS), reflecting stronger stakeholder advocacy through fewer detractors and more willing recommenders. By 2026, the NPS reached a neutral score of 1, with promoters (38%) slightly outweighing detractors (37%)—marking a shift from negative to balanced sentiment. This overachievement against historical performance highlights the merseta's enhanced service delivery and stakeholder engagement, setting a solid foundation for future advocacy
						SECTOR funded	N/A	N/A			

4.2. PROGRAMME 2: SKILLS PLANNING

Programme 2 supports the merSETA's research, planning, monitoring, and evaluation mandate by generating labour market intelligence and sector skills insights to inform evidence-based decision-making. The programme identifies current and emerging skills needs, occupational shortages, and workforce development priorities, while also supporting innovation and pilot initiatives. Its key sub-programmes are Grants Management, Sector Skills Planning, Research and Innovation as well as Chambers which support discretionary grant administration, sector research, innovation and Chamber project respectively.

PROGRAMME 2: SKILLS PLANNING											
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
							SLA PLANNED TARGET	SLA ACTUAL ACHIEVEMENT			
Outcome 2: Expansion of core stakeholder coverage and partnerships in support of a transformed sector under the merSETA scope of coverage **Outcome 3:** Prioritise future skills and industrial revolution **Outcome 4:** Skills for productive enterprises within the social economy and driving township and rural economic development	**Strategic Output 2:** The core stakeholder group has been expanded and includes a greater representation of marginalised groups who have received training to effectively participate in the sector **Strategic Output 3:** New technologies in the mer-sector, are driving growth and efficiency within the sector **Strategic Output 4:** social enterprises within township and rural economies. contribute to a more vibrant and inclusive local econom	2.1. Number of WSPs and ATRs approved for small firms: (49 or less employees).	2443	2585	2471	**SETA funded**	2471	2655	2655	184	The annual target was exceeded by 7.4% (184 additional entities), driven by strong Q1–Q2 focus processing of WSP that ensured broad sector coverage, while Q4 focused on quality assurance of remaining submissions
						SECTOR funded	0	0			
		2.2. Number of WSPs and ATRs approved for medium firms: (50-149 employees)	921	931	964	**SETA funded**	964	965	965	1	merSETA conducted stakeholder webinars and SDF forums through our regional offices to enhance stakeholder awareness for Mandatory Grant submissions to encourage participation.
						SECTOR funded	0	0			
		2.3. Number of WSPs and ATRs approved for large firms: (150+ employees)	562	623	551	**SETA funded**	551	615	615	64	A higher number of compliant submissions received from large firms than planned, resulting in approvals exceeding the annual target.
						SECTOR funded	0	0			
		2.4. Number of sector research agreements signed for TVET growth occupationally directed programmes	5	4	4	**SETA funded**	4	4	4	0	Target achieved
						SECTOR funded	0	0			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
						SLA PLANNED TARGET		SLA ACTUAL ACHIEVEMENT			
		2.5. Number of learners who completed workplace-based learning programmes absorbed into employment or self-employment	1	1	1	**SETA funded**	1	1	1	0	Target achieved
						SECTOR funded	0	0			
		2.6. Number of established and emergent cooperatives trained on sector and national identified priority occupations or skills	2	4	5	**SETA funded**	5	7	7	2	Target exceeded by 40% through strategic partnership with OTP Limpopo, demonstrating effectiveness of provincial collaboration model for cooperative development
						SECTOR funded	0	0			
		2.7. Number of small and emerging enterprises trained on sector and national identified priority occupations or skills	442	480	630	**SETA funded**	630	306	306	-324	Over 800 applications were received under the SMME focus areas; however, a significant number did not meet verification criteria of qualifying applications resulting in underachievement of indicator 2.7, closing at 306 against a target of 630 (49%). This reflects external demand side constraints and the need to strengthen SMME advocacy and application conversion
						SECTOR funded	0	0			
		2.8 Number of evaluation studies implemented as per the merSETA evaluation plan	New indicator	New indicator	1	**SETA funded**	1	1	1	0	Target achieved
						SECTOR funded	0	0			

4.3. PROGRAMME 3: PROGRAMMES AND PROJECTS

Programme 3 delivers the core skills development mandate of the merSETA through learning programmes, skills development projects, and grant-funded interventions for employed and unemployed learners. The programme works in partnership with employers, education and training institutions, labour organisations, and other stakeholders to develop a skilled and capable workforce. Its sub-programmes include Client Services, Quality Assurance and Partnerships, and Grants Management, which collectively support stakeholder engagement, programme implementation, and grant administration.

PROGRAMME 3: PROGRAMMES AND PROJECTS											
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
							SLA PLANNED TARGET	SLA ACTUAL ACHIEVEMENT			
Outcome 2: Expansion of core stakeholder coverage and partnerships in support of a transformed sector under the merSETA scope of coverage **Outcome 3:** Prioritise future skills and industrial revolution **Outcome 4:** Skills for productive enterprises within the social economy and driving township and rural economic development	**Strategic Output 2:** The core stakeholder group has been expanded and includes a greater representation of marginalised groups who have received training to effectively participate in the sector **Strategic Output 3:** New technologies in the mer-sector, are driving growth and efficiency within the sector.	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 and technicians and associate professionals	24%	22%	10%	**SETA funded**	10%	24%	24%	14%	Employer demands based on applications are skewed towards high and intermediate level skills, evaluation of demand will require further research/ Investigation.
						SECTOR funded	0	0			
		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, skilled craft and trade workers	62%	66%	50%	**SETA funded**	50%	65%	65%	15%	Employer demands based on applications are skewed towards high and intermediate level skills, evaluation of demand will require further research/ Investigation.
						SECTOR funded	0	0			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
						SLA PLANNED TARGET		SLA ACTUAL ACHIEVEMENT			
	Strategic Output 4: social enterprises within township and rural economies. contribute to a more vibrant and inclusive local economy	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%	12%	15%	**SETA funded**	15%	12%	12%	-3%	Employer demands based on applications are skewed towards high and intermediate level skills, evaluation of demand will require further research/ Investigation.
						SECTOR funded	0	0			
		3.4. Number of unemployed learners registered for WIL programmes from TVET colleges	385	261	300	**SETA funded**	250	479	528	228	Strong Q3-Q4 performance (93% of total). Regional spread across multiple TVETs. Accelerated placement in second half MoA awards and partnership activation.
						SECTOR funded	50	49			
		3.5. Number of unemployed learners completing WIL programmes from TVET colleges	29	334	150	**SETA funded**	125	293	338	188	Quarterly pattern: Q1=141, Q2=65, Q3=10, Q4=122. Strong Q1 and Q4 completions indicates effective learner support and workplace placement quality.
						SECTOR funded	25	45			
		3.6. Number of unemployed learners registered for WIL programmes from HEIs	315	207	425	**SETA funded**	175	272	463	38	Increased Q4 performance (63%) reflects successful HEI placement of learners linked to allocated MoAs activated in Q4. Late-year acceleration driven by university academic calendar alignment
						SECTOR funded	250	191			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
							SLA PLANNED TARGET	SLA ACTUAL ACHIEVEMENT			
		3.7. Number of unemployed learners completing WIL programmes from HEIs	146	86	100	**SETA funded**	85	133	137	37	The target was exceeded by 37% (137 achieved against a target of 100), with. Performance was driven by a strong Q4 contribution (101 completions, representing 73% of annual achievement). Learner completions from multi-cohort programmes entered in previous years
						SECTOR funded	15	4			
		3.8. Number of unemployed learners registered for workplace experience/ internships	109	397	400	**SETA funded**	350	208	414	14	Q4 dominant (61%). Steady growth throughout year with strong year-end employer placement commitment linked to MoA allocation in Q3 and Q4 Q4 dominant (61%). Steady growth throughout year with strong year-end employer placement commitment linked to MoA allocation in Q3 and Q4
						SECTOR funded	50	206			
		3.9. Number of unemployed learners completing workplace experience/internships	82	125	240	**SETA funded**	220	166	260	20	The target was exceeded by 8% Performance was driven by a strong Q4 contribution (199 completions, representing 76% of annual achievement from learner completions from multi-cohort programmes entered in previous years
						SECTOR funded	20	94			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
						SLA PLANNED TARGET		SLA ACTUAL ACHIEVEMENT			
		3.10. Number of unemployed learners registered for skills programmes	5 409	5 835	1 000	**SETA funded**	800	1 606	2 510	1 510	Skills programme registrations exceeded target due to high employer demand for short-cycle, industry-relevant training addressing immediate operational skills gaps
						SECTOR funded	200	904			
		3.11. Number of unemployed learners completing skills programmes	1 753	3 211	1 000	**SETA funded**	800	420	1 302	302	Due to the increased learner and provider monitoring of the project partners in the effective implementation of projects in previous quarters the target was met. Quarter 4 records is increasing the overall target achievement
						SECTOR funded	200	882			
		3.12. Number of unemployed learners registered for learnership programmes	4 052	4 637	1 100	**SETA funded**	925	278	3 738	2 638	Progressive Q1-Q3 growth with Q4 contributing 51% linked to MoA allocations in Q3 and Q4. Increased employer demand for structured occupational programmes
						SECTOR funded	175	3 460			
		3.13. Number of unemployed learners completing learnership programmes	2 344	2 734	1 200	**SETA funded**	925	1 041	1 804	604	Learner completions from multi-cohort programmes entered in previous years. Pipeline indicates ongoing throughput
						SECTOR funded	275	763			
		3.14. Number of unemployed engineering graduates registered for candidacy programmes	37	40	25	**SETA funded**	19	2	25	0	Annual Target Achieved
						SECTOR funded	6	23			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
							SLA PLANNED TARGET	SLA ACTUAL ACHIEVEMENT			
		3.15. Number of unemployed engineering graduates completing candidacy programmes	33	6	5	**SETA funded**	3	0	10	5	Industry-funded learners exceeded baseline estimates. Indicating strong employer commitment to professional registration pathway
						SECTOR funded	2	10			
		3.16. Number of unemployed learners registered for bursary programmes (new entries)	163	386	90	**SETA funded**	90	542	578	488	The increased Q1 and Q4 performance peaks align with academic year intake cycles. Strong demand for higher education pathways; effective bursary administration drove the uptake
						SECTOR funded	0	36			
		3.17. Number of unemployed learners registered for bursary programmes (continuing)	239	419	250	**SETA funded**	250	484	487	237	Continuing bursary registrations exceeded by 95%, demonstrating strong learner retention and progression rates in multi-year qualification programmes
						SECTOR funded	0	3			
		3.18. Number of unemployed learners completing bursary programmes	324	178	60	**SETA funded**	60	35	112	52	Bursary completions exceeded by 87%, reflecting successful graduation outcomes and effective academic support systems for funded learners
						SECTOR funded	0	77			
		3.19. Number of employed learners registered for learnership programmes	1 187	2 262	1 000	**SETA funded**	726	333	1 060	60	Target exceeded by 6%. Gauteng employers dominant with uptake of industry funding
						SECTOR funded	274	727			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
						SLA PLANNED TARGET		SLA ACTUAL ACHIEVEMENT			
		3.20. Number of employed learners completing learnership programmes	1 227	960	800	**SETA funded**	616	585	1 322	522	Strong Q3-Q4 performance. High throughput is due to multi-year programmes reaching completion in the current year and effective monitoring
						SECTOR funded	184	737			
		3.21. Number of employed learners registered for bursary programmes (new entries)	43	237	40	**SETA funded**	40	38	74	34	Performance reflects consistent quarterly intake and indicates growing employer supported education initiatives and sustained investment in workforce development
						SECTOR funded	0	36			
		3.22. Number of employed learners registered for bursary programmes (continuing)	1	17	10	**SETA funded**	6	2	13	3	The target was exceeded by 30% (13 achieved against a target of 10), with detailed records reflecting 13 continuing employed bursaries. Performance was driven by strong Q2 registrations. Despite a small cohort, high retention levels indicate effective employer and learner support
						SECTOR funded	4	11			
		3.23. Number of employed learners completing bursary programmes	5	2	10	**SETA funded**	8	9	18	8	The target was exceeded by 180% (18 achieved against a target of 10), with all employed bursary completions recorded in Q4. Strong graduation outcomes reflect effective learner support and sustained employer investment
						SECTOR funded	2	9			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
						SLA PLANNED TARGET		SLA ACTUAL ACHIEVEMENT			
		3.24. Number of employed learners registered for skills programmes	902	1 315	800	**SETA funded**	553	412	877	77	Performance was driven by a strong Q4 increased uptake (547 registrations, 62% of annual intake), following moderate uptake in earlier quarters. This is linked to MoA awards in Q3 and Q4
						SECTOR funded	247	465			
		3.25. Number of employed learners completing skills programmes	650	1 089	800	**SETA funded**	519	514	867	67	The target was exceeded by 8% (867 achieved against a target of 800). Performance peaked in Q3 due to prioritised completions. This indicates efficient programme delivery and strong employer participation in upskilling their existing workforce
						SECTOR funded	281	353			
		3.26. Number of employed or unemployed learners registered for AET programmes	746	1 957	200	**SETA funded**	200	233	423	223	Performance peaked in Q3, which accounted for 46% of annual registrations, supported by steady uptake across both employed and unemployed learners. Strong demand for foundational education contributed to the overachievement
						SECTOR funded	0	190			
		3.27. Number of employed or unemployed learners completing AET programmes	513	227	30	**SETA funded**	30	191	289	259	The target was significantly exceeded (289 against 30), driven by strong Q4 completions reflects effective learner support and assessment delivery
						SECTOR funded	0	98			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
						SLA PLANNED TARGET		SLA ACTUAL ACHIEVEMENT			
		3.28. Number of learners registered for trade/artisan qualifications (new registration)	2 480	3 172	5 000	**SETA funded**	4 000	1 958	2 612	-2 388	The uptake of occupational programmes remains slow due to the phasing out of the legacy qualifications. In addition, the limited availability of accredited training providers and increased training expenditure continue to constrain the placement of learners
						SECTOR funded	1 000	654			
		3.29. Number of learners completing trade/artisan qualifications	1 218	1 246	3 500	**SETA funded**	3 000	1 083	1 959	-1 541	There is a knock-on effect from the phasing out of the legacy qualifications. In addition, the limited availability of accredited training providers and assessment centres for occupational trade qualifications
						SECTOR funded	500	876			
		3.30. Number of learners entering Artisan Recognition of Prior Learning (ARPL) programme	1 069	1 417	1 500	**SETA funded**	1 100	326	1 625	125	Performance was driven by a strong Q4 contribution (842 entries, 52% of total), following steady uptake in Q2 and Q3. The year end increase is linked to Q3-Q4 MoA allocation
						SECTOR funded	400	1 299			
		3.31. Number of learners completing Artisan Recognition of Prior Learning (ARPL) programme	1 069	1 001	892	**SETA funded**	524	353	1 181	289	Performance peaked in Q2 and Q4, accounting for the majority of completions due to efficient assessment processes and strong learner readiness
						SECTOR funded	368	828			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
						SLA PLANNED TARGET		SLA ACTUAL ACHIEVEMENT			
Outcome 2: Expansion of core stakeholder coverage and partnerships in support of a transformed sector under the merSETA scope of coverage	**Strategic Output 2:** The core stakeholder group has been expanded and includes a greater representation of marginalised groups who have received training to effectively participate in the sector	3.32. Number of active TVET college partnerships established.	39	34	25	**SETA funded**	25	26	26	1	Performance was driven by a strong Q4 recovery linked MoA allocations (15 partnerships, representing 56% of annual achievement) following slower Q3 delivery, with partnerships established across multiple provinces. The year end surge reflects growing partnership momentum and increased commitment from TVET colleges
						SECTOR funded	0	0			
Outcome 3: Prioritise future skills and industrial revolution	**Strategic Output 3:** New technologies in the mer-sector, are driving growth and efficiency within the sector	3.33. Number of active SETA-HEI partnerships established.	12	13	12	**SETA funded**	12	12	12	0	Annual Target Achieved
						SECTOR funded	0	0			
Outcome 4: Skills for productive enterprises within the social economy and driving township and rural economic development		3.34. Number of active CET partnerships established.	4	4	4	**SETA funded**	4	1	1	-3	Limited CET college participation resulted from insufficient applications, weak project scoping, and non responsiveness to funding windows
						SECTOR funded	0	0			
	Strategic Output 4: social enterprises within township and rural economies. contribute to a more vibrant and inclusive local economy	3.35. Number of new SETA- Employer partnerships established.	730	913	1 300	**SETA funded**	1 300	618	618	-682	A significant number of employer applications did not meet verification criteria of qualifying applications resulting in underachievement of indicator
						SECTOR funded	0	0			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
							SLA PLANNED TARGET	SLA ACTUAL ACHIEVEMENT			
		3.36. Number CBOs / NGOs / NPOs funded for skills to grow/ develop and sustain their activities or organisations	26	29	25	**SETA funded**	25	26	26	1	The target was exceeded performance was driven by a strong Q4 recovery linked to MoA allocations, following limited activity in Q1–Q3, with a year end funding push effectively engaging community based organisations
						SECTOR funded	0	0			
		3.37. Number of trade unions supported through skills development	3	2	2	**SETA funded**	2	2	2	0	Annual Target Achieved
						SECTOR funded	0	0			
		3.38. Number of rural development projects supported through skills development	6	3	4	**SETA funded**	4	6	6	2	The target was exceeded by 50% Delivery was spread across multiple provinces, including the Eastern Cape and Limpopo, demonstrating effective rural outreach and an increased focus on community based skills development initiatives
						SECTOR funded	0	0			
		3.39. Number of people trained on entrepreneurship supported to start their business (number of people funded for enterprise growth/enterprise development skills	516	224	150	**SETA funded**	150	170	170	20	The target was exceeded by 13% Delivery was achieved through directed performance in Q1–Q3, covering multiple provinces, while no additional outputs were recorded in Q4. The directed approach in Q1-Q3 proved effective in meeting and exceeding the entrepreneurship support target
						SECTOR funded	0	0			

4.4. PROGRAMME 4: QUALITY ASSURANCE

Programme 4 promotes the quality, credibility, and relevance of learning, assessment, certification, and occupational qualifications within the sector. The programme supports improvements in training delivery, qualifications development, and assessment systems, while ensuring alignment with QCTO requirements. Its key sub-programmes include Marketing and Communications, Client Services, Quality Assurance and Partnerships, and Grants Management, which support stakeholder engagement, quality assurance processes, and sector development initiatives.

