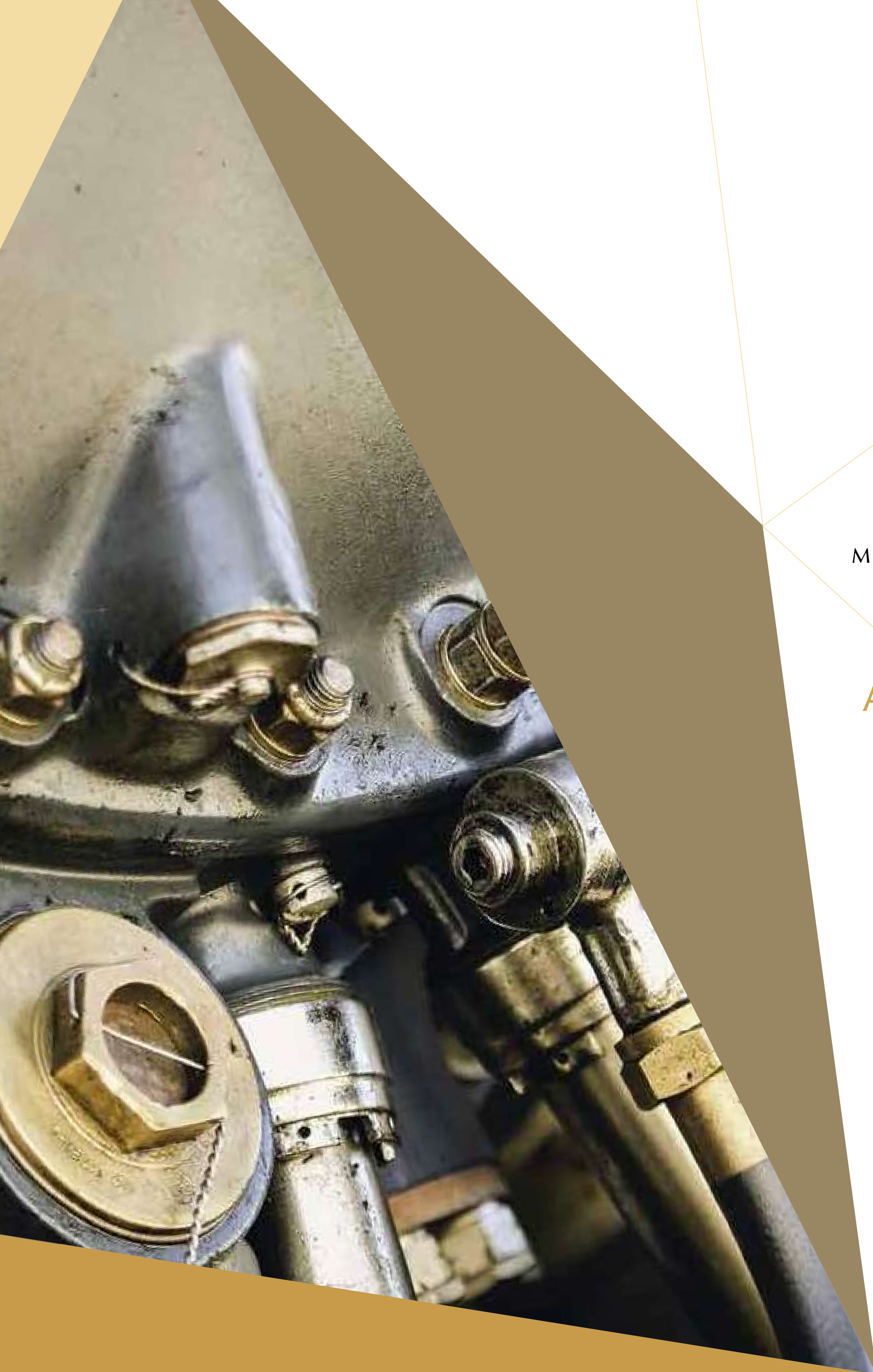

merSETA

MANUFACTURING, ENGINEERING AND RELATED SERVICES SETA

ANNUAL REPORT
2017 • 2018

Leaders in closing the skills gap

HONOURABLE MINISTER NGM PANDOR

MP HIGHER EDUCATION AND TRAINING

It is indeed a pleasure and privilege to present to you the Annual Report of the Manufacturing, Engineering and Related Services SETA for the period 1 April 2017 to 31 March 2018.