PROGRAMME 4: QUALITY ASSURANCE											
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
							SLA PLANNED TARGET	SLA ACTUAL ACHIEVEMENT			
Outcome 2: Expansion of core stakeholder coverage and partnerships in support of a transformed sector under the merSETA scope of coverage **Outcome 3:** Prioritise future skills and industrial revolution **Outcome 4:** Skills for productive enterprises within the social economy and driving township and rural economic development	**Strategic Output 2:** The core stakeholder group has been expanded and includes a greater representation of marginalised groups who have received training to effectively participate in the sector **Strategic Output 3:** New technologies in the mer-sector, are driving growth and efficiency within the sector **Strategic Output 4:** Social enterprises within township and rural economies. contribute to a more vibrant and inclusive local economy	4.1. Number of TVET Centres of Specialisation (CoS) supported	10	9	4	**SETA funded**	4	4	4	0	Annual Target Achieved
						SECTOR funded	0	0			
		4.2. Number of TVET colleges funded for merSETA occupational programmes, equipment and workshop infrastructure	4	4	5	**SETA funded**	5	7	7	2	Target exceeded by 40% Infrastructure and equipment support for occupational programmes. Regional spread across provinces. Increased TVET investment aligned with artisan development priorities
						SECTOR funded	0	0			
		4.3. Number of TVET college lecturers exposed to SECTOR through skills programmes	6	70	70	**SETA funded**	70	78	85	15	Target exceeded by 21%; 85 TVET lecturers exposed to industry. Mix of industry placement and curriculum studies. Regional distribution across multiple colleges. WIL for lecturers enhancing teaching quality; programme model scaling effectively.
						SECTOR funded	0	7			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
						SLA PLANNED TARGET		SLA ACTUAL ACHIEVEMENT			
		4.4. Number of SETA offices maintained in TVET colleges	3	3	3	**SETA funded**	3	3	3	0	Annual Target Achieved
						SECTOR funded	0	0			
		4.5. Number of CET colleges funded for merSETA occupational programmes, equipment and workshop infrastructure	0	0	5	**SETA funded**	5	0	0	-5	Limited CET college participation resulted from insufficient applications, weak project scoping, and non responsiveness to funding windows
						SECTOR funded	0	0			
		4.6. Number of CET learners accessing AET programmes	22	0	30	**SETA funded**	30	31	31	1	Target exceeded by 3% due to Limpopo CET College partnership delivering performance. The Foundation learning through CET channel active despite broader CET engagement challenges
						SECTOR funded	0	0			
		4.7. Number of career development events in urban areas on occupations in high demand	27	21	24	**SETA funded**	24	32	32	8	Higher-than-anticipated demand from urban learners, prompting additional events to accommodate registrations as well as strategic partnerships with urban-based TVET colleges, universities, and employers enabled co-hosted events at minimal additional cost
						SECTOR funded	0	0			

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET (APP) 2025/26	2025/2026 SERVICE LEVEL AGREEMENT (SLA) SPLIT			ACTUAL ANNUAL (APP) ACHIEVEMENT 2025/26	DEVIATION FROM ANNUAL (APP) PLANNED TARGET TO ACTUAL ACHIEVEMENT 2025/26	REASONS FOR DEVIATION
							SLA PLANNED TARGET	SLA ACTUAL ACHIEVEMENT			
		4.8. Number of career development events in rural areas on occupations in high demand	24	25	24	**SETA funded**	24	34	34	10	The merSETA allocated more resources to ensure a wider reach of beneficiaries (learners). This was attributed to an increase in regional office engagement and stakeholder requests from rural districts, driving delivery beyond planned numbers
						SECTOR funded	0	0			
		4.9. Number of career development practitioners trained	55	35	30	**SETA funded**	30	35	35	5	Over-enrolment was deliberately built in to offset anticipated drop-outs, but retention was higher than expected
						SECTOR funded	0	0			
		4.10. Number of capacity-building workshops on career development services initiated	8	9	10	**SETA funded**	10	17	17	7	The merSETA allocated additional resources to capacitate more stakeholders in mersector-related careers
						SECTOR funded	0	0			
		4.11 Number of Occupational Qualifications/ Part-Qualifications and/ or skills programmes submitted to the QCTO	New indicator	22	27	**SETA funded**	27	28	28	1	The target was exceeded by 4% with 28 qualifications submitted to the QCTO. Submissions comprised a mix of occupational qualifications, part qualifications, and skills programmes, indicating an active curriculum development pipeline and sustained engagement with the quality council
						SECTOR funded	0	0			

4.5. PROGRAMME 3: PRIOR YEAR ACHIEVEMENTS

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET 2025/26	ACTUAL ACHIEVEMENT 2025/26	PRIOR YEAR ACHIEVEMENT	TOTAL (25/26+ PRIOR YEAR)
Outcome 2: Expansion of core stakeholder coverage and partnerships in support of a transformed sector under the merSETA scope of coverage **Outcome 3:** Prioritise future skills and industrial revolution **Outcome 4:** Skills for productive enterprises within the social economy and driving township and rural economic development	**Strategic Output 2:** The core stakeholder group has been expanded and includes a greater representation of marginalised groups who have received training to effectively participate in the sector **Strategic Output 3:** New technologies in the mer-sector, are driving growth and efficiency within the sector **Strategic Output 4:** social enterprises within township and rural economies. contribute to a more vibrant and inclusive local economy	3.4. Number of unemployed learners registered for WIL programmes from TVET colleges	1 000	261	300	528	360	888
		3.5. Number of unemployed learners completing WIL programmes from TVET colleges	225	334	150	338	2	340
		3.6. Number of unemployed learners registered for WIL programmes from HEIs	500	207	425	463	374	837
		3.7. Number of unemployed learners completing WIL programmes from HEIs	200	86	100	137	18	155
		3.8. Number of unemployed learners registered for workplace experience/internship	129	397	563	414	335	749
		3.9. Number of unemployed learners completing workplace experience/internships	182	125	240	260	10	270
		3.10. Number of unemployed learners registered for skills programmes	3 210	5 835	1 000	2 510	3 007	5 517
		3.11. Number of unemployed learners completing skills programmes	2 750	3 211	1 000	1 302	218	1 520
		3.12. Number of unemployed learners registered for learnership programmes	3 210	4 637	1 100	3 738	3 424	7 162
		3.13. Number of unemployed learners completing learnership programmes	2 764	2 734	1 200	1 804	644	2 448
		3.14. Number of unemployed engineering graduates registered for candidacy programmes	21	40	25	25	12	37

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET 2025/26	ACTUAL ACHIEVEMENT 2025/26	PRIOR YEAR ACHIEVEMENT	TOTAL (25/26+ PRIOR YEAR)
Outcome 2: Expansion of core stakeholder coverage and partnerships in support of a transformed sector under the merSETA scope of coverage **Outcome 3:** Prioritise future skills and industrial revolution **Outcome 4:** Skills for productive enterprises within the social economy and driving township and rural economic development	**Strategic Output 2:** The core stakeholder group has been expanded and includes a greater representation of marginalised groups who have received training to effectively participate in the sector **Strategic Output 3:** New technologies in the mer-sector, are driving growth and efficiency within the sector **Strategic Output 4:** social enterprises within township and rural economies. contribute to a more vibrant and inclusive local economy	3.16. Number of unemployed learners registered for bursary programmes (new entries)	110	386	90	578	44	622
		3.17. Number of unemployed learners registered for bursary programmes (continuing)	309	419	250	487	6	493
		3.18. Number of unemployed learners completing bursary programmes	50	178	60	112	2 525	2 637
		3.19. Number of employed learners registered for learnership programmes	1 000	2 262	1 000	1 060	1 713	2 773
		3.20. Number of employed learners completing learnership programmes	1 000	960	800	1 322	507	1 829
		3.21. Number of employed learners registered for bursary programmes (new entries)	43	237	40	74	199	273
		3.22. Number of employed learners registered for bursary programmes (continuing)	1	17	10	13	2	15
		3.23. Number of employed learners completing bursary programmes	5	2	10	18	40	58
		3.24. Number of employed learners registered for skills programmes	902	1 315	800	877	854	1 731
		3.25. Number of employed learners completing skills programmes	650	1 089	800	867	43	910
		3.26. Number of employed or unemployed learners registered for AET programmes	746	1 957	200	423	618	1 041
		3.27. Number of employed or unemployed learners completing AET programmes	513	227	30	289	21	310

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2023/24	AUDITED ACTUAL PERFORMANCE 2024/25	PLANNED ANNUAL TARGET 2025/26	ACTUAL ACHIEVEMENT 2025/26	PRIOR YEAR ACHIEVEMENT	TOTAL (25/26+ PRIOR YEAR)
Outcome 2: Expansion of core stakeholder coverage and partnerships in support of a transformed sector under the merSETA scope of coverage **Outcome 3:** Prioritise future skills and industrial revolution **Outcome 4:** Skills for productive enterprises within the social economy and driving township and rural economic development	**Strategic Output 2:** The core stakeholder group has been expanded and includes a greater representation of marginalised groups who have received training to effectively participate in the sector **Strategic Output 3:** New technologies in the mer-sector, are driving growth and efficiency within the sector **Strategic Output 4:** social enterprises within township and rural economies. contribute to a more vibrant and inclusive local economy	3.28. Number of learners registered for trade/artisan qualifications (new registration)	2 480	3 172	5 000	2 612	1 917	4 529
		3.29. Number of learners completing trade/artisan qualifications	1 218	1 246	3 500	1959	365	2 325
		3.30. Number of learners entering Artisan Recognition of Prior Learning (ARPL) programme	1 069	1 417	1 500	1 625	1 271	2 896
		3.31. Number of learners completing Artisan Recognition of Prior Learning (ARPL) programme	1 069	1 001	892	1 181	258	1 439
			25 356	**33 752**	**21 085**	**25 017**	**18 787**	**43 804**

5. LINKING PERFORMANCE **WITH BUDGETS**

NAME	2025/2026			2024/2025		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Administration	384 044	319 084	64 960	356 463	326 565	29 898
Skills Planning	29 281	21 766	7 515	79 848	17 682	62 166
Learning programmes & projects	1 947 881	1 460 773	487 108	1 894 537	1 970 198	(75 661)
Quality assurance	11 746	5 625	6 121	15 377	1 913	13 464
Total	**2 372 952**	**1 807 248**	**565 704**	**2 346 225**	**2 316 358**	**29 867**

The Administration Programme is 16.9% below budget. This is mainly due to the late appointment of the Accounting Authority and sub-committees. This resulted in payment of Board Fees and related travel expenditure being lower than budget.

Skills Planning expenditure was 25.7% below budget in 2025/26. The underspending was primarily attributable to the timing of discretionary grant funding windows for research, skills planning, innovation, and chamber projects, together with delays in the evaluation and approval of applications. As a result, several projects were onboarded later than anticipated, with initial payments linked to project deliverables only processed during the third and fourth quarters of the financial year. In addition, a lower-than-expected response to calls for proposals, particularly for skills planning initiatives, limited project uptake and expenditure during the reporting period.

Skills Planning expenditure was 25.7% below budget in 2025/26. The underspending was primarily attributable to the timing of discretionary grant funding windows for research, skills planning, innovation, and chamber projects, together with delays in the evaluation and approval of applications. As a result, several projects were onboarded later than anticipated, with initial payments linked to project deliverables only processed during the third and fourth quarters of the financial year. In addition, a lower-than-expected response to calls for proposals, particularly for skills planning initiatives, limited project uptake and expenditure during the reporting period.

Learning Programmes & Projects: The Learning Programmes & Projects Programme was 25.0% below budget. This was mainly due to implementation delays and lower-than-planned expenditure on learning programmes and projects during the financial year.

Quality Assurance: The Quality Assurance Programme was 52.1% below budget. This was mainly due to lower-than-planned expenditure on quality assurance activities during the financial year.

6. STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

During the 2025/26 financial year, merSETA achieved 86% of its planned predetermined performance targets. While performance showed a positive upward trajectory across core operational programmes, specific systemic constraints, external qualification transitions, and compliance verification bottlenecks resulted in underperformance across nine key performance indicators. To address these gaps, merSETA has formulated strategies, detailed in the consolidated table below:

INDICATORS AFFECTED	ROOT CAUSES	STRATEGIES TO OVERCOME UNDERPERFORMANCE
Indicator 1.2: The status of Auditor-General South Africa (AGSA) audit outcomes **Target:** Unqualified Audit Outcome **Achieved:** Qualified Audit Outcome	The AGSA issued a qualified audit opinion due to material misstatements in the accounting and reporting of discretionary grant accruals, which had a consequential knock-on effect on opening balances and financial statements.	• **Comprehensive Audit Action Plan:** Enforce strict Discretionary Grant financial controls, including monthly accrual reviews and milestone-verified payment protocols. • **MoA management:** Approved standard operating procedures, monitoring of milestones and reporting requirements have been implemented.
Indicator 1.4: Organisational Culture Strength Score (CSS) processes digitally enhanced **Target:** 70% **Achieved:** 67.2%	Underperformance was primarily driven by lower survey participation and employee survey fatigue rather than an outright decline in cultural sentiment, which narrowed the respondent base and amplified lower ratings.	• **Divisional Culture Ownership:** Devolve culture action plans from HR to divisional leadership to actively address survey fatigue and cynicism. • **Employee Engagement:** Implement structured internal communication and engagement mechanisms to ensure broader staff participation and ownership across organisational initiatives.
Indicator 2.7: Number of small and emerging enterprises trained on sector and national identified priority occupations or skills **Target:** 630 **Achieved:** 306	Over 800 applications were received under the SMME focus areas; however, a significant number failed to meet mandatory administrative vetting and verification criteria.	• **Targeted SMME Mobilisation:** Implement a structured SMME outreach and mobilisation strategy focusing on under-represented regions and priority sub-sectors. • **Pre-Application Support:** Deploy regional offices and to provide pre-vetting guidance, helping small enterprises navigate compliance and conversion barriers.
Indicator 3.3: Percentage of total approved Discretionary Grant (DG) budget allocated to developing elementary skills **Target:** 15% **Achieved:** 12%	Employer application demand remained heavily skewed toward intermediate- and high-level skills, resulting in lower allocation toward entry-level and elementary programmes.	• **Industry & Chamber Collaboration:** Strengthen collaboration with industry associations, chambers, and regional offices to promote the operational benefits of elementary skills interventions.
Indicator 3.28: Number of learners registered for trade/artisan qualifications (new registrations) **Target:** 5,000 **Achieved:** 2,612	Uptake of occupational programmes remained slow due to the regulated phase-out of legacy qualifications, limited availability of accredited Skills Development Providers (SDPs), and escalating training costs.	• **SDP Accreditation Support:** Prioritise provider accreditation support, fast-track evaluation pipelines, and encourage partnerships with established training providers. • **Artisan Grant Review:** Support the review and calibration of the Generic National Artisan Learner Grant funding allocation (R206,290.00) to ensure employer viability.
Indicator 3.29: Number of learners completing trade/artisan qualifications **Target:** 3,500 **Achieved:** 1,959	Experiencing a knock-on effect from the phasing out of legacy qualifications, compounded by a national shortage of accredited trade test centres and assessment centres for occupational trades.	• **Inter-Agency Alignment:** Strengthen strategic partnerships with the Quality Council for Trades and Occupations (QCTO) and National Artisan Moderation Body (NAMB) to accelerate assessment centre accreditation. • **Learner Pipeline Tracking:** Invest in enhanced digital monitoring systems to track trade learners from registration through workplace placement, assessment readiness, and trade test completion.

INDICATORS AFFECTED	ROOT CAUSES	STRATEGIES TO OVERCOME UNDERPERFORMANCE
Indicator 3.34: Number of active CET partnerships established **Target:** 4 **Achieved:** 1	Limited CET college participation resulting from insufficient applications, weak proposal scoping, and low responsiveness to funding windows.	• **DHET CET Branch Engagement:** Implement targeted, structured engagement with the DHET CET Branch to align institutional priorities. • **Capacity Building:** Provide technical proposal-writing and project-scoping support to CET colleges to improve their responsiveness to partnership funding windows.
Indicator 3.35: Number of new SETA-Employer partnerships established **Target:**1,300 **Achieved:** 618	A significant number of employer applications failed to meet mandatory verification criteria and compulsory B-BBEE compliance standards.	• **Targeted Funding Windows:** Establish dedicated Discretionary Grant funding windows tailored for both levy-paying and non-levy-paying employers. • **Application & Compliance Guidelines:** Publish comprehensive guidelines and provide pre-application compliance support to assist employers in meeting qualifying criteria prior to submission.
Indicator 4.5: Number of CET colleges funded for merSETA occupational programmes, equipment, and workshop infrastructure **Target:** 5 **Achieved:** 0	CET colleges lacked the institutional capacity to structure compliant, viable funding proposals for occupational programmes, equipment, and workshop infrastructure.	• **Technical Scoping Assistance:** Deploy regional office and technical teams to assist CET colleges in packaging compliant workshop infrastructure and equipment proposals. • **Awareness & Capacity Workshops:** Conduct capacity-building workshops with CET management to clarify funding requirements and support implementation readiness.

7. REVENUE **COLLECTION**

NAME	2025/2026			2024/2025		
	BUDGET	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION BUDGET	BUDGET	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION BUDGET
Skills development levy income	1 894 540	1 883 866	10 674	1 825 156	1 804 323	21 833
Skills development penalties and interest	27 675	23 857	3 818	22 335	16 076	6 259
Interest Income	450 737	439 530	11 207	497 734	468 607	29 127
Total	**2 372 952**	**2 347 253**	**25 699**	**2 346 225**	**2 289 006**	**57 219**

The merSETA has no influence over skills development levy income, skills development penalties, and interest since this income stream comes directly from SARS.

The merSETA strives to maximise its interest income by seeking the highest returns while managing risk through diversification. A substantial portion of cash is invested in the Corporation of Public Deposits, in accordance with Treasury regulations.

There have been no significant deviations from the expected revenue during the year.

8. CAPITAL **INVESTMENT**

No capital investment projects were undertaken during the 2025/26 financial year.

PART C

GOVERNANCE

1. INTRODUCTION

The merSETA Accounting Authority (AA) has been appointed by the Minister of Higher Education and Training in consultation with the National Skills Authority in terms of section 11 of the Skills Development Act 97 of 1998. The Chairperson and fourteen members of the Accounting Authority are appointed for a five-year term. Following the approval of the recommended appointments, the Accounting Authority (AA) members were appointed in phases, subject to the completion of the requisite verification processes. Eight (8) members were appointed on 26 September 2025, the Independent Chairperson was appointed on 18 December 2025, one (1) member was appointed on 10 January 2026, and a further five (5) members were appointed on 4 November 2025. The current Accounting Authority commenced its term of office on 26 September 2025, with its term set to conclude on 31 March 2030.

2. PORTFOLIO COMMITTEES

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.

3. 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 within the specified timeframe.

4. THE ACCOUNTING AUTHORITY

4.1. INTRODUCTION

The Accounting Authority (AA) is responsible for setting the strategic direction of the entity, exercising effective oversight over management, and is ultimately accountable for the entity's performance, governance, and compliance with applicable legislative and regulatory frameworks.

4.2. THE ROLE OF THE ACCOUNTING AUTHORITY

- Providing ethical and effective leadership to merSETA
- Approving the Sector Skills Plan (SSP), Strategic Plan (SP), Annual Performance Plan (APP), and annual budget, and overseeing its implementation by management
- Ensuring that effective systems of risk management, internal control, and technology and information governance are in place and functioning
- Appointing the CEO, determining their conditions of service, and evaluating their performance
- Approving and monitoring compliance with all relevant laws, regulations, and codes of good practice
- Ensuring the integrity of merSETA's Annual Report, Annual Financial Statements, and other statutory reports
- Taking effective and appropriate steps to prevent irregular, fruitless, and wasteful expenditure
- Reporting on the SETA's performance and expenditure to the Executive Authority, Parliament, and National Treasury as required
- Governing stakeholder relationships to ensure the achievement of organisational objectives
- Ensuring that robust succession planning for Executive Managers is implemented

4.3. ACCOUNTING AUTHORITY CHARTER

The Accounting Authority Charter provides a clear governance framework for the effective discharge of fiduciary duties, and the organisation has made measurable progress in implementing its provisions, particularly in strengthening oversight, compliance, and accountability mechanisms.

4.4. COMPOSITION OF THE ACCOUNTING AUTHORITY

NAME	DESIGNATION	DATE APPOINTED	HIGHEST QUALIFICATIONS	AREA OF EXPERTISE	MEETINGS ATTENDED
Prof Hoosen Rasool	AA Chairperson	18/12/2025	Doctorate Education	Labour Market Research and Training, Industrial Policy, Education and Training	18
Xolani Tshayana	AA Deputy Chairperson	04/11/2025	Honours in Labour Relations and HR	HR, Labour Relations and Training	24
Kirtida Bhana	AA Deputy Chairperson	26/09/2025	MBA	Strategy in Innovation and Design Thinking, Curriculum design, Quality systems	21
Oagiseng Bojang	AA Member	26/09/2025	MBA	Education and Training, Research, Strategy, Stakeholder Engagement and Community Development	28
Sharon van den Heever	AA Member	04/11/2025	HR Diploma	Specialist in OHS Compliance, Skills Development and SMME Empowerment	22
Jacobus Koos de Beer	AA Member	26/09/2025	Certificate of Trade in Electricity	HR, IR and Training	24
Thandeka Phiri	AA Member	04/11/2025	LLB	Specialist in HR, Labour Relations, Contracts Management and Training	17
Nontuthuko Busane	AA Member	26/09/2025	Honours in Public Administration	Talent Management, Industrial and Labour Relations	16
Vuyolwethu Toli	AA Member	26/09/2025	Master of Social Science	Specialist in Qualitative Research, Political Science, Industrial Relations and Labour Law	18
Petunia Matjebe	AA Member	10/01/2026	Higher Certificate in Management Development	Specialist in Labour Law	6
Louis van Huyssteen	AA Member	26/09/2025	Master Degree in Business Psychology	TVET, Apprenticeship and Workforce Development	17
Renai Moothilal	AA Member	26/09/2025	MA Development Studies	Expert in Industrial Policy and Automotive Sector Development	21
Valencia Modiba	AA Member	04/11/2025	MBA	Expert in Transformation and Corporate Investment	17
Zizile Lushaba Nyawo	AA Member	04/11/2025	BCom Honours Industrial Psychology	Human Capital Strategy, Skills Development and Workforce Transformation	17
Nduduzo Chala	AA Member	26/09/2025	MBA	Corporate Strategy and Business Transformation	15

4.5. COMMITTEES

COMMITTEE	NO. OF MEETINGS	NO. OF MEMBERS	NAME OF MEMBERS
Human Resources and Remuneration Committee	3	5	Ms Thandeka Phiri (Chairperson), Mr Vuyolwethu Toli, Ms Kirtida Bhana, Ms Zizile Lushaba-Nyawo, Mr Oagiseng Bojang
Governance and Strategy Committee	2	7	Mr Oagiseng Bojang (Chairperson), Mr Vuyolwethu Toli, Mr Xolani Tshayana, Ms Thandeka Phiri, Mr Louis van Huyssteen, Mr Nduduzo Chala, Ms Zizile Lushaba-Nyawo
Executive Committee	2	5	Prof Hoosen Rasool (Chairperson), Mr Xolani Tshayana, Ms Kirtida Bhana, Mr Jacobus de Beer, Mr Louis van Huyssteen
Finance and Grants Committee	3	5	Ms Sharon van den Heever (Chairperson), Ms Nontuthuko Busane, Ms Valencia Modiba, Mr Jacobus de Beer, Mr Renai Moothilal

4.6. REMUNERATION OF ACCOUNTING AUTHORITY MEMBERS

Accounting Authority members at merSETA are remunerated in accordance with the applicable National Treasury guidelines and directives issued by the Department of Higher Education and Training. As non-executive members, they do not receive fixed salaries but are compensated through approved meeting attendance fees.

NAME	REMUNERATION R'000	OTHER REIMBURSEMENTS R'000	TOTAL R'000
Prof Hoosen Rasool (AA Chairperson)	169	-	169
Xolani Tshayana (AA Deputy Chairperson)	146	-	146
Kirtida Bhana (AA Deputy Chairperson)*	142	-	142
Oagiseng Bojang	182	20	202
Sharon van den Heever	137	-	137
Jacobus Koos de Beer	170	7	177
Thandeka Phiri	118	-	118
Nontuthuko Busane	105	-	105
Vuyolwethu Toli	124	-	124
Petunia Matjebe	46	-	46
Louis van Huyssteen*	109	-	109
Renai Moothilal	138	-	138
Valencia Modiba	113	-	113
Zizile Lushaba Nyawo*	128	-	128
Nduduzo Chala	92	-	92
Khumo Mzozoyana**	488	-	488
Margaret Phiri**	247	-	247
Tshepo Fari**	269	1	270
Total	**2,923**	**28**	**2,951**

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

*** Independent committee members.*

5. RISK MANAGEMENT

The merSETA recognises that effective risk management is fundamental to achieving its strategic objectives, safeguarding public resources, and maintaining stakeholder confidence. The organisation applies an integrated enterprise-wide risk management approach that is aligned to the Public Finance Management Act (PFMA), National Treasury Risk Management Framework, and the principles of King IV. Risk management is embedded within strategic planning, operational management, programme implementation, financial management and governance oversight processes.

During the 2025/26 financial year, management continued to strengthen the risk management framework through regular risk assessments, quarterly risk reporting, monitoring of mitigation plans, and the integration of risk considerations into decision-making processes. Risk management activities were overseen by management structures and reported to the Audit and Risk Committee and the Accounting Authority to provide assurance regarding the effectiveness of risk controls and mitigation measures.

KEY STRATEGIC RISKS MONITORED DURING THE YEAR

The following strategic risks received management attention during the year under review:

- Financial reporting risks arising from complex discretionary grant accounting, accrual management and compliance with GRAP requirements.
- Governance and compliance risks relating to procurement processes, contract management, and compliance with applicable legislation and National Treasury prescripts.
- Programme delivery risks resulting from declining employer participation, limited workplace-based learning opportunities, and reduced demand for artisan training placements.
- Human capital risks associated with vacancies in critical positions, organisational capacity constraints and succession planning.
- Reputational risks arising from audit outcomes, stakeholder expectations and service delivery performance.
- Risks relating to the transition from legacy qualifications to occupational qualifications and the availability of accredited training providers and assessment centres.

SIGNIFICANT RISK MANAGEMENT INTERVENTIONS

To address identified risks, the organisation implemented several mitigation measures during the reporting period, including:

- Enhanced oversight of discretionary grant commitments, accruals and financial reporting processes.
- Strengthening of supply chain management controls, contract management and procurement monitoring.
- Increased monitoring of performance targets and implementation of corrective action plans for underperforming indicators.
- Regular monitoring of audit action plans and management responses to internal audit and AGSA findings.
- Continued risk awareness initiatives and quarterly reporting to governance structures.
- Strengthening of stakeholder engagement and partnerships to support programme implementation and learner placement opportunities.

RISK OUTLOOK

The organisation will continue to enhance risk management maturity through the strengthening of internal controls, implementation of audit improvement plans, enhancement of risk reporting processes, and integration of risk management into strategic and operational planning. Particular focus will be placed on improving financial reporting accuracy, contract and grant management, organisational capacity, digital enablement, and the achievement of sustained improvements in governance and audit outcomes.

6. 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 Company Secretariat division, 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

7. 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 prescribes the scope, standards, and reporting responsibilities of the function. Furthermore, the Audit and Risk Committee review 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."

	NUMBER OF FINDINGS	TOTAL ADDRESSED	NOT YET DUE	TOTAL NOT ADDRESSED	NO. OF RECURRING FINDINGS (LAST 3 FINANCIAL YEARS)
IAF Findings	15	4	-	11	-
AGSA Findings	59	11	-	48	11

8. AUDIT AND RISK COMMITTEE

AREA	DESCRIPTION
Purpose and mandate	To assist the Accounting Authority in fulfilling its fiduciary responsibilities by overseeing financial reporting, audit processes, risk management, and compliance in line with PFMA and Treasury Regulations.
Independence	The Committee operates independently of management, and it is confirmed that all members are free from conflicts of interest and are able to exercise objective and unbiased judgement.
Protecting independence of internal audit	Ensures that the internal audit function remains independent by reviewing its mandate, approving an audit plan, and providing direct oversight without undue management influence.
Performance against statutory duties	The Committee has discharged its responsibilities in accordance with statutory requirements, including reviewing financial statements, overseeing audits, and ensuring compliance with applicable legislation.
Combined assurance	Oversee the implementation of a combined assurance model to ensure coordinated assurance from management, internal audit, and external assurance providers.
Stakeholder relationships	The Audit and Risk Committee maintains effective working relationships with management, internal audit, external auditors (AGSA), and other stakeholders to support transparency and accountability.

8.1. AUDIT AND RISK COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME	QUALIFICATIONS	AFFILIATION	TERM START	TERM END	ORDINARY MEETINGS	SPECIAL MEETINGS	ORGAN OF STATE
Ms Khumo Mzozoyana (Chairperson)	CA (SA)	SAICA	22/05/2025	Till AA appoints new ARC	3	6	No
Mr Tshepo Fari	LLM	Legal Practice Council	22/05/2025	Till AA appoints new ARC	3	6	No
Ms Margaret Phiri	CA (SA)	SAICA / IRBA	22/05/2025	Till AA appoints new ARC	3	5	No
Mr Renai Moothilal	MA Development Studies	IODSA	26/09/2025	31/03/2030	2	2	No
Ms Petunia Matjebe	Higher Certificate in Management Development	N/A	10/01/2026	31/03/2030	0	2	No

9. 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. Any issues of non-compliance are investigated, and corrective measures are put in place.

10. 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.

11. 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. A Conflict-of-Interest Policy was ratified by the Accounting Authority in March 2020 and is slated for reassessment in late 2026.

12. CODE OF CONDUCT

The merSETA has established a comprehensive Code of Conduct applicable to its employees and members of the Accounting Authority. Regular reviews ensure these codes remain current and effective.

13. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

An Occupational Health and Safety Committee ensures compliance with the Occupational Health and Safety Act No. 85 of 1993, the ISO 9001:2015 Quality Management System, as well as the National Environmental Management Act No. 107 of 1998.

14. COMPANY SECRETARY

Ms Nonkululeko Mazibuko served as Company Secretary from 1 December 2025 and was responsible for providing strategic governance leadership and independent advice to the Accounting Authority (AA) and its committees. She played a pivotal role in ensuring adherence to legislative and governance requirements, including the PFMA, Treasury Regulations, the Skills Development Act, and King V principles. Through effective governance oversight, advisory support, and the facilitation of sound decision-making processes, she reinforced accountability, ethical leadership, transparency, and regulatory compliance, thereby contributing to the strengthening of merSETA's governance framework and institutional integrity..

15. 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).

16. AUDIT AND RISK COMMITTEE REPORT

Khumo Mzozoyana

Chairperson of the Audit 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 V Report on Corporate Governance for South Africa for the financial year ended 31 March 2026. The role of the Committee is defined in its mandate as outlined in its charter. It covers, among others:

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

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

OVERSIGHT OF FINANCIALS AND DISCLOSURE

The Committee considered the annual financial statements for fair presentation in accordance with the relevant requirements of the PFMA, Treasury Regulations and Generally Recognised Accounting Practice (GRAP), the PFMA and other legislative requirements. In the execution of its duties, the committee has, inter alia, reviewed the following areas: oversight of financial and non-financial reporting and disclosures.

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

The Committee fulfilled its responsibility for oversight of the integrity of financial reporting throughout the reporting period. The Committee reviewed the annual financial statements, accounting policies, annual report disclosures, and related management representations before recommending them to the Accounting Authority for approval. The Committee paid attention to the accounting treatment of discretionary grant commitments, provisions, contingencies, accruals, irregular expenditure, fruitless and wasteful expenditure, and related disclosures. Based on the reviews performed and information provided by management and external auditors, the Committee is satisfied that the annual financial statements fairly present, except for matters raised by the AGSA, the financial position, financial performance and cash flows of the organisation for the year ended 31 March 2026.

AUDITOR GENERAL FINDINGS AND MANAGEMENT RESPONSE

The Committee considered the findings reported by the Auditor-General South Africa during the audit of the 2025/26 financial year. Particular attention was given to matters relating to the accounting treatment of discretionary grant accruals and related expenditure, which had previously resulted in material financial statement misstatements and affected audit outcomes. Management developed and implemented detailed audit action plans to address the root causes of findings and prevent recurrence.

The Committee received quarterly progress reports on the implementation of audit action plans and monitored the effectiveness of corrective measures. Specific focus areas included the strengthening of discretionary grant accounting processes, financial reporting controls, contract management oversight, commitment management processes, and supporting documentation. The Committee remains committed to ensuring that management addresses all audit findings timeously and effectively to improve future audit outcomes.

INTERNAL CONTROL EFFECTIVENESS

The Committee monitored the effectiveness of the system of internal control through the review of reports from management, Internal Audit, and the Auditor-General South Africa (AGSA). Internal control assessments identified weaknesses primarily relating to financial reporting processes, discretionary grant accounting, contract management, supporting documentation, and certain compliance controls. These weaknesses contributed to audit findings that required management intervention during the year.

The Committee monitored management's implementation of corrective actions to strengthen the control environment. Key interventions included enhanced monthly reconciliations, strengthened review processes, improved contract management controls, enhanced asset management procedures, and increased oversight of financial reporting processes. While progress was made in addressing identified deficiencies, the Committee recognises that further improvement is required to strengthen the overall maturity of the internal control environment and support sustainable improvements in governance and audit outcomes.

The Committee focused on specific control issues, particularly the controls relating to PFMA reporting. During the year under review, efforts were made to correct and improve the internal controls in order to avert the persistent audit qualification; however, the organisation did not succeed in reversing the qualification. The committee concluded that the internal control environment has not materially changed, judging from the nature of matters raised by both the internal and external auditors. The entity therefore needs to focus its attention on all transactions emanating from discretionary grants and, most importantly, on project management. Management also needs to focus on detecting and preventing both irregular expenditure and fruitless and wasteful expenditure.

During the year under review, there was a marked improvement in the reporting of performance information, and the committee notes this improvement. Although the SETA is not yet managing to meet all of its performance targets, there has been a marked improvement in the year under review. Management's commitment to improving and taking corrective measures in respect of performance information is yielding the required results.

The committee considered the following:

- effectiveness of internal control systems and governance processes,
- legal matters that could have a material impact on the merSETA,
- effectiveness of the system and process of risk management,
- financial reporting,
- internal financial controls,
- the effectiveness of the entity's compliance with legal and regulatory requirements,
- annual audit plan,
- audit charter,
- independence, effectiveness and coordination with external auditors.
- While the Committee notes the matters raised by the Auditor-General and the continued need to strengthen certain areas of governance, financial management and internal control, it is equally important to recognise the significant progress made by the organisation during the 2025/26 financial year. merSETA achieved 86% of its annual performance targets and facilitated 43 804 learning opportunities, exceeding several key learner performance indicators and demonstrating improved programme delivery. These achievements reflect the dedication of management, employees and stakeholders in advancing the SETA's mandate despite a challenging operating environment. The Committee will continue to provide independent oversight to support organisational improvement, accountability, ethical leadership and sustainable performance.

RISK MANAGEMENT OVERSIGHT

The Committee reviewed the effectiveness of the organisation's risk management framework and monitored key strategic, operational, financial, compliance and information technology risks throughout the year. The Committee considered quarterly risk reports, including the status of key risks, emerging risks, and management's mitigation actions.

The Committee paid particular attention to risks relating to financial reporting accuracy, discretionary grant management, procurement and contract management, information technology and data integrity, organisational capacity, compliance with legislation, learner performance targets and stakeholder reputation. Management's risk mitigation plans were reviewed regularly and progress was monitored through established reporting structures.

Although risk management processes are generally operating as intended, the committee continues to encourage management to strengthen risk management maturity, embed risk management practices within operational processes and improve the effectiveness of preventative controls across the organisation.

"The committee focused on specific control issues, in particular, the controls relating to PFMA reporting. During the year under review, efforts were made to correct and improve the internal controls in order to avert the persistent audit qualification"

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 requires 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 not adequate to ensure that the financial records may be relied upon for preparing the financial statements and accountability for assets and liabilities is maintained,
- the internal audit unit was fully functional during the year under review,
- the audit 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 adequately addressed so that they do not recur. The Accounting Authority needs to urgently fill the vacancies of the CEO and COO to stabilise the organisation and build a coherent team. These positions have been filled by acting incumbents since the suspension of the affected executives in November 2022. The senior management vacancy rate remains a serious concern.

RECOMMENDATION

The Committee has evaluated the Annual Financial Statements of merSETA for the year ended 31 March 2026 and, based on the information provided to it, considers that, except for the matters qualified, they comply in all material respects with the requirements of the PFMA and GRAP. The Committee concurs that the adoption of the going-concern premise in the preparation of the Annual Financial Statements is appropriate. The Committee has therefore recommended the adoption of the financial statements by the Accounting Authority.

The Committee concurs with 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 2025/26 financial year.

Khumo Mzozoyana

Chairperson of the Audit Committee
merSETA

17. 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, maintaining its B-BBEE level status.

The merSETA complies with the Preferential Procurement Policy Framework Act No. 5 of 2000 and its regulations for preferential procurement. It continues to apply the Broad-Based Black Economic Empowerment (B-BBEE) Act in its awarding of discretionary grant funding. In addressing B-BBEE legislation as well as Skills Development, the merSETA has adopted a harmonised approach to B-BBEE compliance in its awarding of Discretionary Grants. Additionally, the merSETA further appointed and implemented a B-BBEE committee to assist with improving the merSETA B-BBEE contributor status.

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

CRITERIA	RESPONSE YES / NO	DISCUSSION
Determining qualification criteria for the issuing of licences, concessions or other authorisations	Yes	All bidding documentation has evaluation criteria stipulated.
Developing and implementing a preferential procurement policy	Yes	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	No	This is not applicable to the merSETA.
Developing criteria for entering into partnerships with the private sector	Yes	The merSETA has in place an approved Grant Funding Policy and Criteria Guideline.
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE	Yes	The merSETA has in place an approved Grant Funding Policy and Criteria Guideline.

PART D

HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

During the year under review, the Human Resources (HR) function continued to play a central role in supporting organisational performance, governance, and service delivery. The Division focused on strengthening organisational capability, enhancing employee engagement, and aligning human capital practices with the strategic objectives of the entity.

Key HR priorities focused on addressing audit findings, enhancing operational efficiency, and ensuring the organisation remains adaptable to a dynamic and evolving environment. HR contributed significantly to stabilising operations through targeted interventions in capacity building, recruitment, and organisational alignment.

1.1. HR PRIORITIES AND IMPACT

The following strategic HR priorities were pursued during the year:

- Enhancing workforce capability and capacity through targeted training and recruitment interventions
- Employee Wellness and Support
- HR Policy Review and Awareness

1.2. WORKFORCE PLANNING FRAMEWORK AND RECRUITMENT STRATEGY

The organisation implemented a structured workforce planning framework aimed at ensuring the availability of a skilled and capable workforce aligned to current and future organisational needs.

- Aligning workforce plans to the organisation's Medium-Term Strategic Plan
- Prioritising the filling of critical and scarce skill positions
- Enhancing recruitment processes through improved planning and monitoring
- Utilising temporary placements and acting arrangements to address immediate capacity constraints

1.3. EMPLOYEE WELLNESS PROGRAMMES

- Provision of Employee Assistance Programme (EAP) services
- Wellness awareness and support interventions
- Employee engagement activities aimed at promoting work-life balance

1.4. FUTURE HR PLANS AND GOALS

- Finalisation and implementation of the Human Capital Strategy 2026-2030
- Completion and implementation of the skills audit outcomes
- Enhancement of the performance management system and compliance monitoring
- Implementation of Leadership Development and Coaching Frameworks
- Continued review and socialisation of HR policies
- Strengthening employee engagement and organisational culture initiatives

1.5 POLICY DEVELOPMENT AND REVIEW

The HR Division undertook ongoing policy development and review to ensure alignment with legislative requirements, organisational strategy, and governance standards.

Key activities included:

- Reviewing and updating HR policies to improve clarity and consistency
- Enhancing policy communication and staff socialisation
- Ensuring compliance with relevant labour legislation and governance frameworks

These efforts contributed to strengthening organisational governance and ensuring the consistent application of HR practices across the entity.

2. HUMAN RESOURCES OVERSIGHT STATISTICS

(A) ADMINISTRATION

OCCUPATIONAL LEVEL	PERSONNEL EXPENDITURE R'000	% OF TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE R'000
Top management	0	0%	0	0
Senior management	4,792	3.2%	2	2,396
Professional qualified	42,438	28.5%	32	1,326
Skilled	67,680	45.5%	97	697
Semi-skilled	31,189	21.1%	77	405
Unskilled	2,554	1.7%	12	212
Total	**148,653**	**100%**	**220**	**676**

(B) SKILLS PLANNING

LEVEL	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top management	0	0%	0	0
Senior management	0	0%	0	0
Professional qualified	5,193	72.2%	4	1,298
Skilled	1,661	23,1%	3	553
Semi-skilled	336	4,7%	1	336
Unskilled	0	0%	0	0
Total	**7,190**	**100%**	**8**	**899**

2.2. PERSONNEL COST BY SALARY BAND

OCCUPATIONAL LEVEL	PERSONNEL EXPENDITURE R'000	% OF TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE R'000
Top management	0	0%	0	0
Senior management	4,792	3.1%	2	2,396
Professional qualified	47,632	30.6%	36	1,323
Skilled	69,342	44.5%	100	693
Semi-skilled	31,525	20.2%	78	404
Unskilled	2,554	1.6%	12	212
Total	**155,845**	**100%**	**228**	**684**

Note: Total number of employees excluding interns and employees on fixed-term contracts

2.3. PERFORMANCE REWARDS

OCCUPATIONAL LEVEL	PERFORMANCE REWARDS (R'000)	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST
Top management	0	0	0%
Senior management	284	4,792	5.9%
Professional qualified	2,144	47,632	4.5%
Skilled	2,744	69,342	4.0%
Semi-skilled	1,568	31,525	5.0%
Unskilled	171	2,554	6.7%
Total	**6,911**	**155,845**	**4.4%**

Note: Personnel expenditure refers to the total basic salary costs of all employees and excludes expenditure relating to fixed-term contract employees and interns and any other non-basic salary components.