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

Yours faithfully

Chief Executive Officer
Dr Raymond Patel

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PART A

GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name	merSETA (Manufacturing, Engineering and Related Services SETA)
Registration Number	17/merSETA/1/04/11
Physical Address	95, 7th Avenue, cnr Rustenburg Road, Melville, Johannesburg 2092
Postal Address	PO Box 61826, Marshalltown, Johannesburg
Telephone Number	010 219 3000
Email Address	info@merseta.org.za
Website Address	www.merSETA.org.za
External Auditors	Auditor General (SA)
Bankers	Standard Bank Ltd
Company Secretary	Mr Madimetja Tisana
ISBN Number	978-0-621-45518-2-SETAmerSETA
RP Number	RP/64/2017

ABBREVIATIONS AND ACRONYMS

AA	Accounting Authority
AET	Adult Education and Training
APP	Annual Performance Plan
ARP	Artisan Recognition of Prior Learning
ARC	Audit & Risk Committee
CBO	Community Based Organisations
DHET	Department of Higher Education & Training
ETQA	Education, Training, Quality Assurance Committee
GRAP	Generally Recognised Accounting Practise
HEI	Higher Education Institution
ICT	Information Communication Technology
ISA	International Standards on Auditing
merSETA	Manufacturing, Engineering and Related Services
MIE	Managed Integrity Evaluation
MOA	Memoranda of Understanding
NLPE	Non Levy Paying Entities
NLRD	National Learners Records Database
NQF	National Qualifications Framework
NSDP	National Skills Development Plan
NSDS	National Skills Development Strategy
NSFAS	National Student Financial Aid Scheme
PDP	Personal Development Plan
SDLA	Skills Development Levies Act
SSP	Sector Skills Plan
Stats SA QLFS	Statistics South Africa Quarterly Labour Force Survey
QES	Quarterly Employment Statistics
QCTO	Quality Council for Trades and Occupations
TVET	Technical Vocational Education and Training
WSP	Work Skills Plan

CHAIRPERSON'S FOREWORD

Tailoring Skills Development for Industry 4.0

It is that period of the financial year when the merSETA can rightly claim its bragging rights.

For it is the time when we reflect on the successes – and in certain instances, our challenges – in the past financial year, which ended on March 31 2018.

The past financial year has steered the merSETA towards the realisation that tailored approaches are needed not only by its sub-sectors but also in the enterprise segments which we serve, defined by both size and region.

The relentless march of Industry 4.0 with its Internet of Things, Robotics and automation are crucial elements of the merSETA strategy.

Although economic growth in 2017/18 was higher than anticipated, South Africa is still being buffeted by the headwinds of de-industrialisation, with job losses and factory closures in our sectors in the past financial year.

Recovery from both the economic recession of 2008 and negative growth amidst political uncertainty in 2016/17 did not bode well for the immediate future of our sectors.

In response, the merSETA conducted research to better understand the skills development requirements in formal and informal, small and medium enterprises (SMEs) and cooperatives sectors. These smaller segments have massive potential to stimulate growth in the mer-sectors.

The initial research has found that significant investments in skills development will be needed across various job categories, particularly in new materials design, electronics and mechatronics to respond to the rapid technology changes.

Process technology will be affected by the rise of machine-learning and artificial intelligence, and automation is likely to accelerate. Given the country's producers' reliance on a large, low-skilled workforce, these job categories will become increasingly vulnerable to disruption, and even displacement.

Up-skilling, re-skilling as well as multi-skilling of the current workforce is required to keep pace with the demands of a technologically disruptive industry and to curtail further job losses.

In addition, workers need to be equipped with skills that allow agility in an ever-changing labour (skills) market. This emphasises the importance of lifelong learning in a changing world.

To this end, the merSETA is working on improving its technological interface with training providers, apprentices and learners, developing a tool to assist learners to track their progress and achievements through the apprenticeship programme and making the apprenticeship experience more empowering and meaningful for tech-savvy youth.

Financial Management

Levy income increased by 6% over the prior year, being 2% above a conservative budgeted increase of 4%. Penalties and interest on skills development levy income have increased by 19% compared to the previous year. The increase in penalties and interest could be reflective of South Africa's tough economic climate.

Bank balances and fixed notice deposits comprise cash and cash equivalents held by merSETA on a short-term basis. These investments are for 12 months or less, bar one investment of R100 million, which has been invested for 24 months. Notice deposits yielded good returns, the average being in excess of 8%. The resulting interest income is R227 million compared to R176 million in the previous year.

Monthly mandatory grant payments were made throughout the year, which amounted to R250 million in the previous year. The mandatory grant claims ratio dropped from 74.2% in 2016/17 to 70.2% in 2017/18.

Disbursements of discretionary grants and projects have decreased by 2.3% from the previous year, dropping from R754 million in 2016/17 to R736 million in 2017/18. The merSETA has been consistently driving its discretionary grant milestones.

The discretionary grant reserves of R3 002 billion are 74% committed to multi-year learnerships, apprenticeships and projects stretching over an average period of four years.

Grant Disbursement

The merSETA facilitates the disbursement of mandatory and discretionary grants to support the implementation of skills development interventions.