2.4. TRAINING COSTS

OCCUPATIONAL LEVEL	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE R
Personnel Training	155 845	4 329	2,7%	176	25 000

2.5. EMPLOYMENT AND VACANCIES

OCCUPATIONAL LEVEL	2024/25 NO. OF EMPLOYEES	2024/25 APPROVED POSTS	2025/26 NO. OF EMPLOYEES	NUMBER OF VACANCIES	% OF VACANCIES
Top management	1	0	0	1	6.25%
Senior management	2	2	2	2	12.5%
Professional qualified	31	7	36	2	12.5%
Skilled	105	5	100	10	62.5%
Semi-skilled	76	3	78	1	6.25%
Unskilled	12	0	12	0	0%
Total	**227**	**17**	**228**	**16**	**100%**

In line with the merSETA Recruitment and Selection Policy, all vacancies are initially advertised internally to provide employees with the opportunity for career progression and mobility within the organisation. Where no suitable internal candidates are identified, vacancies are subsequently advertised externally to ensure access to a broader talent pool. The absence of suitable internal candidates may arise due to a number of factors, including:

- Insufficient years of relevant experience required for the role
- Gaps in specialised technical or functional competencies
- Limited exposure to senior management or leadership responsibilities
- Incomplete or non-aligned qualifications in relation to the advertised requirements
- Attempts made to fill senior and highly skilled posts include implementation of structured and compliant recruitment and selection processes, including panel-based evaluations and competency assessments, engagement of Executive Search firms for critical and hard-to-fill positions where standard recruitment processes did not yield suitable candidates and fast-tracking recruitment processes for priority roles to minimise operational impact. Internal appointments take on average 2 months to fill due to candidate availability and external recruitment takes approximately 3 - 6 months. The following contributes to the time it takes to fill the post:
- Scarcity of suitably qualified and experienced candidates in the labour market
- Recruitment processes that did not yield suitable or appointable candidates
- High expectations and governance requirements for senior roles, requiring rigorous assessment and due diligence processes
- Procurement and administrative timelines, particularly where external service providers (e.g., executive search firms) are required.

Priority attention has been given to addressing vacancies at the executive level, specifically the positions of Chief Executive Officer, Chief Operations Officer, and Executive Manager: Strategy, Research and Reporting. Measures have been implemented to ensure that these key leadership roles are filled within the 2026/27 financial year.

2.6. EMPLOYMENT CHANGES

Provide information on changes in employment over the financial year. Turnover rates provide an indication of trends in employment profile of the public entity.

OCCUPATIONAL LEVEL	EMPLOYMENT AT BEGINNING 1 APRIL 2025	APPOINTMENTS 2025/26	TERMINATIONS 2025/26	EMPLOYMENT AT END 31 MARCH 2026
Top management	1	0	1	0
Senior management	2	0	0	2
Professional qualified	35	8	3	36
Skilled	102	10	8	100
Semi-skilled	78	8	3	78
Unskilled	12	0	0	12
Total	**230**	**26**	**15**	**228**

Note: Appointments include both internal and external appointments and are not limited to external recruitment appointments only.

2.7. REASONS FOR STAFF LEAVING

REASON	NUMBER	% OF TOTAL NUMBER OF STAFF LEAVING
Resignation	8	53.3%
Dismissal	1	6.7%
Retirement	4	26.6%
Ill health	1	6.7%
Expiry of contract	1	6.7%
Total	**15**	**100%**

Employees exit the organisation for a variety of reasons; however, analysis indicates that the most prominent driver of turnover is the pursuit of better career advancement opportunities. Attempts to replace staff include internal recruitment processes whereby vacancies are first advertised internally in line with the Recruitment and Selection Policy to promote career growth and retain institutional knowledge. This enables existing employees to apply for higher-level positions where they meet the requirements. External Recruitment where suitable internal candidates are not identified, vacancies are advertised externally to access a broader talent pool and ensure that appropriately qualified and experienced candidates are sourced. Fast-Tracking of critical and high-impact roles are prioritised and recruitment processes are expedited to minimise operational disruptions.

2.8. LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	5
Written Warning	4
Final Written Warning	6
Dismissal	1
Disciplinary hearing – pending outcome	2
Fixed term contract ended during disciplinary process	2
Resignation during hearing	1
Grievances	6
Precautionary Suspensions	5 (4 concluded, 1 pending at end of financial year)
CCMA	11 (7 concluded, 4 pending at end of financial year)

2.9 EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Our employment equity profile reflects an overall over-representation of African Females at 7.6% against the Economically active population (EAP). This over-representation is saturated among the skilled and semi-skilled occupational levels, where at Management and professionally qualified levels Male representation is still greater than Female representation. Our EE plan seeks to undo this imbalance and promote proportions of equal representation at all levels of the organization

MALE								
	AFRICAN		COLOURED		INDIAN		WHITE	
LEVELS	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	1	0	0	0	0	0	0
Senior Management	0	1	0	0	1	0	0	0
Professional Qualified	18	0	1	1	0	1	2	0
Skilled	46	3	5	0	5	0	2	2
Semi-skilled	42	9	2	0	1	0	0	1
Unskilled	1	0	0	0	0	0	0	0
Total	**107**	**14**	**8**	**1**	**7**	**1**	**4**	**3**

FEMALE								
	AFRICAN		COLOURED		INDIAN		WHITE	
LEVELS	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0	0	0	0	0
Senior Management	1	1	0	0	0	0	0	0
Professional Qualified	13	3	4	0	1	0	0	0
Skilled	41	1	6	0	1	1	2	1
Semi-skilled	68	0	2	0	0	0	2	0
Unskilled	9	0	2	0	0	0	0	0
Total	**132**	**5**	**14**	**0**	**2**	**1**	**4**	**1**

STAFF LIVING WITH A DISABILITY				
	MALE		FEMALE	
LEVELS	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	1	2	0	1
Skilled	4	5	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	**5**	**7**	**0**	**1**

PART E

PFMA COMPLIANCE REPORT

1. INFORMATION ON IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1. 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;
- 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:

a) confirmed;

b) under assessment, determination and/or investigation;

c) condoned by the relevant authority; or

d) transferred to receivables for recovery; or

e) written off if it is not recoverable; or

f) not condoned and removed.

A) RECONCILIATION OF IRREGULAR EXPENDITURE

DESCRIPTION	2025/26 R'000	2024/25 R'000
Opening balance	83,255	80,896
Add: Irregular expenditure confirmed	3,260	3,244
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	(350)	(885)
Less: Irregular expenditure recovered	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	**86,165**	**83,255**

RECONCILING NOTES

DESCRIPTION	2025/26 R'000	2024/25 R'000
Irregular expenditure that was under assessment in 2024/25	-	-
Irregular expenditure that relates to 2024/25 and identified in 2025/26	-	-
Irregular expenditure for the current year	3,260	3,244
Total	**3,260**	**3,244**

B) CURRENT YEAR IRREGULAR EXPENDITURE

DETAIL OF IRREGULAR EXPENDITURE	2025/26 R'000	2024/25 R'000
Expenditure incurred outside SCM prescripts	2,009	3,244
Change to Expenditure incurred outside of discretionary grant MOA	1,109	-
Expenditure incurred outside regulations and Ministerial Directive	142	-
Total	**3,260**	**3,244**

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

DESCRIPTION	2025/26 R'000	2024/25 R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	86,165	83,255
Irregular expenditure under investigation	-	-
Total	**86,165**	**83,255**

D) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE CONDONED

DESCRIPTION	2025/26 R'000	2024/25 R'000
Irregular expenditure condoned	-	-
	-	**-**

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

DESCRIPTION	2025/26 R'000	2024/25 R'000
Expenditure incurred outside SCM prescipts	350	885
	350	**885**

The National Treasury did not condone irregular expenditure regarding non-compliance with SCM prescripts. The Accounting Authority removed expenditure amounting to R350 thousand from the annual financial statements (2024/25: R885 thousand).

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 merSETA was involved in an inter-institutional arrangement where such an institution is 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 involving merSETA in an inter-institutional arrangement for which merSETA is responsible.

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.

During the year merSETA undertook determination testing reviews for various outstanding cases of irregular expenditure that is yet to be cleared. Disciplinary steps recommended by the determination report will be implemented before application for condonation is submitted for consideration by National Treasury.

2. FRUITLESS AND WASTEFUL EXPENDITURE

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

a) confirmed;

b) under assessment, determination and/or investigation;

c) recovered or transferred to receivables for recovery; or

d) written off if it is not recoverable; or

e) details of current and previous year's disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure.

The increase is largely attributable to historic discretionary grant contract recoveries identified through contract reviews and forensic processes and does not represent current-year operational expenditure.

A) RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE

DESCRIPTION	2025/26 R'000	2024/25 R'000
Opening balance	506	47,460
Add: Fruitless and wasteful expenditure confirmed	54,927	298
Less: Fruitless and wasteful expenditure written off	-	(47,252)
Less: Fruitless and wasteful expenditure recovered	-	-
Closing balance	**55,433**	**506**

B) RECONCILING NOTES

DESCRIPTION	2025/26 R'000	2024/25 R'000
Fruitless and wasteful expenditure that was under assessment in 2024/25	-	-
Fruitless and wasteful expenditure that relates to 2024/25 and identified in 2025/26	37,383	-
Fruitless and wasteful expenditure for the current year	17,544	298
Total	**54,927**	**298**

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

DESCRIPTION	2025/26 R'000	2024/25 R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	203	-
Fruitless and wasteful expenditure under investigation	-	-
Total	**-**	**-**

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

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

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

DESCRIPTION	2025/26 R'000	2024/25 R'000
Suspended contracts due to irregularities in contracts	-	47,252
TOTAL	**-**	**47,252**

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

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

3. DETAILS OF CURRENT AND PREVIOUS YEAR MATERIAL LOSSES THROUGH CRIMINAL CONDUCT

DESCRIPTION	2025/26 R'000	2024/25 R'000
Theft	-	-
Other material losses	-	-
Less: Recovered	-	-
Less: Not recovered and written off	-	-
Total	**-**	**-**

There were no amounts relating to current- and prior-year material losses through criminal conduct; consequently, no reports arising from investigations conducted during the year were forwarded to the South African Police Service.

1. LATE AND/ OR NON-PAYMENT OF SUPPLIERS

DESCRIPTION	NUMBER OF INVOICES	CONSOLIDATED VALUE R'000
Valid invoices received 1 April 2025 to 31 March 2026	1,714	144,243
Invoices paid within 30 days or agreed period	1,570	139,735
Invoices paid after 30 days or agreed period	144	4,508
Invoices older than 30 days (unpaid and without dispute)	-	-
Invoices older than 30 days (unpaid and in dispute)	-	-

Some invoices were paid late due to constraints on the part of the supplier. This is due to matters such as 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.

4. INFORMATION ON SUPPLY CHAIN MANAGEMENT

4.1. PROCUREMENT BY OTHER MEANS

PROJECT DESCRIPTION	NAME OF SUPPLIER	TYPE OF PROCUREMENT	CONTRACT NUMBER	VALUE R'000
ISO 9001:2015 Certification Services for a period of three (03) years	British Standard Institute (BSI) Group South Africa (Pty) Ltd	Single Source	Dev No. 01 - F25/26	231
Provision of NSDMS hosting, back-up and recovery services for a period of six (6) months.	Netlogix	Single Source	Dev No. 02 - F25/26	214
Bulk external document and records storage services for a period of 12 months	Metrofile (Pty) Ltd	Single Source	Dev No. 03 - F25/26	184
Provision of technical support resources services	JumpCO Consulting (Pty) Ltd	Emergency Case	Dev No. 04 - F25/26	27
Provision of technical accounting opinion for estimated duration of two (02) weeks.	Altimax	Single Source	Dev No. 05 - F25/26	107
MerSETA participation in the 12th edition of the Manufacturing Indaba Exhibition, on 15-16 July 2025	Manufacturing Indaba (Pty) Ltd	Sole Supplier	Dev No. 06 - F25/26	70
Appointment of MTN for the provision of 100 data sim cards on Enterprise Data L Plan	MTN	Single Source	Dev No.07 - F25/26	252
Additional catering services ACEO Audit debrief venue	The Capital Empire Hotel	Urgent Case	Dev No. 08 - F25/26	8
Urgent catering services for the Wage Negotiations to be held on 25,26 and 27 June 2025	Rammase Catering and Events	Urgent Case	Dev No. 09 - F25/26	18
Urgent catering services for 23 June 2025	Underwraps Caterers CC	Urgent Case	Dev No. 10 - F25/26	9
Security services for Mpumalanga Regional Office for a period of six (06) months	ADT Security (Pty) Ltd	Single Source	Dev No. 11 - F25/26	10
Catering Services at Mercedes Benz academy in East London for 30 July 2025.	Liyabona Facilities Management (Pty) Ltd	Urgent Case	Dev No. 12 - F25/26	13
Procurement of a digital signature and workflow solution	SigniFlow (Pty) Ltd	Single Source	Dev No. 13 - F25/26	629
Renewal of merSETA's manage engine suite subscription for a period of twelve (12) months.	ITR Technology	Single Source	Dev No. 14 - F25/26	326
System upgrade of Metrofiler system	Metrofile (Pty) Ltd	Sole Supplier	Dev No. 15 - F25/26	135
Appointment of a professional tax consultant for audit compliance	Zamabungela Projects (Pty) Ltd	Urgent Case	Dev No. 16 - F25/26	16
Catering services for SDF Forum to be held on the 06th of November 2025	Underwraps Caterers CC	Urgent Case	Dev No. 17 - F25/26	4
Total				**2,260**

4.2. CONTRACT VARIATIONS AND EXPANSIONS

PROJECT DESCRIPTION	SUPPLIER	CONTRACT MODIFICATION TYPE	CONTRACT NUMBER	ORIGINAL VALUE R'000	PREVIOUS EXPANSION R'000	CURRENT EXPANSION R'000
Employee wellbeing support services	Lyra South Africa	Extension	N/A	1 119	-	-
Additional assets insurance cover	Westwood Insurance Brokers	Expansion	N/A	884	-	366
Business advisory support services on AGSA findings	Kopax Advisory (Pty) Ltd	Expansion	N/A	951	-	1 163
Representation of merSETA at the CCMA on matters	Mazars Forensic Services (Pty) Ltd	Expansion	N/A	230	-	96
Business advisory support services on AGSA findings	MNS Attorneys (Mncedisi Ndlovu & Sedumedi Attorneys Inc)	Expansion	N/A	1 000	-	Rates
Business advisory support services on AGSA findings	Kopax Advisory (Pty) Ltd	Expansion	N/A	951	1 163	1 058
Needs analysis of all Fixed-Term and Temporary capacity requirements	Rathe Consulting	Extension	N/A	721	-	-
Employee wellbeing support services	Lyra South Africa	Extension	N/A	1 119	150	-
Comprehensive vehicle Insurance	Westwood Insurance Brokers	Extension	N/A	5 286	-	-
Lease agreement for Mpumalanga regional office	De Bruyn Commercial Property (Mpumalanga)	Extension	N/A	1 449	7 207	536
Shuttle Services	Viro Management	Extension	N/A	475	-	350
Shuttle Services	Nzuri Shuttle Services	Extension	N/A	475	-	350
Coffee machines rental, maintenance and consumables	K2 Buz Solution (Pty) Ltd	Expansion	N/A	436	-	300
Employee wellbeing support services	Lyra South Africa	Expansion	N/A	1 119	150	35
Comprehensive vehicle Insurance	Westwood Insurance Brokers	Extension	N/A	5 286	-	800
Fraud Hotline Services	The Vuvuzela Hotline (Pty) Ltd	Extension	N/A	146	-	-
Minute-taking services for meetings of the merSETA AA & its sub committees	LK Administration Support Services	Extension	N/A	163	-	-
Total					**8,670**	**5,019**

PART F

FINANCIAL INFORMATION

ACCOUNTING AUTHORITY'S RESPONSIBILITY **FOR THE ANNUAL FINANCIAL STATEMENTS**

The Accounting Authority is responsible for the preparation and fair presentation of the annual financial statements of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, and applicable National Treasury requirements.

The Accounting Authority is also responsible for maintaining adequate accounting records and effective systems of internal control, risk management and governance to provide reasonable assurance regarding the safeguarding of assets, the prevention and detection of fraud and irregularities, and the completeness and reliability of financial information. In preparing the annual financial statements, the Accounting Authority is responsible for assessing the entity's ability to continue as a going concern and for ensuring that appropriate accounting policies are applied consistently and supported by reasonable and prudent judgements and estimates.

The Accounting Authority has reviewed the entity's cash flow forecast, budget and operational plans and is satisfied that the merSETA has adequate resources to continue operating for the foreseeable future. Accordingly, the annual financial statements have been prepared on the going concern basis.

The Accounting Authority confirms that it has fulfilled its responsibilities in terms of section 51 of the Public Finance Management Act and is of the opinion that the annual financial statements fairly present the financial position of the merSETA as at 31 March 2026 and its financial performance, changes in net assets and cash flows for the year then ended.

The audited Annual Financial Statements for the year ended 31 March 2026, set out on pages 84 to 130, have been approved by the Accounting Authority in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 (as amended) on 07 August 2026, and are signed on their behalf by:

Mr Naphtaly Mokgotsane
Acting Chief Executive Officer
Date: 7 August 2026

Prof Hoosen Rasool
Chairperson: Accounting Authority
Date: 7 August 2026

GENERAL **INFORMATION**

1. Manufacturing, Engineering and Related Services Sector Education and Training Authority ("merSETA") is a public entity established in terms of the Skills Development Act, 1998 (Act No. 97 of 1998), as amended
2. merSETA is listed as a Schedule 3A public entity in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, and is primarily responsible for facilitating skills development within the manufacturing, engineering and related services sector.
3. The entity is registered as a Sector Education and Training Authority (SETA) under registration number: 17/MERSETA/1/04/20.
4. The principal activities of the entity include developing and implementing sector skills plans; disbursing mandatory and discretionary grants in support of skills development initiatives; supporting learnerships, apprenticeships and other occupational training programmes; and promoting partnerships between industry, government, and training institutions.
5. The operations of the entity are funded primarily through skills development levies received from employers within the sector in terms of the Skills Development Levies Act, 1999 (Act No. 9 of 1999). Employers contribute levies at a legislated rate of 1% of payroll, which are collected by the South African Revenue Service and transferred to the entity in accordance with applicable legislation.
6. The accounting authority of merSETA is its Board, which is responsible for governance oversight and ensuring compliance with applicable legislation.
7. The Executive Authority is the Minister of Higher Education and Training.
8. The registered office and principal place of business of the entity is: Metropolitan Park Block C 8 Hillside Road Parktown, Johannesburg 2193
9. merSETA operates through regional offices across the Republic of South Africa to support service delivery.
10. The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), the PFMA and Treasury Regulations.

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 84 to 130, which comprise the statement of financial position as at 31 March 2026, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of actual and budget amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the merSETA as at 31 March 2026 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) as issued by the Accounting Standards of Board South Africa and the requirements of the Public Finance 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. I was unable to obtain sufficient appropriate audit evidence that discretionary projects direct costs for the current year had been correctly accounted for due to the status of accounting records. I was unable to confirm discretionary projects direct costs by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the discretionary projects direct costs stated at R1 131 228 000 in note 6 to the financial statements

4. In addition, discretionary project direct costs for the prior year were not accounted in accordance with GRAP 1, Presentation of financial statements. The entity did not account for discretionary project direct costs in the periods in which services were rendered. Furthermore, restatements to these comparative figures disclosed in note 5 to the financial statements, were reported at incorrect financial periods. I could not determine the full extent of the misstatements on discretionary project direct costs stated at R1 600 856 000. Additionally, there was an impact on the surplus for the prior period and the accumulated surplus.

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

5. I was unable to obtain sufficient appropriate audit evidence that employer receivable – discretionary grants transactions for the current and previous year had been properly accounted for, due to the status of the accounting records. In addition, in note 5 to the financial statements, the restatement was made to rectify a prior year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to employer grants receivables stated at R 71 065 000 (2025: R 65 499 000) in note 10 to the financial statements.

GRANTS AND TRANSFER PAYABLES

6. 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, contingent liabilities and contingent assets. Furthermore, restatements to these comparative figures disclosed in note 5 to the financial statements were made at incorrect amounts. I

could not determine the full extent of the of the misstatement on prior year grants payable-discretionary stated at R 586 897 000 in note 15 to the financial statements and on the accumulated surplus, as it was impractical to do so.

7. There is a consequential impact on the following corresponding line items in the financial statements
   - Discretionary project direct costs stated at R 1 600 856 000 in note 6 to the financial statements
   - Discretionary reserve commitments – contractual stated at R 5 240 605 000 in note 20.1 to the financial statements.
   - Prior year adjustment relating to understatement of discretionary grant accruals stated at R 25 387 000 in note 5 to the financial statements.
8. My audit opinion on the financial statements for the period ended 31 March 2025 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effects of this matter on the comparability of grants payable-discretionary for the current period.

PROVISIONS

9. I was unable to obtain sufficient appropriate audit evidence that provision for discretionary grants for the current and previous year had been properly accounted for, due to the status of the accounting records. In addition, as described in note 5 to the financial statements, the restatement was made to rectify a prior year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the current and prior year balances recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to provisions for discretionary grants stated at R 531 800 000 (2025: R 400 060 000) in the financial statements.

CONTINGENT ASSETS - DISCRETIONARY GRANTS

10. Items for the current and previous year that did not meet the definition of contingent assets in accordance with Standards of GRAP 19, Provisions, contingent liabilities and contingent assets were recognised, which resulted in contingent assets – discretionary grants disclosed in note 19 to the financial statements being overstated by R500 000 000 (2025: R389 000 000).

CONTINGENT LIABILITY – DISCRETIONARY GRANTS

11. I was unable to obtain sufficient appropriate audit evidence that contingent liabilities- discretionary grants for the current and prior year had been properly accounted for, due to the status of the accounting records. In addition, as described in note 19 to the financial statements, the restatement was made to rectify a prior year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the current and prior year balances recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contingent liability – discretionary grants stated at R 1 486 000 000 (2025: R 1 337 000 000) in note 19 to the financial statements.

CONTEXT FOR OPINION

12. 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.
13. 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.
14. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

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

16. 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

17. 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.
18. 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 on page 82, forms part of my auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

19. 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.
20. I selected the following programmes presented in the annual performance report for the year ended 31 March 2026 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	PAGE NUMBERS	PURPOSE
Programme 2: Skills planning	28-29	This programme aligns to the first core mandate and function of the SETA, that of research, planning, monitoring and evaluation for the expressed purpose of 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 on skills development for the merSETA sector, particularly pertaining to shortages and gaps related to occupations and skills in demand.
Programme 3: Learning programmes and projects	30-39	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, informal sector, and international partners is critical in delivering programmes and projects.

21. 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.
22. 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.

23. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
24. I did not identify any material findings on the reported performance information for the selected programmes

OTHER MATTERS

25. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

26. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements.
27. The table that follows provides information on the achievement of planned targets and lists the key 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 25 to 45.

PROGRAMME 2: SKILLS PLANNING

Targets achieved: 87.5% Budget spent: 74%		
KEY INDICATOR NOT ACHIEVED	**PLANNED TARGET**	**REPORTED ACHIEVEMENT**
Indicator 2.7: Number of small and emerging enterprises trained on sector and national identified priority occupations or skills.	630	306

PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS

Targets achieved: 87% Budget spent: 75%		
KEY INDICATOR NOT ACHIEVED	**PLANNED TARGET**	**REPORTED ACHIEVEMENT**
Indicator 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%	12%
Indicator 3.28: Number of learners registered for trade/ artisan qualifications (new registration).	5000	2612
Indicator 3.29: Number of learners completing trade/artisan qualifications	3500	1959
Indicator 3.34: Number of active CET partnerships established.	4	1
Indicator: 3.35: Number of new SETA- Employer partnerships established.	1300	618

MATERIAL MISSTATEMENTS

28. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Programme 3: Learning programmes and projects. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

REPORT ON COMPLIANCE WITH LEGISLATION

29. 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.
30. 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.
31. 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.
32. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

ANNUAL FINANCIAL STATEMENTS

33. Financial statements were not submitted for auditing within the prescribed period after the end of the financial year, as required by section 55(1)(c)(i) of the PFMA.
34. 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.
35. Material misstatements of disclosure items, identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

CONSEQUENCES MANAGEMENT

36. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.
37. Disciplinary steps were not taken against some of the officials who had incurred or permitted irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA.

OTHER INFORMATION IN THE ANNUAL REPORT

38. 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 programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
39. 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.
40. 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.
41. I did not receive the finalised other information prior to the date of this audit report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this, will not be necessary.

INTERNAL CONTROL DEFICIENCIES

42. 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.
43. 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 compliance with applicable legislation.
44. Effective and appropriate measures were not implemented in a timely manner to prevent and detect material errors in the submitted annual financial statements, and instances of non-compliance with legislation.
45. Proper records were not maintained in a timely manner to ensure complete, relevant, and accurate information for financial.
46. An action plan to address the prior years' significant findings was developed and monitored on at the appropriate level, however, the designed and implemented controls were not effective resulting in repeat findings relating to the financial statements and compliance with laws and regulations.

Auditor-General

Pretoria

08 August 2026

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

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 programme and on the public entity's compliance with selected requirements in key legislation.

FINANCIAL STATEMENTS

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

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.

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

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); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 66(4)
Treasury Regulations, 2005	Regulation 16A3.2; 16A3.2(a); 16A6.1; 16A6.2(a) 16A6.2(b); 16A6.3(a); 16A6.3(b); 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; 16A6.6; 16A7.1; 16A7.3; 16A8.3; 16A8.4; 16A9.1(b)(ii); 16A9.1(d); 16A9.1(e); 16A9.1(f); 16A9.2; 16A9.2(a)(ii); 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1; 31.1.2(c); 31.2.1; 31.2.5; 31.2.7(a); 31.3.3; 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); 45(4); 46(1)(a); 46(1)(b); 46(1)(c); 112(2)(a); 129(7)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A); 25(9)(a); 25(10)
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4(a); 4.17; 7.2; 7.6
National Treasury SCM Instruction No. 2 of 2021/22	"Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
National Treasury Practice Note 5 of 2009/10	Paragraph 3.3
National Treasury Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2(1)(a); 2(1)(b); 2(1)(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

STATEMENT OF **FINANCIAL PERFORMANCE**

FOR THE YEAR ENDED 31 MARCH 2026

		2026			2025		
	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	1 883 866	1 894 540	(10 674)	1 804 323	1 826 156	(21 833)
Skills development levy penalties and interest	3	23 857	27 675	(3 818)	16 076	22 335	(6 259)
Total non-exchange revenue		**1 907 723**	**1 922 215**	**(14 492)**	**1 820 399**	**1 848 491**	**(28 092)**
EXCHANGE REVENUE							
Interest income	4	439 530	450 737	(11 207)	468 607	497 734	(29 127)
Total revenue		**2 347 253**	**2 372 952**	**(25 699)**	**2 289 006**	**2 346 225**	**(57 219)**
EXPENSES							
Employer grant and project expenses	6	(1 572 180)	(2 080 923)	508 743	(2 057 553)	(2 068 825)	11 272
Administration expenses	7	(235 068)	(292 029)	56 961	(258 795)	(277 400)	18 605
Total expenses		**(1 807 248)**	**(2 372 952)**	**565 704**	**(2 316 348)**	**(2 346 225)**	**29 877**
Net surplus/ deficit for the year	1	**540 005**	**-**	**540 005**	**(27 342)**	**-**	**(27 342)**

STATEMENT OF **FINANCIAL POSITION**

AS AT 31 MARCH 2026

		2026			2025		
	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	6 421 208	6 074 255	346 953	6 208 798	5 698 969	509 829
Receivables from exchange transactions	9	788	788	-	788	6 143	(5 355)
Receivables from non-exchange transactions	10	71 366	35 130	36 236	76 474	13 150	63 324
Consumables	11	224	190	34	166	350	(184)
		6 493 586	**6 110 363**	**383 223**	**6 286 226**	**5 718 612**	**567 614**
NON-CURRENT ASSETS							
Property and equipment	12	12 393	15 966	(3 573)	17 150	13 331	3 819
Intangible assets	13	2 616	818	1 798	2 385	2 597	(212)
		15 009	**16 784**	**(1 775)**	**19 535**	**15 928**	**3 607**
Total assets		**6 508 595**	**6 127 147**	**381 448**	**6 305 761**	**5 734 540**	**571 221**
LIABILITIES							
CURRENT LIABILITIES							
Payables from exchange transactions	14	15 129	15 500	(371)	26 856	18 640	8 216
Grants and transfers payable	15	396 130	711 150	(315 020)	855 530	375 250	480 280
Other payables	16	1 472	1 380	92	1 302	1 500	(198)
Provisions	17	574 437	43 023	531 414	440 651	41 000	399 651
		987 168	**771 053**	**216 115**	**1 324 339**	**436 390**	**887 949**
Net assets		**5 521 427**	**5 356 094**	**165 333**	**4 981 422**	**5 298 150**	**(316 728)**
Administration reserve		15 009	16 784	(1 775)	19 536	15 928	3 608
Employer grant reserve		614	563	51	479	563	(84)
Discretionary reserve		5 505 804	5 338 747	167 057	4 961 407	5 281 659	(320 252)
Total net assets		**5 521 427**	**5 356 094**	**165 333**	**4 981 422**	**5 298 150**	**(316 728)**

STATEMENT OF **CHANGES IN NET ASSETS**

FOR THE YEAR ENDED 31 MARCH 2026

	Note	Administration reserve R'000	Employer grant reserve R'000	Discretionary grant reserve R'000	Unappropriated surplus R'000	Total R'000
Balance at 31 March 2024		**9 689**	**531**	**5 176 029**	**-**	**5 186 249**
Prior period adjustment		-	-	(177 485)	-	(177 485)
Restated balance at 31 March 2024		**9 689**	**531**	**4 998 544**	**-**	**5 008 764**
Net surplus for the year per statement of financial performance		-	-	-	(27 342)	(27 342)
Allocation of unappropriated surplus for the year		(21 977)	117 325	(122 690)	27 342	-
As previously stated		(21 977)	117 325	74 498	(169 846)	-
Restatement due to prior year adjustment		-	-	(197 188)	197 188	-
Excess reserves transferred to discretionary reserve		31 824	(117 377)	85 553	-	-
Restated balance at 31 March 2025		**19 536**	**479**	**4 961 407**	**-**	**4 981 422**
Net surplus for the year per statement of financial performance		-	-	-	540 005	540 005
Allocation of unappropriated surplus for the year		12 194	124 644	403 167	(540 005)	-
Excess reserves transferred to discretionary reserve		(16 721)	(124 509)	141 230	-	-
Balance at 31 March 2026		**15 009**	**614**	**5 505 804**	**-**	**5 521 427**
		*	**			

* *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 2026

	Note	2026 Actual R'000	2026 Budget R'000	2026 Variance R'000	2025 Actual R'000	2025 Budget R'000	2025 Variance R'000
CASH FLOWS FROM OPERATING ACTIVITIES							
OPERATING ACTIVITIES							
Cash receipts from stakeholders and others		**1 908 491**	**1 923 343**	**(14 852)**	**1 820 270**	**1 848 256**	**(27 986)**
Levies, interest and penalties received		1 908 491	1 923 343	(14 852)	1 820 270	1 848 256	(27 986)
Cash paid for grants and projects		**(1 894 862)**	**(2 209 345)**	**314 483**	**(1 530 516)**	**(2 068 298)**	**537 782**
Employment costs		(79 929)	(72 669)	(7 260)	(62 829)	(72 669)	9 840
Mandatory grants		(487 222)	(513 021)	25 799	(168 849)	(353 298)	184 449
Discretionary grant and projects		(1 327 711)	(1 623 655)	295 944	(1 298 838)	(1 642 331)	343 493
Cash paid for administration		**(235 962)**	**(284 891)**	**48 929**	**(242 936)**	**(266 477)**	**23 541**
Employment costs		(120 831)	(130 955)	10 124	(119 571)	(130 685)	11 114
Payments to suppliers		(115 131)	(153 936)	38 805	(123 365)	(135 792)	12 427
Cash generated from (utilised in) operations	18	**(222 333)**	(570 893)	348 560	46 818	(486 519)	533 337
Interest received		439 530	450 737	(11 207)	472 569	497 336	(24 767)
Net cash inflow from operating activities		**217 197**	**(120 156)**	**337 353**	**519 387**	**10 817**	**508 570**
CASH FLOW FROM INVESTING ACTIVITIES							
Purchase of property and equipment	12	(1 134)	(11 249)	10 115	(9 996)	(11 249)	1 253
Purchase of intangible assets	13	(3 757)	(3 138)	(619)	(3 178)	(3 138)	(40)
Proceeds from disposal of property and equipment		104	-	104	46	-	46
Net cash outflow from investing activities		**(4 787)**	**(14 387)**	**9 600**	**(13 128)**	**(14 387)**	**1 259**
Net increase in cash and cash equivalents		**212 410**	**(134 543)**	**346 953**	**506 259**	**(3 570)**	**509 829**
Cash and cash equivalents at beginning of year		**6 208 798**	**6 208 798**	**-**	**5 702 539**	**5 702 539**	**-**
Cash and cash equivalents at end of year	8	**6 421 208**	**6 074 255**	**346 953**	**6 208 798**	**5 698 969**	**509 829**

No financing activities occurred during the current or previous financial year

STATEMENT OF COMPARISON OF
BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2026

The budget is done on the accrual basis and is for the period 1 April 2025 to 31 March 2026

	Note	Original budget R'000	Revisions R'000	Final approved budget R'000	Actual R'000	Variance R'000
REVENUE						
Skills development levy income		1 935 726	(41 186)	1 894 540	1 883 866	(10 674)
Skills development penalties and interest		23 675	4 000	27 675	23 857	(3 818)
Total non-exchange revenue		**1 959 401**	**(37 186)**	**1 922 215**	**1 907 723**	**(14 492)**
Interest income		547 507	(96 770)	450 737	439 530	(11 207)
Other income		-	-	-	-	-
Total exchange revenue		**547 507**	**(96 770)**	**450 737**	**439 530**	**(11 207)**
Total revenue		**2 506 908**	**(133 956)**	**2 372 952**	**2 347 253**	**(25 699)**
EXPENSES						
Employer grant and project expenses		(2 207 714)	126 791	(2 080 923)	(1 572 180)	508 743
Administration expenses		(299 194)	7 165	(292 029)	(235 068)	56 961
Total expenses		**(2 506 908)**	**133 956**	**(2 372 952)**	**(1 807 248)**	**565 704**
Net surplus for the year		**-**	**-**	**-**	**540 005**	**540 005**

REVISIONS TO THE ORIGINAL BUDGET

Skills development levy income was reduced by R41.2 million. The original budget made provision for a 7% increase, but actual levy income showed a 5% increase over the previous year. The budget was revised accordingly.

Interest income, which represents interest earned on cash and cash equivalents was reduced by R96.8 million. This was due to reductions in the REPO rate during the year.

Employer grant and project expenses were reduced by R126.8 million. 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.

The budget for administration expenses was reduced by R7.2 million. The appointment of various committes only happened late during the year, and as a result there was a saving on board fees and related travel expenditure. The budget was reduced accordingly.

COMPARISON OF BUDGET VERSUS ACTUAL

Levy income is 1% below budget and shows an increase of 4.4% over the previous year. The increase in the previous year was 4.7%.

Interest received from cash and cash equivalents is 2.5% below budget and shows a decrease of 6.2% over the previous year. This is due to a drop in the REPO rates during the year.

Disbursement of employer grants and projects is 24% below budget and has reduced by 23% over the previous 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 attributable to cancellation or reductions on training contracts during the year amounting to R378 million.

Administration expenses are 19.5% below budget and is 9.2% lower than expenditure in the previous year. This decrease in administration expenses is mainly due to a reduction in legal fees, Accounting Authority and sub committee costs, building maintenance and security.

The surplus for the year is R540 million against a budgeted surplus of nil. The main contributor was the lower than budgeted disbursement of discretionary project expenses.

The reported surplus does not represent excess operational resources but is substantially committed to contractual discretionary grant obligations amounting to R5.596 billion.

ACCOUNTING **POLICIES**

1. BASIS OF PREPARATION

merSETA is a national public entity domiciled in the Republic of South Africa, established as a juristic person in terms of section 9(1) of the Skills Development Act, 1998 (Act No. 97 of 1998), and listed as a Schedule 3A public entity under the Public Finance Management Act, 1999 (Act No. 1 of 1999).

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 Levies (SDL) are recognised as revenue from non-exchange transactions, as defined in GRAP, as no direct value is exchanged between the contributor and the entity, and no conditions are imposed by SARS or the Department of Higher Education and Training on the recipient SETA. However, the application of SDL funds is subject to the SETA Grant Regulations, which prescribe how such funds are to be utilised, including allocations for:

- Administration costs (limited to 10.5%);
- Mandatory grants (20%); and
- Discretionary grants (49.5%).

These requirements are restrictions on the use of funds rather than conditions affecting recognition.

Where it is assessed that a portion of levies received may be refundable in terms of applicable legislation or regulations, a provision is recognised for prescribed refunds in accordance with the relevant GRAP standards.

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 par .38 of GRAP 3 allows the entity to apply the change in estimate retrospectively.

In the event 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. There is no allocation done from non-core units and support units. The full cost of these units are treated as operational administration costs.
2. Apportionment of the administration costs of core business units is done on the basis of the levy income ratio. 62,5% of the costs of these units are allocated to project administration.

4.4 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 24 below and is charged to the Statement of Financial Performance in the year in which such determination is made.

5. ADMINISTRATION EXPENSES

Expenses are presented in the Statement of Financial Performance by function. Note 7 provides additional analysis by nature for the administration function.

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.

6. FINANCIAL INSTRUMENTS

RECOGNITION

Financial instruments are recognised when the merSETA becomes party to the contractual provisions of the instrument and are classified and measured in accordance with GRAP 104, based on the nature of the instrument, the SETA's management model and the contractual cash flow characteristics of the instrument.

Financial assets and financial liabilities are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue of a financial instrument are included in the initial carrying amount, except for instruments measured at fair value through surplus or deficit, where such costs are recognised immediately in surplus or deficit.

6.1 FINANCIAL ASSETS

Financial assets are classified as measured at amortised cost, fair value through surplus or deficit, or fair value through net assets, where applicable. Classification is determined by the SETA's management model for managing the financial assets and whether the contractual cash flows are solely payments of principal and interest.

A financial asset is measured at amortised cost when it is held to collect contractual cash flows and those cash flows are solely payments of principal and interest on the principal amount outstanding.

CLASS	MEASUREMENT CATEGORY
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Investments held to collect contractual cash flows	Financial asset measured at amortised cost

Cash and cash equivalents comprise cash on hand, cash held with banks, call deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial assets measured at amortised cost are subsequently measured using the effective interest method, less any impairment losses. Interest income is recognised in surplus or deficit using the effective interest method

IMPAIRMENT OF FINANCIAL ASSETS

The SETA recognises a loss allowance for expected credit losses on financial assets measured at amortised cost and, where applicable, financial assets measured at fair value through net assets. At each reporting date, the SETA assesses whether credit risk has increased significantly since initial recognition.

Where credit risk has not increased significantly, a 12-month expected credit loss is recognised. Where credit risk has increased significantly, or where a financial asset is credit-impaired, lifetime expected credit losses are recognised.

For receivables to which the simplified approach applies, the SETA measures the loss allowance at lifetime expected credit losses at each reporting date without separately tracking changes in credit risk. The provision matrix is based on historical credit loss experience, adjusted for reasonable and supportable forward-looking information.

Expected credit losses are measured as the present value of the difference between the contractual cash flows due to the SETA and the cash flows the SETA expects to receive, reflecting probability-weighted outcomes, the time value of money, and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Financial assets are written off when there is no reasonable expectation of recovery, generally after all legal and debt collection processes have been exhausted or when the cost of recovery outweighs the outstanding balance. Subsequent recoveries are recognised in surplus or deficit.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset, or a portion thereof, is derecognised when the contractual rights to the cash flows from the asset expire, are settled or are waived, or when the SETA transfers the asset and substantially all the risks and rewards of ownership.

On derecognition, the difference between the carrying amount and the consideration received is recognised in surplus or deficit. Where applicable, any cumulative gain or loss previously recognised in net assets is reclassified to surplus or deficit.

6.2 FINANCIAL LIABILITIES

Financial liabilities are classified as subsequently measured at amortised cost unless GRAP 104 requires or permits measurement at fair value through surplus or deficit.

CLASS	MEASUREMENT CATEGORY
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Trade and other payables from non-exchange transactions	Financial liability measured at amortised cost

Financial liabilities measured at amortised cost are subsequently measured using the effective interest method, with interest expense recognised in surplus or deficit.