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

Some of 4 057 companies were successfully approved for mandatory grants, compared to 4 005 in 2015/16. This resulted in a claims ratio of 74.2% for the year under review compared to 73.7% in the previous year.
The merSETA continuously provides support to all the companies that have been awarded discretionary grants to ensure quality training is provided and that MoA deliverables are effectively implemented. Companies that fail to adhere to the terms of the signed memoranda of agreement (MoA) are requested either to effect remedial action or to refund the portion of discretionary grant funds paid to them.

The merSETA is proud to announce a number of partnerships with various non-levy paying entities eligible for discretionary grant funding that were entered into in the past financial year:

These included:

- National Department of Public Works to train 200 apprentices;
- Department of Correctional Services to train parole-awaiting offenders on 625 skills programmes in the Northern Cape, Gauteng, Eastern Cape and KwaZulu-Natal);
- Unemployed bursaries for the funding of 2 308 unemployed students at the Central University of Technology, Nelson Mandela Metropolitan University, Tshwane University of Technology, University of Cape Town, University of Johannesburg, Vaal University of Technology, Wits University, Cape Peninsula University of Technology, University of Pretoria and National Student Financial Aid Scheme (NSFAS);
- TVET Colleges to train 1 262 learners on programmes leading to artisan status. This project focuses on the Motheo, Northlink, Northern Cape Urban, Northern Cape Rural, Orbit, Sedibeng, Boland, Capricorn, Coastal KwaZulu-Natal, Ekurhuleni East, Waterberg and West Coast College TVETs;
- Offices of the Premier (Western Cape, Free State and Limpopo) will train 64 learners on learnerships, 155 learners on skills programmes, 200 experiential learners, 170 learners on internship programmes and 100 learners on apprenticeships; and
- A co-funded partnership was entered into with the Gauteng Education Department to train 595 apprentices, including trade-related learnerships and with the Chinese Government to train 200 experiential and internship learners.

Industry 4.0 and its Challenges

As the manufacturing world wonders on the impact of Industry 4.0, the vocational and skills development training spheres are lagging behind.

That there will be labour market transitions that will demand training and retraining is certain. Lifelong learning is a fait accompli for both young and old. This will lead to more rapid occupational mobility between different sectors of the economy.

Skills mismatches between labour demand and supply will become a thing of the past as the demand for specialised knowledge grows at faster paces.

The TVET landscape will change dramatically with industry demand being the arbiter of the curricula, and the knowledge level of student/labour output.

The concept of just the right amount of education in the current curricula of TVETs will cease as a practice as curricula will have to be rapidly adapted to meet the demand for specialised knowledge.

Industry will subsidise those institutions that are able to keep abreast of Industry 4.0, to the detriment of lagging institutions. This would need policy interventions in South Africa.

The social impact of the technological revolution is heart-warming.

The impact of, for instance of, 3-D printing, will be vast. A rural hospital may be supplied a 3-D printed body part, such as a hip-bone replacement part, via a drone, with both the printer and drone owned by a local manufacturer. Logistical and associated challenges will, therefore, cease to be major challenges.

With these developments, fresh financial instruments will also have to be established or created to enable small, specialised manufacturing enterprises to enter the mainstream economy.

The merSETA shows that research into this vital area will yield further positive results for the mer-sectors.

The mer-sectors will need to work ever closer with the organisation to maximise this new industrial revolution.

The merSETA is well-placed to unlock and analyse the interconnected web of contextual factors that impact on skills.

End of AA Term

The 2017/18 financial year concluded the term of the current Accounting Authority (AA).

Most members were part of the merSETA oversight structure since the current AA was established in 2011.
During its tenure, the AA deepened training and development processes, while levies also grew substantially, indicating labour and company commitment to economic growth in South Africa.

It has been a privilege taking over the baton from the 2017/2018 Accounting Authority.

Navigating the training scenario and ensuring good governance is often a minefield. But its commitment to the up-skilling trajectory has been ceaseless.

The new AA took the helm from 1 April this year. We welcome the reappointment to the new AA of some previous members.

We are confident the merSETA will play its rightful role, charting the correct path to confront the challenges of Industry 4.0 and stimulate our economy.

Ms Lebogang Letsoalo
Accounting Authority Chairperson

CHIEF EXECUTIVE OFFICER'S OVERVIEW

We are taking on Industry 4.0 with all its challenges

From foundling status in 2006, the merSETA has in the last 12 years under my tenure reached the epoch of a highly developed and disciplined facilitator of education, training, research and curricula development.

In 2006, when I joined the merSETA as Chief Executive Officer, our theme for the year was:

"This time, like all times, is a very good one."

It was adopted to reposition the organisation out of the morass of apartheid-era training and education facilitation.