A financial liability, or part thereof, is derecognised when the obligation specified in the contract is discharged, cancelled, expires or is waived. Any difference between the carrying amount derecognised and the consideration paid or payable is recognised in surplus or deficit.

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.

7. RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

7.1 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.

7.2 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 precious 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 2025/26 and sent confirmations to the new SETA

8. CONSUMABLES

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

9 PROPERTY AND EQUIPMENT

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

ASSET CLASS	DEPRECIATION PERIOD CURRENT YEAR	DEPRECIATION PERIOD PRIOR YEAR
- Computer equipment	3 - 8 years	3 - 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.

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.

10. INTANGIBLE ASSETS

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

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

ASSET CLASS	AMORTISATION PERIOD
Computer software	1 - 3 years

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

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

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

11. OTHER PAYABLES

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

12. PROVISIONS

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

12.1 PROVISION FOR SARS REFUNDS

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

12.2 PROVISION FOR MANDATORY GRANTS

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

12.3 PROVISION FOR EMPLOYEE RELATED ENTITLEMENTS

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

LEAVE PAY

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

PERFORMANCE BONUSES

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

13. RESERVES

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
	100

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.

14. LEASING

OPERATING LEASES

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

15. RETIREMENT BENEFIT COSTS

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

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

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

Contribution by employee	7.50%
Contribution by employer	12.08%
Total contribution	19.58%

16. CONTINGENCIES

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

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.

17. 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 (a written agreement) with specific terms between the SETA and a third party whereby the third party undertakes to perform something in relation to a discretionary project. The SETA is obligated to make a payment against the discretionary grant.

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.

18. 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.

19. 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 line with the framework issued by National Treasury.

20. BUDGET APPROVAL, PERIOD, AND ADJUSTMENTS PROCESS

The entity prepares an annual budget in accordance with the requirements of the Public Finance Management Act (PFMA), Treasury Regulations, and guidance issued by National Treasury. The budget is prepared on the accrual basis of accounting and is consistent with the accounting policies applied in the preparation of the annual financial statements. The budget is approved by the Executive Authority prior to the commencement of the financial year to which it relates. The approved budget forms the basis for financial planning, monitoring and control of the entity's operations.

BUDGET PERIOD

The budget period covers a twelve-month financial year commencing on 1 April and ending on 31 March. Comparisons of actual amounts with the approved budget are included in the annual financial statements in terms of applicable Standards of GRAP.

BUDGET MONITORING AND CONTROL

Management is responsible for monitoring actual financial performance against the approved budget on a regular basis to ensure that expenditure is incurred within approved limits and for its intended purpose. Where variances between actual and budgeted amounts are identified, these are investigated and appropriate corrective actions are taken.

BUDGET ADJUSTMENTS

Adjustments to the approved budget may occur where there are changes in operational requirements, funding levels, or strategic priorities. Budget adjustments are subject to approval by the Executive Authority in line with PFMA requirements and Treasury Regulations. All approved budget adjustments are formally documented and incorporated into a revised budget.

RECOGNITION AND DISCLOSURE OF BUDGET INFORMATION

Budget information presented in the financial statements includes the original approved budget and, where applicable, the adjusted budget. The amounts relating to the budget and actual financial performance are based on comparable accounting policies and classification systems. Explanations are provided for material differences between the final budget and actual amounts in the notes to the financial statements.

21. EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue.

The entity distinguishes between adjusting events and non-adjusting events, and accounts for them as follows:

(a) Adjusting events after the reporting date

Adjusting events are events that provide evidence of conditions that existed at the reporting date. The entity adjusts the amounts recognised in the annual financial statements to reflect adjusting events after the reporting date. Adjustments are made where such events confirm estimates or conditions that were already present at year-end.

(b) Non-adjusting events after the reporting date

Non-adjusting events are events that are indicative of conditions that arose after the reporting date. The entity does not adjust the amounts recognised in the annual financial statements for non-adjusting events. However, where such events are material, disclosure is made in the notes to the annual financial statements

Disclosure for material non-adjusting events includes:

- The nature of the event; and
- An estimate of its financial effect, or a statement that such an estimate cannot be made.

22 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The entity applies the principles of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors in the selection, application, and disclosure of accounting policies, as well as in the treatment of changes in estimates and prior period errors.

(A) CHANGES IN ACCOUNTING POLICIES

Accounting policies are applied consistently for similar transactions, events, and conditions, unless a Standard of GRAP specifically requires or permits otherwise. A change in accounting policy is made only where:

- It is required by a Standard of GRAP; or
- It results in the financial statements providing reliable and more relevant information. Changes in accounting policies are applied retrospectively, unless it is impracticable to determine the effects of the change. Where retrospective application is required:
- The comparative amounts for prior periods are restated as if the new accounting policy had always been applied; and
- The opening balances of assets, liabilities, and net assets/equity for the earliest period presented are adjusted. Where retrospective application is impracticable:
- The new accounting policy is applied from the earliest practicable date, and disclosure is made accordingly.

(B) CHANGES IN ACCOUNTING ESTIMATES

Changes in accounting estimates arise from new information or developments and are not corrections of errors. Such changes are recognised prospectively by including the effect of the change in:

- Surplus or deficit in the period of the change, if the change affects that period only; or
- Surplus or deficit in the period of the change and future periods, if the change affects both. Key estimates subject to periodic review include (but are not limited to):
- Useful lives and residual values of assets;
- Impairment assessments;
- Provisions and accruals;
- Fair value estimates where applicable.

(C) PRIOR PERIOD ERRORS

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from failure to use, or misuse of, reliable information that:

- Was available when the financial statements were authorised for issue; and
- Could reasonably have been expected to have been obtained and taken into account. Material prior period errors are corrected retrospectively by:
    - Restating the comparative amounts for prior periods presented in which the error occurred; or
    - Where the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities, and net assets/equity for the earliest period presented.

Where it is impracticable to determine the effects of an error:

- The correction is applied from the earliest practicable date, with appropriate disclosure.

(D) ADDITIONAL DISCLOSURE REQUIREMENTS

The entity discloses the following, where applicable: The nature and reason for changes in accounting policies;

- The amount of adjustments for each financial statement line item affected;
- The nature of changes in accounting estimates and their financial effect;
- The nature of prior period errors and the amount of corrections for each period presented.

23. COMPARATIVE FIGURES

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

24. 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.

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

YEAR ENDED 31 MARCH 2026	Total per Statement of Financial Performance R'000	Administration reserve R'000	Employer grants reserve R'000	Discretionary grants R'000
Total revenue	**2 347 253**	**247 262**	**470 764**	**1 629 227**
Skills development levy income				
Admin levy income (10.5%)	247 262	247 262	-	-
Grant levy income (69.5%)	1 636 604	-	470 764	1 165 840
Skills development levy: penalties and interest	23 857	-	-	23 857
Investment income	439 530	-	-	439 530
Total expenses	**1 807 248**	**235 068**	**346 120**	**1 226 060**
Employer grants and project expenses	1 572 180	-	346 120	1 226 060
Administration expenses	235 068	235 068	-	-
Net surplus per the statement of financial performance allocated	**540 005**	**12 194**	**124 644**	**403 167**

YEAR ENDED 31 MARCH 2025				
Total revenue	**2 289 006**	**236 818**	**451 080**	**1 601 108**
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
Total expenses	**2 316 348**	**258 795**	**333 755**	**1 723 798**
Employer grants and project expenses	2 057 553	-	333 755	1 723 798
Administration expenses	258 795	258 795	-	-
Net surplus per the statement of financial performance allocated	**(27 342)**	**(21 977)**	**117 325**	**(122 690)**

2. SKILLS DEVELOPMENT LEVY INCOME

	2026 R'000	2025 R'000
The total levy income per the statement of financial performance is as follows:		
Levy income: Administration	**247 262**	**236 818**
• Levies received from SARS	247 369	236 820
• InterSETA transfers - Admin	4	(18)
• Provision for refund SARS	(111)	16
Levy income: Employer Grants	**470 764**	**451 080**
• Levies received from SARS	470 976	451 075
• InterSETA transfers - Mandatory	-	(25)
• Provision for refund SARS	(212)	30
Levy income: Discretionary Grants	**1 165 840**	**1 116 425**
• Disc Levies received from SARS	1 166 346	1 116 437
• InterSETA transfers - Discretionary	19	(87)
• Disc Provision for refund SARS	(525)	75
	1 883 866	**1 804 323**

3. SKILLS DEVELOPMENT LEVY PENALTIES AND INTEREST

Penalties	7 869	8 798
Interest	15 988	7 278
	23 857	**16 076**

4. INTEREST INCOME

Interest income from cash and cash equivalents	439 530	468 607

5. PRIOR YEAR ADJUSTMENTS

5.1 In the 2025 financial year merSETA received a qualified audit opinion relating to the understatement of discretionary grant a and expenditure.

The effect on the prior year is shown below:

Decrease in opening Discretionary Grant Reserve	(177 485)
Decrease in closing Discretionary Grant Reserve	(374 673)
Increase in discretionary grant expenditure	197 188
Decrease in discretionary grant accruals	(25 387)
Increase in discretionary grant provisions	400 060

These adjustments also impacted the commitment register, where an adjustment of R104.9 million was made to the opening balance (see note 20.1).

5. PRIOR YEAR ADJUSTMENTS (CONTINUED)

		2025 R'000
5.2 The practice has been to offset discretionary grant recoveries against mandatory grant payables. This is not strictly in terms of regulations. Consequently the mandatory grant payable has been restated for the current and prior year.		
The effect on the prior year is shown below:		
Increase in mandatory grant provision		42 079
Increase in discretionary grant receivables	19.1.1	42 079

5.3 A receivable was raised for the recovery of tranche 1 payments on training contracts where no training has taken place and the MOA shows no evidence that implementation has started. This receivable is to cater for contracts outside those that have already been formally closed and a receivable raised on the respective account.

The effect on the prior year is shown below:

Increase in discretionary grant receivables	34 221
Decrease in discretionary grant expenditure	(34 221)

6. EMPLOYER GRANT AND PROJECT EXPENSES

	Note	2026 R'000	2025 R'000
Mandatory grants		**346 120**	**333 755**
Mandatory grants		346 327	333 293
Bad debts written off-		497	570
Movement in loss allowance		(704)	(108)
Discretionary projects		**1 226 060**	**1 723 798**
Discretionary projects direct costs	20.1	1 131 228	1 600 856
Discretionary projects administration costs - indirect	7	84 013	67 765
Discretionary projects administration costs - direct		7 809	17 375
Bad debts written off		8 504	1 800
Movement in loss allowance		(6 946)	35 423
Other discretionary project costs		1 452	579
		1 572 180	**2 057 553**

7. ADMINISTRATION EXPENSES

		2026 R'000	2025 R'000
Advertising, marketing and promotions, communication		3 940	3 133
Amortisation - intangible assets		3 527	2 195
Audit costs - internal audit		789	560
Audit costs - external audit		7 169	6 941
Audit costs - other audits		17	15
Bank charges		78	292
Accounting Authority and sub-committee costs		3 212	7 402
Remuneration to members of the audit committee		1 004	1 376
Accounting Authority and sub-committee members' fees		1 919	4 818
Stakeholder training		-	-
Board assessments		-	226
Secretarial services		289	982
Cleaning and groceries		695	782
Depreciation		2 701	2 545
Depreciation - adjustment due to change in useful lives of assets		1 307	(1 021)
Employment costs		207 974	183 765
Recruitment costs		407	515
Salaries, wages and benefits	7.1	196 141	178 611
Staff training, development and welfare		11 426	4 639
Derecognition of property and equipment		795	(1 457)
Insurance and licence fees		1 650	1 997
Investigations and forensic costs		-	1 942
Legal fees		7 252	20 987
Loss on disposal of property and equipment	18	825	861
Operating lease rentals		15 313	15 315
Buildings		13 359	13 374
Parking		1 954	1 941
Printing, stationery and postages		1 897	1 488
QCTO administration cost		13 841	11 917
Rates, water and electricity		5 288	3 562
Rental - computer equipment		-	439
Rental - office equipment		1 110	57
Repairs, maintenance and running costs		3 717	5 441
Buildings		564	3 062
Property and equipment		3 153	2 379
Security		787	2 066
Service provider administration fees		11 191	11 553
Special functions		1 007	1 301
Storage		322	229
Telecommunication expenses		1 588	25 001
Travel, conferences and meeting expenses		21 089	17 252
		319 081	326 560
Less: amounts allocated to project expenses	6	(84 013)	(67 765)
Net administration cost		**235 068**	**258 795**

7. ADMINISTRATION EXPENSES (continued)

	2026 R'000	2025 R'000
7.1 SALARIES AND WAGES	**174 426**	**158 858**
Basic salaries	160 929	139 258
Performance awards	10 526	8 772
Other non-pensionable allowance	2 087	2 332
Temporary staff	-	5 437
Leave pay	884	3 059
Social contributions	**21 715**	**19 753**
Medical aid contributions	4 845	4 465
Pension contributions: defined contribution fund	14 224	12 751
UIF	617	558
Insurance	294	394
Other salary related costs	1 735	1 585
	196 141	**178 611**

NUMBER OF EMPLOYEES

Average number of employees during the year	**284**	**283**
Permanent staff	284	247
Interns	-	36
Number of employees at the end of the year	**286**	**287**
Permanent staff	286	270
Interns	-	17

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	30	30
Cash at bank	9 280	114 576
Call accounts	3 077 431	2 985 581
Corporation for Public Deposits	3 334 467	3 108 611
	6 421 208	**6 208 798**

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 7,16% (2025: 8.21%).

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.

No cash is under any form of restriction.

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

9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2026 R'000	2025 R'000
Deposits	788	788
	788	**788**

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Employer receivable - discretionary grants	10.1	71 065	65 499
Employer receivable - mandatory grants	10.2	301	102
Receivable - discretionary projects (UIF)	10.3	-	10 873
InterSETA receivable	22.2	-	-
		71 366	**76 474**

10.1 EMPLOYER RECEIVABLE - DISCRETIONARY GRANTS

Employer receivable - discretionary grants	10.1.1	143 227	144 643
Allowance for doubtful debts	10.1.2	(72 162)	(79 144)
Net receivable from employers	10	**71 065**	**65 499**

The employer receivable of R 143,2 million (March 2025: R 144,6 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 R72,2 million (March 2025: R79,1 million) was provided against such employer receivables.

10.1.1 AGEING OF RECEIVABLES:	2026 Gross R'000	2026 Impairment R'000	2025 Gross R'000	2025 Impairment R'000
Current	10 289	(6 379)	33 230	(20 602)
30 Days	481	(298)	201	(125)
60 Days	459	(285)	138	(86)
90 Days	560	(347)	999	(620)
91 Days to 6 Months	4 508	(2 795)	3 588	(2 225)
6 Months - 1 year	20 030	(12 418)	2 100	(1 302)
1 Year plus	106 900	(49 640)	104 387	(54 184)
Total	**143 227**	**(72 162)**	**144 643**	**(79 144)**

10.1.2 LOSS ALLOWANCE	Note	2026 R'000	2025 R'000
Opening carrying amount		(79 144)	(32 848)
Amount utilised		8 504	1 800
Reduction/ (addition) to provision during the period		(1 522)	(48 096)
Closing carrying amount	10.1	**(72 162)**	**(79 144)**

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

	Note	2026 R'000	2025 R'000
10.2 EMPLOYER RECEIVABLE - MANDATORY GRANTS			
Employer receivable - mandatory grants recoveries		431	936
Loss allowance		(130)	(834)
Net receivable from employers		301	102

The employer receivable of R 431 thousand (March 2025: R 936 thousand) represents recoverable amounts due to SARS retrospective adjustments to levies on which mandatory grants have already been paid.

An amount of R130 thousand (March 2025: R834 thousand was provided against such employer receivables.

	2026		2025	
10.2.1 AGEING OF RECEIVABLES:	Gross R'000	Impairment R'000	Gross R'000	Impairment R'000
Current	19	(5)	98	(76)
30 Days	253	(68)	-	-
60 Days	-	-	-	-
90 Days	-	-	-	-
91 Days to 6 Months	-	-	2	(2)
6 Months - 1 year	93	(25)	249	(192)
1 Year plus	66	(32)	587	(564)
Total	**431**	**(130)**	**936**	**(834)**

10.2.2 LOSS ALLOWANCE:	Note	2026 R'000	2025 R'000
Opening carrying amount		(834)	(941)
Amount utilised		497	570
Reduction/ (addition) to provision during the period		207	(463)
Closing carrying amount	10.2	**(130)**	**(834)**

10.3 RECEIVABLE - UIF			
Receivable - discretionary projects (UIF)	10.3.1	36	10 873
Allowance for doubtful debts	10.3.2	(36)	-
Net receivable from UIF	10	**-**	**10 873**

The receivable of R 36 thousand (March 2025: R 10,9 million) represents recoverable amounts from the UIF for the training layoff project. This debt has been outstanding for more than three years.

The UIF acknowledged the debt of R10.9 million in the previous year but settled the amount short of R36 thousand. The full amount has been provided for since there is a possibility the amount will not be recovered.

10.3.1 ALLOWANCE FOR DOUBTFUL DEBTS:			
Opening carrying amount		-	(6 823)
Amount utilised		-	-
Reduction/ (addition) to provision during the period		(36)	6 823
Closing carrying amount	10.3	**(36)**	**-**

11. CONSUMABLES

	2026 R'000	2025 R'000
Opening carrying value	166	257
Consumables purchased	760	691
Consumables issued	(706)	(782)
Adjustments	4	-
Closing carrying value	**224**	**166**

No consumables have been pledged as security for liabilities.

12. PROPERTY AND EQUIPMENT

YEAR ENDED 31 MARCH 2026	Cost R'000	Accumulated depreciation/ derecognition R'000	Closing carrying amount R'000
OWNED ASSETS			
Computer equipment	13 994	(7 854)	6 140
Office furniture and fittings	7 221	(3 564)	3 657
Office equipment	2 221	(1 273)	948
Motor vehicles	5 865	(4 217)	1 648
Total owned assets	**29 301**	**(16 908)**	**12 393**

YEAR ENDED 31 MARCH 2025			
OWNED ASSETS			
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
Total owned assets	**32 462**	**(15 312)**	**17 150**

MOVEMENT SUMMARY 2026	Opening carrying amount R'000	Additions R'000	Carrying amount of disposals R'000	Depreciation charge R'000	Reclassifi-cation of assets R'000	Carrying amount of derecognised assets R'000	Closing carrying amount R'000
OWNED ASSETS							
Computer equipment	8 714	987	(238)	(2 595)	-	(728)	6 140
Office furniture and fittings	4 384	53	(392)	(898)	510	-	3 657
Office equipment	1 907	94	(209)	(267)	(510)	(67)	948
Motor vehicles	2 145	-	(90)	(407)	-	-	1 648
Total owned assets	**17 150**	**1 134**	**(929)**	**(4 167)**	**-**	**(795)**	**12 393**

12. PROPERTY AND EQUIPMENT (continued)

MOVEMENT SUMMARY 2025	Opening carrying amount R'000	Additions R'000	Carrying amount of disposals R'000	Depreciation charge R'000	Reclassifi-cation of assets R'000	Carrying amount of derecognised assets R'000	Closing carrying amount R'000
OWNED ASSETS							
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
Total owned assets	**8 290**	**9 996**	**(907)**	**(1 686)**	**-**	**1 457**	**17 150**

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

In the current year the assets were tested for impairment. 678 assets were found to be obsolete, broken or otherwise impaired. The carrying value of the assets amounted to R838 thousand. The Management Committee of merSETA gave approval for these assets to be written off.

During the count of property and equipment, 188 assets with a carrying value of R795 thousand could not be accounted for. The absence of these assets represents an impairment indicator, as the assets are not available to provide service potential. Based on available evidence at reporting date, recovery is assessed as improbable. Accordingly, an impairment loss of R795k has been recognised. Recovery processes remain ongoing, and any assets subsequently recovered will be accounted for as a reversal of impairment in terms of GRAP 21.

In the current year an assessment the useful life of assets was done. This resulted in additional depreciation of R1,3 million (see note 7). There are no material contractual commitments for the acquisition of property and equipment at the reporting date.

13. INTANGIBLE ASSETS - COMPUTER SOFTWARE

YEAR ENDED 31 MARCH 2026	Cost R'000	Accumulated amortisation R'000	Closing carrying amount R'000
Intangible assets	3 973	(1 357)	2 616
YEAR ENDED 31 MARCH 2025			
Intangible assets	3 884	(1 499)	2 385

MOVEMENT SUMMARY 2026	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
Intangible assets	2 385	3 757	-	(3 526)	-	2 616
MOVEMENT SUMMARY 2025						
Intangible assets	1 399	3 178	-	(2 192)	-	2 385

There are no restrictions on title of intangible assets and no intangibles have been pledged as security for liabilities. There are no material contractual commitments for the acquisition of intangible assets at the reporting date.

14. PAYABLES FROM EXCHANGE TRANSACTIONS	Note	2026 R'000	2025 R'000
Trade payables from exchange transactions		15 129	26 856

15. GRANTS AND TRANSFERS PAYABLE

Grants payable - discretionary		268 270	586 897
Grants payable - mandatory		127 860	268 495
InterSETA payables	22.2	-	138
		396 130	**855 530**

16. OTHER PAYABLES

Accruals salaries and wages		1 472	1 302

17. PROVISIONS

Provision for SARS refund	17.1	19 524	18 618
Provision for discretionary grants	17.2	531 800	400 060
Provision for mandatory grants		-	268
Provision for leave pay	17.3	11 897	12 406
Provision for Workman's Compensation	17.3	301	515
Provision for performance bonuses	17.3	10 915	8 784
		574 437	**440 651**

17.1 PROVISION FOR SARS REFUND

Opening carrying amount		18 618	18 776
Amount utilised		(3 182)	(4 192)
Additional provision during the period		4 088	4 034
Closing carrying amount	17	**19 524**	**18 618**

Entities with annual payrolls below R500,000 are exempted from paying skills development levies. Some exempt entities do however pay skills development levies and a provision is made to refund SARS for such amounts. The timing of such outflows is uncertain.

17.2 PROVISION FOR DISCRETIONARY GRANTS

Opening carrying amount		400 060	-
Amount utilised		-	-
Provision reversal/additional provision during the period		131 740	400 060
Closing carrying amount	17	**531 800**	**400 060**

17. PROVISIONS

17.3 PAYROLL RELATED PROVISIONS

	Leave pay R'000	Workman's compensation R'000	Performance bonuses R'000
Opening carrying amount 2025	10 781	514	8 461
Amounts utilised 2025	(9 040)	(404)	(8 185)
Additional provision during the period	10 665	405	8 508
Closing carrying amount 2025	**12 406**	**515**	**8 784**
Amounts utilised 2026	(12 757)	(515)	(8 481)
Additional provision during the period	12 248	301	10 612
Closing carrying amount 2026	**11 897**	**301**	**10 915**

Workman's compensation and performance bonuses will be paid in the next 12 months. 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

		2026		2025	
	Note	Actual R'000	Budget R'000	Actual R'000	Budget R'000
Net surplus per the statement of financial performance	1	540 005	-	(27 342)	-
Adjusted for non-cash items:					
Depreciation property and equipment	12	4 167	12 433	1 686	6 208
Amortisation of intangible assets	13	3 526	4 705	2 192	1 940
Derecognition of property and equipment	7, 12	795	-	(1 457)	-
Loss on disposal of property and equipment	7	825	-	861	-
Movements in provisions	17	133 786	2 432	444 197	2 468
Movement in reserves		-	-	(177 485)	-
Adjusted for items separately disclosed					
Interest received		(439 530)	(450 737)	(472 569)	(497 336)
Adjusted for working capital changes:					
Decrease in receivables from exchange transactions	9	-	-	4 957	(398)
Decrease/ (increase) in receivables from non-exchange transactions	10	5 108	(735)	(64 987)	(1 663)
Decrease/ (increase) in consumables	11	(58)	(24)	91	(93)
Increase in payables from exchange transactions	14	(11 727)	(11 356)	9 434	1 218
(Decrease)/ increase in grants and transfers payable	15	(459 400)	(127 689)	327 132	831
Increase in other payables	16	170	78	108	306
Cash utilised in operations		**(222 333)**	**(570 893)**	**46 818**	**(486 519)**

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:	Note	31 March 2026 R'000	31 March 2025 R'000
Cash and cash equivalents at the end of the year	8	6 421 208	6 208 798
Add: Receivables from exchange transactions	9	788	788
Add: Receivables from non-exchange transactions	10	71 366	76 474
Less: Current Liabilities		(412 731)	(1 324 339)
Total surplus per current legislation		**6 080 631**	**4 961 721**

PRIOR YEAR ADJUSTMENT

Total surplus previously stated		5 336 393
Increase in discretionary grant provisions	5.1	(400 060)
Increase in mandatory grant payables	5.2	(42 078)
Increase in discretionary grant accruals	5.1	25 387
Increase in discretionary grant receivable	5.2	42 079
Total surplus restated		**4 961 721**

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	6 080 631	4 961 721
Less: discretionary grant commitments	(5 596 225)	(5 135 681)
Uncommitted surplus/ (deficit)	**484 406**	**(173 960)**

National Treasury approved merSETA's 2024/25 surplus in October 2025 and merSETA did not forfeit any funds. merSETA will submit the request for approval of 2025/26 surpluses to National Treasury in August 2026.

The reported surplus does not represent excess operational resources but is substantially committed to contractual discretionary grant obligations amounting to R5.596 billion.

19.1.2 MANDATORY GRANTS FOR NEWLY REGISTERED COMPANIES

Contingent liabilities comprise an Employer Grant Reserve of R614 000 (2025: R R479 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.

19. CONTINGENCIES (continued)

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.

merSETA has 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.

In the year under review, the merSETA was joined to a contractual dispute by one of its contracting party's service providers. The merSETA has defended the matter and has requested the court to remove the merSETA as it is not a contracting party to the dispute. Furthermore, the same entity abovementioned has entered into a voluntary liquidation process and the merSETA is in processing of assessing the claim.

As at 31 March 2026, merSETA estimates the potential liability of all these matters to be an amount of R199 million. 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 of Higher Education and Training promulgated Regulation 4(4) of the Skills Development Levies Regulations, which reduced the mandatory grant payable to employers from 50% to 20% of the levies paid.

Subsequent to this, Business Unity South Africa (BUSA) challenged the validity of the reduction in the Labour Court. The matter was ultimately adjudicated by the Labour Appeal Court in October 2020, which found that Regulation 4(4) was irrational and lacking in legal justification and accordingly set it aside. In the absence of such guidance, the merSETA has continued to apply the 20% mandatory grant rate in processing and recognising mandatory grant applications during the financial year.

The Labour Appeal Court judgment did not specify the applicable percentage of mandatory grant payable following the setting aside of the regulation. As at the date of approval of these financial statements, no formal directive or clarification has been issued by the Department of Higher Education and Training in this regard. In the absence of such guidance, the merSETA has continued to apply the 20% mandatory grant rate in processing and recognising mandatory grant applications during the financial year.

Management notes that there have been ongoing policy discussions and reform proposals within the skills development sector, including a proposed increase in the mandatory grant percentage to 40%. However, as at the reporting date, no revised regulations have been promulgated and therefore the proposed changes have not been taken into account in the preparation of these financial statements.

Management has assessed the potential financial impact of this matter and concluded that any adjustment, if required, cannot be reliably measured at this stage. Accordingly, no adjustment has been made to the financial statements.

19. CONTINGENCIES (continued)

19.1.5 CONTINGENT LIABILITY – DISCRETIONARY GRANTS

As at the reporting date, the organisation has contingent liabilities arising from discretionary grant (DG) commitments that have been approved but for which conditions precedent have not yet been fully met, or where uncertainty exists regarding the final obligation.

These contingencies primarily relate to:

- Approved discretionary grants where contracts have been issued but project implementation is still underway;
- Claims submitted by beneficiaries pending verification and approval;
- Potential disputes with training providers or beneficiaries where compliance requirements are under review.

The organisation assesses these matters based on available information at year-end. Where it is probable that an outflow of resources will be required and the amount can be reliably estimated, a provision has been recognised in the financial statements.

However, where the obligation is possible but not probable, or the amount cannot be measured reliably, such exposures are disclosed as contingent liabilities and not recognised as provisions.

FINANCIAL EXPOSURE:

The estimated financial exposure relating to DG contingencies at year-end is R1, 486 billion (2025: 1,337 billion).

This amount represents management's best estimate of potential obligations that may arise depending on the outcome of ongoing assessments, verifications, and contractual conditions.

UNCERTAINTIES

The timing and final outcome of these contingencies remain uncertain and are dependent on:

- Completion of project milestones by beneficiaries;
- Validation and approval of claims;
- Resolution of any disputes or non-compliance matters.

Management will continue to monitor these exposures and adjust disclosures or provisions as more reliable information becomes available.

19.1.6 CONTINGENT LIABILITY – ADMINISTRATION EXPENDITURE

As at the reporting date, the organisation is involved in a dispute with Vodacom relating to a contractual matter. The outcome of this matter remains uncertain. Based on information currently available, the potential financial exposure associated with this dispute is estimated at R16 million. The matter is subject to ongoing review and resolution processes. Management will continue to monitor developments and will recognise a provision should the likelihood of an outflow become probable and measurable.

19.1.7 CONTINGENT ASSETS – MOA RECOVERIES

As at the reporting date, the organisation has potential recoveries arising from Memoranda of Agreement (MOA) contracts with beneficiaries. These relate to amounts that may be recoverable due to non-compliance with contractual conditions or non-achievement of agreed deliverables. The recoverability of these amounts is subject to ongoing verification, audit, and legal processes.

Accordingly, these amounts are classified as contingent assets and are not recognised in the financial statements, as the inflow of economic benefits is not yet virtually certain. Estimated potential receivable amounts to R500 million (2025: R389 million).

20. COMMITMENTS

20.1 DISCRETIONARY RESERVE COMMITMENTS - CONTRACTUAL

Of the balance of R5,506 billion available in the discretionary reserve on 31 March 2026 an amount of R5,596 billion has been approved for future discretionary projects as set out below. The reserve ratio equates to 92%, after taking into account provisons for discretionary grants amounting to R532 million which have not been included in the closing balance of commitments.

	PROJECT/ DISCRETIONARY GRANT PROGRAMMES	Closing balance previously stated R'000	Prior year adjustments R'000	Restated opening balance R'000	New commitments R'000	Reductions R'000	Recoveries R'000	Utilised R'000	Expired contracts R'000	Closing balance 2026 R'000
	PROG 2: SKILLS PLANNING									
31	SSP Strategy & Research	10 462	(414)	10 048	56 299	-	-	(14 256)	-	52 091
N5	Chamber Development Programme	698	1 455	2 153	741	(500)	-	(1 875)	-	519
P8	Research Project - Skills 4.0	3 943	484	4 427	6 700	-	-	(1 008)	-	10 119
82	Information, Comput & Techn	-	-	-	-	-	-	-	-	-
S6	UWC Professional TVET Lecturer	1294	-	1 294	-	-	-	(998)	-	296
	Total Programme 2	**16 397**	**1 525**	**17 922**	**63 740**	**(500)**	**-**	**(18 137)**	**-**	**63 025**
	PROG 3: LEARNING PROGRAMMES & PROJECTS									
N7	MOA Project DG Year 2018	4 779	38	4 817	8 382	-	-	(302)	(9 464)	3 433
P5	MOA Project DG Year 2019	49 438	(2 990)	46 448	7 575	(13 865)	1 437	(8 026)	(7 616)	25 953
S1	MOA Project DG Year 2020	106 774	(1 927)	104 847	3 819	(22 255)	4 244	(3 165)	(33 053)	54 437
U9	MOA Project DG Year 2021	310 321	(2 788)	307 533	-	(92 018)	14 361	(10 571)	(120 438)	98 867
V6	MOA Project DG Year 2022	306 812	(5 141)	301 671	-	(40 507)	4 646	(16 716)	(103)	248 991
W3	MOA Project DG Year 2023	473 910	29 573	503 483	-	(26 641)	3 106	(33 444)	-	446 504
X1	MOA Project DG Year 2024	595 467	42 925	638 392	-	(18 763)	2 212	(52 759)	-	569 082
X6	MOA Project DG Year 2025	552 354	(37 205)	515 149	381 678	(76 395)	9 676	(168 883)	(24 787)	636 438
Y1	MOA Project DG Year 2026	-	-	-	648 609	-	-	(18 962)	-	629 647
70	Bursaries	16 368	-	16 368	-	-	-	(14 017)	-	2 351
83	Career Path & Development		-	-	-	34 460	-	-	(34 460)	-
A8	Non Levy Paying NGOs and CBOs	120 645	1 277	121 922	52 804	(12 694)	646	(40 681)	(2 559)	119 438
C1	Retrenchment Assistance Programme	62 083	(2 214)	59 869	14 952	(417)	-	(4 948)	-	69 456
C9	People with Disabilities	17 323	-	17 323	-	-	-	-	(17 323)	-
E1	KZN - Office of Premier Project	30 671	928	31 599	-	(193)	-	(2 303)	-	29 103
E3	Eastern Cape - Office of Premier	234 394	(6 671)	227 723	5 750	-	-	(31 874)	-	201 599

20. COMMITMENTS (continued)

PROJECT/ DISCRETIONARY GRANT PROGRAMMES		Closing balance previously stated R'000	Prior year adjustments R'000	Restated opening balance R'000	New commitments R'000	Reductions R'000	Recoveries R'000	Utilised R'000	Expired contracts R'000	Closing balance 2026 R'000
	PROG 3: LEARNING PROGRAMMES & PROJECTS (continued)									
G7	Students	32 085	18 000	50 085	-	-	-	(15 750)	-	34 335
H1	Central University of Technology	13 102	-	13 102	-	-	-	12	(13 114)	-
H4	University of	3 810	(1 337)	2 473	-	-	-	1 337	(3 193)	617
J5	Gauteng Dept of Education (GDE)	7 848	-	7 848	616	-	-	(154)	-	8 310
J9	Worker Initiated Project	31 071	2 860	33 931	21 966	(433)	-	(11 805)	-	43 659
K3	TVET NCV Learners	328 601	(16 329)	312 272	155 715	(13 547)	1 752	(49 278)	(72 212)	334 702
K8	Saldhana Bay - Industrial Development Zone	206	(69)	137	3 094	-	69	(774)	-	2 526
K9	Mpumalanga Education Depart.	-	-	-	6 113	(660)	-	(5 453)	-	-
L3	North West Office of Premier	9 022	434	9 456	2 785	-	-	(2 888)	-	9 353
L8	Cape Peninsula Univ Technology	12 036	450	12 486	-	(6 010)	333	(2 308)	-	4 501
M2	Free State Office of Premier	33 517	4 928	38 445	-	(277)	-	(3 304)	-	34 864
M5	Education -	13 636	(980)	12 656	17 535	-	-	(3 116)	-	27 075
M9	Department of Small Business Develop.	224 142	21 103	245 245	-	(1 045)	-	(9 547)	(32 959)	201 694
N3	University Of Innovation,	25 604	(2 330)	23 274	30 560	(1 530)	-	(25 603)	(5 400)	21 301
O7	Research &	-	-	-	-	-	-	-	-	-
O9	Office of Premier - Limpopo	100 410	(942)	99 468	-	-	-	(32 192)	-	67 276
P6	ISFAP Bursaries	-	-	-	-	-	-	-	-	-
Q8	TVET Quality Prog Skills 4.0	66 834	700	67 534	13 416	-	-	(19 792)	-	61 158
S2	Centre of Specialisations	76 968	(1 803)	75 165	40 239	(1 832)	111	(22 004)	(1 033)	90 646
S3	MANCO Initiated Projects	86 386	80 054	166 440	303 730	-	-	(29 718)	-	440 452
T1	East Cape Mid College 4.0	34 327	-	34 327	-	-	-	(23 335)	-	10 992
T2	Univ FS Chair in Engin. 4.0	16 411	(5 346)	11 065	-	-	-	(2 775)	-	8 290
T3	False Bay C Swartklip Artisan.	-	-	-	-	-	-	-	-	-
T5	NMU Chair in Engineer.	-		-	-	-	-	-	-	-
T6	CUT Chair in Innovation	-		-	-	-	-	-	-	-
T9	Work Integrated Learn. (UNISA)	7 663		(7 663)	-	-	(3 784)	-	3 784	-

20. COMMITMENTS (continued)

PROJECT/ DISCRETIONARY GRANT PROGRAMMES		Closing balance previously stated R'000	Prior year adjustments R'000	Restated opening balance R'000	New commitments R'000	Reductions R'000	Recoveries R'000	Utilised R'000	Expired contracts R'000	Closing balance 2026 R'000
	PROG 3: LEARNING PROGRAMMES & PROJECTS (continued)									
U1	Learning factories (CSIR)	8 685	-	8 685	-	-	-	(1 350)	-	7 335
U2	Chair on Intelligent Man. (TUT)	-	-	-	-	-	-	-	-	-
U3	Labour rep. trn legisl -Rhodes	7 391	-	7 391	-	-	-	(807)	-	6 584
U4	Ind 4.0 Dev. Cen. Supp (NMU)	-	-	-	-	-	-	-	-	-
U6	Trn & mentor small bus (RMI)	2 681	-	2 681	-	(2 681)	-	-	-	-
U8	Prog Raspberry PI (DUT)	9 000	-	9 000	-	-	-	-	-	9 000
X7	Moses Kotane KZN Prov ERRP P3	116 945	2 713	119 658	-	-	-	(56 833)	-	62 825
V1	Engineering Development	-	-	-	8 530	(443)	-	(8 087)	-	-
V2	TUT TVET Skills Development	10 012	-	10 012	-	-	-	(5 586)	-	4 426
V4	Viro- Vent COVID Response	5 922	752	6 674	-	-	-	(2 795)	-	3 879
V5	CUT Advanced Rubber Technology	3 600	12	3 612	-	-	-	(12)	(3 600)	-
V8	Private Skills Devel. Providers	65 357	(2 775)	62 582	132 257	(5 178)	213	(40 945)	(2 320)	146 609
V9	TVET Occupational Support	84 130	(125)	84 005	62 542	(21 033)	-	(20 374)	(15 398)	89 742
W5	Enterprise Development	251 332	(17 718)	233 614	69 094	(12 496)	1 120	(84 416)	(1 906)	205 010
W7	CET Support Programme 4	27 040	7 525	34 565	-	(3 234)	-	(7 525)	-	23 806
W8	World Skills MoA	25 575	-	25 575	-	-	-	-	-	25 575
X2	Gauteng City Region Academy	172 500	-	172 500	-	-	-	-	-	172 500
X3	Office of the Premier Free State - skills	170 415	-	170 415	-	-	-	(31 998)	-	138 417
X4	Gauteng Department of Education - tech schools	27 500	-	27 500	-	-	-	(27 500)	-	-
X5	Office of the Premier Northern Cape	124 807	5 480	130 287	-	-	-	(30 040)	-	100 247
X9	Industrial Fellowship Support	1 374	-	1 374	-	-	-	(1 179)	-	195
	Toal Programme 3	**5 119 284**	**103 399**	**5 222 683**	**2 026 221**	**(377 931)**	**43 926**	**(1 015 221)**	**(366 478)**	**5 533 200**
Total Contractual Commitments		**5 135 681**	**104 924**	**5 240 605**	**2 089 961**	**(378 431)**	**43 926**	**(1 033 358)**	**(366 478)**	**5 596 225**

The prior year balances of commitments has been restated. The total value of commitments in the prior year was reported as R5.136 billion. This has been adjusted to R5.241. This adjustment was made largely because of accruals that were incorrectly stated in the prior year. There was also a contract with the Department of Defence for R79 million that was omitted in error.

20. COMMITMENTS (continued)

20.4 OPERATIONAL COMMITMENTS NATURE OF COMMITMENT	2026 Not later than one year R'000	2026 Later than one year but not later than 5 years R'000	2025 Not later than one year R'000	2025 Later than one year but not later than 5 years R'000
Audit & forensic services	120	129	814	-
Banking services	1 500	1 391	-	-
Debt collection services	2 235	-	2 620	-
Finance consulting services	79	-	262	19
General ICT maintenance & support	2 506	-	3 217	2 999
General marketing programmes	293	-	230	210
Human resource related services	1 328	-	400	800
Leases **	13 041	2 888	15 283	18 273
Secretarial services	806	-	381	-
Security services	261	-	187	279
Staff wellness & training	118	-	285	503
Telecommunication services	3 695	-	1 558	3 116
Transport services	105	-	236	1 462
	26 087	**4 408**	**25 473**	**27 661**

There are no operational commitments that extend beyond five years.

*** 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%.*

There are no material contractual commitments for the acquisition of property and equipment at the reporting date.

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. Financial risk management is carried out in accordance with the Investment Policy approved by the Accounting Authority and the framework imposed by the Public Finance Management Act, the Skills Development Act and the applicable Treasury Regulations. In accordance with GRAP 104, financial instruments are classified, recognised and measured based on the entity's business model for managing financial assets and the contractual cash flow characteristics of such assets.

21.1 CLASSIFICATION - CARRYING AMOUNTS BY CATEGORY

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The merSETA interest rate risk and the effective interest rates on financial instruments at reporting date are as follows:

21. FINANCIAL INSTRUMENTS (continued)

YEAR ENDED 31 MARCH 2026	Floating rate			Non-interest bearing		
	Amount R'000	Effective interest rate	Note	Amount R'000	Weighted average period until maturity in months	TOTAL R'000
FINANCIAL ASSETS						
Cash and cash equivalents	6 421 208	7,16%	8	-	-	6 421 208
Receivables from exchange transactions			9	788	36	788
Employer receivable - discretionary grants			10	71 065	1	71 065
Receivable - UIF			10	-	1	-
Total financial assets	**6 421 208**	**-**		**71 853**	**-**	**6 493 061**
FINANCIAL LIABILITIES						
Trade Payables	-	-	14	15 129	1	15 129
Discretionary grants payable	-	-	15	268 270	1	268 270
Total financial liabilities	**-**	**-**		**283 399**	**-**	**283 399**
Net financial assets	**6 421 208**	**-**		**(211 546)**	**-**	**6 209 662**

YEAR ENDED 31 MARCH 2025						
FINANCIAL ASSETS						
Cash and cash equivalents	6 208 798	8,21%	8	-	-	6 208 798
Receivables from exchange transactions	-	-	9	788	36	788
Employer receivable - discretionary grants	-	-	10	65 499	1	65 499
Receivable - UIF	-	-	11	10 873	1	10 873
Total financial assets	**6 208 798**			**77 160**		**6 285 958**
FINANCIAL LIABILITIES						
Trade Payables	-	-	14	26 856	1	26 856
Discretionary grants payable	-	-	15	586 897	1	586 897
Total financial liabilities	**-**	**-**		**613 753**	**-**	**613 753**
Net financial assets	**6 208 798**			**(536 593)**		**5 672 205**

The carrying amounts above exclude balances presented on the Statement of Financial Position that do not meet the definition of a financial instrument under GRAP 104, namely: the mandatory grant recovery receivable from the South African Revenue Service of R301 (2025: R102), a statutory receivable within the scope of GRAP 108; mandatory grants payable of R75 610 (2025: R226 417), being statutory non-exchange transfers; other payables of R1 472 (2025: R1 302), being accrued employee costs within the scope of GRAP 25; and provisions, within the scope of GRAP 19 and GRAP 25.

21. FINANCIAL INSTRUMENTS (continued)

21.2 INTEREST INCOME, FEES, AND NET GAINS AND LOSSES	Note	2026 R'000	2025 R'000
Interest income on financial assets at amortised cost - cash and cash equivalents	4	439 530	468 607
Fee expense - bank charges on financial assets at amortised cost	7	(78)	(292)
Net reversal/(charge) of the expected credit loss allowance on MOA receivables	6	(1 522)	(48 096)

The net reversal/(charge) of the expected credit loss allowance on MOA receivables amounts to (R1 522 thousand) (2025: (R48 096 thousand)) Interest income arises entirely from financial assets at amortised cost (cash and cash equivalents). The entity has no interest-bearing borrowings and accordingly no interest expense on financial liabilities. The net reversal of the expected credit loss allowance on MOA receivables of R308 thousand (2025: charge of R13 875 thousand) reflects the movement in the loss allowance recognised in surplus or deficit, driven by the contraction in the gross MOA receivable book during the period.

21.3 IMPAIRMENT OF FINANCIAL ASSETS – EXPECTED CREDIT LOSS MODEL

The entity applies the expected credit loss (ECL) model in accordance with GRAP 104 for the measurement of impairment on financial assets measured at amortised cost.

EXPECTED CREDIT LOSS (ECL) METHODOLOGY

The simplified approach is applied to contractual receivables arising from Memoranda of Agreement (MOA) with employers, whereby lifetime expected credit losses are recognised.

For cash and cash equivalents and vendor deposits, the general approach with the low credit risk simplification is applied, and 12-month ECLs are assessed as immaterial due to the high credit quality of counterparties.

A sensitivity analysis is performed to assess the impact of reasonably possible changes in key assumptions, including loss rates and recovery patterns; however, such changes are not expected to result in a material adjustment to the loss allowance.

ECL ASSUMPTIONS

The measurement of expected credit losses is based on:

- historical default and recovery rates;
- ageing analysis of receivables;
- observable evidence of impairment and changes in credit quality;
- historical recovery patterns and contractual enforcement experience.

A provision matrix is utilised to determine loss allowances based on ageing categories, with loss rates updated at each reporting date.

INCORPORATION OF FORWARD-LOOKING INFORMATION

In determining expected credit losses, the entity incorporates reasonable and supportable forward-looking information, including:

- macro-economic and sector-specific trends affecting employer solvency;
- changes in payment behaviour and contract performance trends;
- anticipated regulatory or funding changes impacting programme delivery;
- emerging risks identified through monitoring of receivable portfolios.

21. FINANCIAL INSTRUMENTS (continued)

LOSS ALLOWANCE - MOA RECOVERIES FROM EMPLOYERS	2026 R'000	2025 R'000
Opening loss allowance	(79 144)	(32 848)
Amounts written off against the allowance	8 504	1 800
Net (charge)/reversal recognised in surplus or deficit	(1 522)	(48 096)
Closing loss allowance	**(72 162)**	**(79 144)**

Historical loss rates are adjusted where necessary to reflect current and expected future economic conditions, ensuring that impairment estimates are not solely based on past events.

21.4 CREDIT RISK

Credit risk is the risk that a counterparty will fail to discharge its contractual obligations, causing the entity to incur a financial loss. The entity is exposed to credit risk on cash and cash equivalents placed with the Corporation for Public Deposits and approved registered banks, on vendor deposits, and on contractual recoveries from employers under Memoranda of Agreement. Cash is invested only with the Corporation for Public Deposits and National Treasury-approved registered banks holding credit ratings of A or higher, in accordance with the Investment Policy and the applicable Treasury Regulations. The entity does not hold collateral or other credit enhancements. The maximum exposure to credit risk before collateral is set out below:

MAXIMUM EXPOSURE TO CREDIT RISK	Note	2026 R'000	2025 R'000
Cash and cash equivalents	8	6 421 208	6 208 798
Receivables from exchange transactions - vendor deposits	9	788	788
Receivables from exchange transactions - MOA recoveries (net)	10	71 065	65 499
Total maximum exposure to credit risk		**6 493 061**	**6 275 085**

The cash and cash equivalents portfolio is held with the Corporation for Public Deposits (R3 334 467; 51.9%), Investec (R884 428; 13.8%), FNB (R841 836; 13.1%), Nedbank (R478 266; 7.4%), ABSA (R476 714; 7.4%), Standard Bank (R405 467; 6.3%) and cash on hand (R30; less than 0.1%). All bank counterparties are National Treasury-approved and the Corporation for Public Deposits carries effectively sovereign risk. There is no individual counterparty concentration in MOA recoveries, which are spread across multiple employers, and there is no geographic concentration. The provision matrix for MOA recoveries under the simplified approach is set out below:

The assessment of credit risk directly informs the measurement of expected credit losses, including the determination of loss rates, and the application of management's assumptions .

PROVISION MATRIX - MOA RECOVERIES FROM EMPLOYERS AT 31 MARCH 2026

Aging band	Loss rate %	Gross R'000	Loss allowance R'000	Net R'000
Current	62	10 289	(6 379)	3 910
30 Days	62	481	(298)	183
60 Days	62	459	(285)	174
90 Days	62	560	(347)	213
91 Days to 6 Months	62	4 508	(2 795)	1 713
6 Months - 1 year	62	20 030	(12 418)	7 612
1 Year plus	62	18 600	(13 589)	5 011
Total		**54 927**	**(36 111)**	**18 816**

21. FINANCIAL INSTRUMENTS (continued)

PROVISION MATRIX - MOA RECOVERIES FROM EMPLOYERS AT 31 MARCH 2025

Aging band	Loss rate %	Gross R'000	Loss allowance R'000	Net R'000
Current	62	33 230	(20 602)	12 628
30 Days	62	201	(125)	76
60 Days	62	138	(86)	52
90 Days	62	999	(620)	379
91 Days to 6 Months	62	3 588	(2 225)	1 363
6 Months - 1 year	62	2 100	(1 302)	798
1 Year plus		28 086	(19 964)	8 122
Total		**68 342**	**(44 924)**	**23 418**

21.5 LIQUIDITY RISK

Liquidity risk is the risk that the entity will be unable to meet its financial obligations as they fall due. The entity has no external borrowings and is statutorily prohibited from raising external debt. Cash and cash equivalents substantially exceed total financial liabilities at each reporting date. Liquidity risk is managed through monthly cash flow forecasting and the maintenance of a portfolio of short-notice call deposits and Corporation for Public Deposits placements. The maturity analysis of financial liabilities, based on contractual undiscounted cash flows, is set out below. All in-scope financial liabilities are non-interest-bearing and the contractual undiscounted cash flows equal their carrying amounts.

MATURITY ANALYSIS AT 31 MARCH 2026

Class	Carrying R'000	Contractual R'000	On demand R'000	Up to 3 months R'000
Trade and other payables from exchange transactions	15 129	15 129	-	15 129
Discretionary grants payable	268 270	268 270	-	268 270
Total	**283 399**	**283 399**	**-**	**283 399**

MATURITY ANALYSIS AT 31 MARCH 2025

Class	Carrying R'000	Contractual R'000	On demand R'000	Up to 3 months R'000
Trade and other payables from exchange transactions	26 856	26 856	-	26 856
Discretionary grants payable	586 897	586 897	-	586 897
Total	**613 753**	**613 753**	**-**	**586 897**

21. FINANCIAL INSTRUMENTS (continued)

21.6 MARKET RISK

The entity is not exposed to currency risk, as all financial instruments are denominated in South African Rand, nor to other price risk, as it holds no equity or commodity-linked instruments. The entity's market risk exposure is confined to interest rate risk on its floating-rate cash and cash equivalents. The interest-bearing and non-interest-bearing split by class is set out below. The weighted average effective interest rate on the floating rate portfolio was 7.16% (2025: 8.21%).

Class	Floating 2026 R'000	Non-interest 2026 R'000	Total 2026 R'000	Floating 2025 R'000	Non-interest 2025 R'000	Total 2025 R'000
Cash and cash equivalents	6 421 178	30	6 421 208	6 208 768	30	6 208 798
Receivables - vendor deposits	-	788	788	-	788	788
Receivables - MOA recoveries	-	71 065	71 065	-	65 499	65 499
Trade and other payables	-	15 129	15 129	-	26 856	26 856
Discretionary grants payable	-	268 270	268 270	-	586 897	586 897

The sensitivity of surplus or deficit to a reasonably possible change of 100 basis points in interest rates, with all other variables held constant and applied to the interest-bearing balance at reporting date over a one-year period, is set out below. The methodology and assumptions are unchanged from the prior period.

Basis point change	Interest-bearing 2026 R'000	Impact on surplus 2026 R'000	Interest-bearing 2025 R'000	Impact on surplus 2025R'000
Increase of 100 basis points	6 421 178	64 212	6 208 768	62 088
Decrease of 100 basis points	6 421 178	(64 212)	6 208 768	(62 088)

21.7 FIRST-TIME APPLICATION OF REVISED GRAP 104

The reporting period ended 31 March 2026 is the first reporting period in which the entity applies the revised Standard of GRAP 104, Financial Instruments. The entity had not early adopted the revised Standard. The adoption did not change the classification, measurement basis or carrying amount of any financial instrument; all instruments previously measured at amortised cost continue to be measured at amortised cost. The change from the incurred-loss impairment model to the expected credit loss model did not give rise to a day-one adjustment to opening accumulated surplus, as the loss allowance on MOA recoveries determined under the simplified expected credit loss approach equals the allowance previously recognised. Accordingly, no restatement of comparative carrying amounts arose from the adoption of the revised Standard. The mapping of categories from the original to the revised Standard is set out below.

	Category under original GRAP 104	Category under revised GRAP 104	Carrying amount 1 April 2025 R'000
Cash and cash equivalents	Amortised cost	Amortised cost	6 208 798
Receivables from exchange transactions - vendor deposits	Amortised cost	Amortised cost	788
Receivables from exchange transactions - MOA recoveries (net)	Amortised cost	Amortised cost	23 420
Trade and other payables from exchange transactions	Amortised cost	Amortised cost	26 856
Discretionary grants payable	Amortised cost	Amortised cost	586 897

22. RELATED PARTY TRANSACTIONS

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, NSA, NSF, NSFAS, 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)

22.1 ACCOUNTING AUTHORITY AND INDEPENDENT COMMITTEE MEMBERS FEES

	2026		2025	
ACCOUNTING AUTHORITY AND INDEPENDENT COMMITTEE MEMBERS	Net transfers in/ (out) during the year	Amount receivable/ (payable)	Net transfers in/ (out) during the year	Amount receivable/ (payable)
T Molapo (Chair, FGC)	-	-	(564)	(38)
H Rasool * (Chair AA) (FR Research Services)	(169)	(77)	-	-
J.O. Bojang	(182)	(41)	-	-
V Modiba	(113)	(27)	-	-
M.P. Matjebe	(46)	(14)	-	-
N Chala	(92)	(2)	-	-
N Busane	(105)	(27)	-	-
K Bhana * (Plastic Federation SA)	(142)	(40)	(245)	(15)
J A De Beer	(170)	(33)	(737)	(53)
T Fari (Independent)	(269)	(56)	(300)	(25)
Z Nyawo* (SEIFSA)	(128)	-	-	-
S Van Den Heever (Chair, FGC)	(137)	(15)	-	-
V Toli	(124)	(21)	-	-
X Tshayana	(146)	(30)	-	-
R Grobler	-	-	(357)	(36)
S Hoosen *	-	-	(241)	-
K Moloto (Chairperson, Accounting Authority & EXCO)	-	-	(667)	(62)
A Mashilo (Chairperson, Governance and Strategy)	-	-	(99)	-
S C Mdletshe	-	-	(130)	(9)
R Moothilal	(138)	(20)	(376)	(42)
S Msweli (Independent)	-	-	(84)	(89)
T Phiri (Chair, HRRC)	(118)	(15)	(488)	(48)
K Mzozoyana (Chair, ARC)	(488)	(122)	(873)	-
M Phiri (Independent)	(247)	(58)	(249)	(25)
N Rademan	-	-	(402)	(18)
L Van Huyssteen (RMI)*	(109)	(6)	(382)	(15)
	(2 923)	**(604)**	**(6 194)**	**(475)**

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:

	2026		2025	
	Net transfers in/ (out) during the year	**Amount receivable/ (payable)**	**Net transfers in/ (out) during the year**	**Amount receivable/ (payable)**
Receivables	**-**	**-**	**8**	**-**
WRSETA	-	-	8	-
Payables	**23**	**-**	**(138)**	**(138)**
AGRISETA	-	-	(17)	(17)
CETA FP&M	-	-	(3)	(3)
SETA	23	-	-	(23)
HWSETA	-	-	(23)	-
TETA	-	-	(95)	(95)
Total	**23**	**-**	**(130)**	**(138)**

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	Leave Pay R000's	Total 2026 R000's	Total 2025 R000's	Notes
Chief Executive Officer	1 262	56			-		185	1 503	2 587	April 25 to Oct 25
Acting Chief Executive Officer	-	-	-	-	-	683	-	683	1 304	April 25 to March 26
Chief Financial Officer	2 370	60	90	240	183	-	-	2 943	2 785	April 25 to March 26
Acting Chief Operations Officer	-	-	-	-	-	689	-	689	920	April 25 to March 26
Executive: Corporate Services	1 845	-	-	193	136		-	2 174	2 067	April 25 to March 26
Acting Executive: Strategy and Research	-	-	-	-	-	294	-	294	218	April 25 to March 26
	5 477	**116**	**90**	**433**	**319**	**1 666**	**185**	**8 286**	**9 881**	

** Note that the performance bonuses for 2026 are based on a provision as the performance reviews were not finalised by 31 March 2026.*

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, NSA, NSF, NSFAS, 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	2026 Net transfers in/(out) during the year R'000	2026 Amount receivable/ (payable) R'000	2026 Commitment value at end of year R'000	2025 Net transfers in/(out) during the year R'000	2025 Amount receivable/ (payable) R'000	2025 Commitment value at end of year R'000
Colleges	Bursaries & Training	(174 016)	97 848	39 302	(99 112)	114 655	592 143
NSFAS/ISFAP	Bursaries & training	(16 215)	3 600	3 600	(45 885)	25 665	32 085
QCTO	Administration fees	(13 841)	-	-	(11 917)	-	-
Universities	Bursaries & training	(72 003)	19 090	12 977	(47 007)	20 110	133 318
Total		**(276 075)**	**120 538**	**55 879**	**(203 921)**	**160 430**	**757 546**

23. GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that merSETA will continue in operational existence for the foreseeable future. In assessing the appropriateness of this assumption, management has evaluated the SETA's financial position, projected cash flows, and funding commitments. merSETA has contractual and programme commitments extending up to four (4) years and maintains sufficient reserves and cash resources to meet its obligations as they fall due. The SETA's assets are sufficient to cover its liabilities.

Based on this assessment, management is satisfied that merSETA has adequate resources to continue operating for at least the next 12 months from the reporting date and, accordingly, the financial statements have been prepared on the going concern basis.

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	2026 R'000	2025 Restated R'000
Irregular expenditure	3 260	3 244
Fruitless and wasteful expenditure	17 544	37 681
	20 804	**40 925**

Irregular expenditure of R3.2 million (2025 R3.2 million) was identified during the 2025/26 financial year arising from non-compliance with procurement prescripts, specifically resulting in contract overruns.

Fruitless and wasteful expenditure of R17.5 million (2025: R37.4million) was identified during the year. In 2026 this related solely to unrecovered payments made to stakeholders for training that did not take place and which was required to be refunded to the merSETA. In the previous year R37.4 million related to such unrecovered payments.

Additional fruitless and wasteful expenditure of R298 thousand in the prior year related to cancelled travel arrangements, loss of assets, terminated service contracts, SARS penalties due to underpayment of PAYE, and cancelled meetings where costs had already been incurred.

The increase is largely attributable to historic discretionary grant contract recoveries identified through contract reviews and forensic processes and does not represent current-year operational expenditure.

25. TAXATION

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

26. EVENTS AFTER THE REPORTING DATE

Management has performed an assessment of events occurring after the reporting date up to the date of authorisation of the annual financial statements. No material adjusting or non-adjusting events were identified that require disclosure or adjustment to the financial statements. The annual financial statements were authorised for issue by the Accounting Authority on 8 June 2026.

27. NEW ACCOUNTING PRONOUNCEMENTS: STANDARDS OF GRAP ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these annual financial statements, the following Standards of GRAP and Interpretations had been issued by the Accounting Standards Board (ASB) but were not yet effective and have not been applied by the merSETA. The entity has assessed the potential impact of adopting these standards and interpretations and does not expect them to have a material impact on the annual financial statements when they become effective, unless otherwise indicated.

Standards of GRAP and Interpretations issued but not yet effective:

GRAP 20 (REVISED): RELATED PARTY DISCLOSURES

Effective for periods commencing on or after 1 April 2026.The revised standard amends the definition of a related party and clarifies disclosure requirements. The adoption of the revised standard is not expected to have a material impact on the measurement and recognition of transactions in the annual financial statements but may result in additional disclosures.

GRAP 25 (REVISED): EMPLOYEE BENEFITS

Effective for periods commencing on or after 1 April 2027. The revised standard introduces enhancements to the classification, recognition and disclosure of employee benefits. The entity is in the process of assessing the potential impact of adopting the revised standard.

INTERPRETATION OF GRAP ON PUBLIC PRIVATE PARTNERSHIPS (PPP)

Effective for periods commencing on or after 1 April 2025. The interpretation provides guidance on the accounting treatment of service concession arrangements. The merSETA does not currently have material PPP arrangements and therefore does not expect the interpretation to have a material impact on its annual financial statements.

EARLY ADOPTION

The merSETA has not early adopted any of the above standards or interpretations.

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