The subsequent year, we adopted the theme:

"Umuntu Ngumuntu Ngabantu – a person is a person because of other people."

This theme set the organisation on a clear path of service delivery through internal reorganisation, employing best practices and processes and hiring experts in the five chambers that make up the mer Sectors.

Our subsequent themes reflected and broadened the reach and depth of the organisation, helping tens of thousands to gain legitimate qualifications and experience, thus contributing positively to the economy.

Between the years 2006 and 2017, the merSETA trained the following number of learners against different learning interventions:

Year	Number of learners trained
2006/7	26 570
2007/8	27 968
2008/9	30 734
2009/10	33 406
2010/11	36 709
2011/12	38 641
2012/13	42 168
2013/14	51 679
2014/15	48 874
2015/16	51 384
2016/17	52 133

As the above table indicates, we have facilitated the education and training of more than 300 000 South Africans, including in far-off places like the Peoples Republic of China and Germany, where a special merSETA candidates is in the last months of her PhD.

Financial Year – 2017/18

This financial year – 2017/18 – is indeed historic: It is the first time in 17 years that the organisation has received a clean performance information audit against the predetermined objectives.

The merSETA supported 21 676 unemployed learners through different learning interventions such as learnerships, apprenticeships, bursaries, internships and skills programmes to address scarce skills within the MER sector.

At the same time, it provided support to 13 550 employed learners to promote skills development in the workplace, enhancing their skills, enabling better productivity and addressing scarce skills within the MER sector through different learning interventions such as learnerships, apprenticeships, bursaries, recognition of prior learning and skills programmes.

We supported 1 912 civil society and community-based organisations to promote skills development and assisted these organisations on training in different skills development interventions; these included the support and assistance of 15 NGOs, 213 non levy paying entities (NLPEs), 12 CBOs, 17 co-operatives and the engagement with 1 651 small businesses.

The merSETA continued to support adults requiring Adult Basic Education and Training, and other self-development intervention by supporting 2 376 learners to access different AET programmes.

The 2017/18 SSP was the organisation's key document which was produced in collaboration with the merSETA stakeholders and capitalised on merSETA primary and secondary research, and Chamber Research projects on key strategic issues that impact the MER sector. Further, the merSETA supported 3 473 companies which were paid mandatory grants and whose data was analysed to provide a sector overview and labour market information for the SSP. Seven research studies contained in the merSETA research plan were implemented.

An impressive achievement indeed! This is my legacy!

The Future

On 1st April 2018, a new Accounting Authority was appointed to oversee the strategic and operational outputs of the organisation. Under the leadership of Ms Lebohang Letsoalo, the 15-member Board will pitch the merSETA at a higher level to effectively face the challenges of the Fourth Industrial Revolution.

It won't be an easy task. The challenges are enormous.

The degree of adoption of Industry 4.0 has been varied, ranging from tepid acknowledgement of the Industry 4.0 technologies to fully-operational, extensively-automated smart-factories as seen most predominately in the innovation-driven sectors such as automotive.

The potential for future implementation has been evaluated across five key indicators that determine the relevance and level of impact of Industry 4.0 in a specific industry:

- **Virtualisation of work process:**

  Extent of usage of technologies such as augmented reality, virtual plant, etc. for automated information exchange and monitoring, controlling and simulation purpose;

- **Level of value added and value-chain complexity:**

  Additional value created and quantum of processes simplified as a result of using intelligent digitization technologies;

- **Disruption technologies (game changer):**

  Extend of change in business models and processes with adoption of new technologies like internet of things, 3D printing, smart grids, etc.:

- **Resource efficiency of core processes:**

  Improvement in efficiency of the resources and optimization of operations of the machines employed in the processes by adopting industry 4.0 technologies: and

- **Foreseeing of new framework of regulation:**

  Development of policies or the launch of initiatives to promote adoption of new technologies.

How will the merSETA role feature in the near future? Our research shows the following:

SKILLS FOR THE FUTURE		
What changes will 4.0 bring	**How tasks will differ in future**	**What skills will be required**
What kind of new machines and tools will be deployed at the manufacturing plants?	How will a labourer operate the new generation tools and machines?	What will be the important skills to have to successfully execute the tasks?
How will decisions be made?	What will be his/her level of involvement in making decisions?	How will qualification requirements change?
Will there be changes in decision-making authority?	How much manual work will be done?	
What will be the new mode of communication?		

WHAT CHANGES WILL INDUSTRY 4.0 BRING	
Automated Production Assembly lines to be equipped with robots, humanoids and machines	**Big Data** Actions based on historical data to optimise production
Predictive Maintenance Continuous machine monitoring and data analysis to reduce downtime	**Smart Transport System** Automated transportation of raw material/final products
Connected Machines Machines connected over a network will coordinate to optimise production	**Network Supply Chain** Monitoring and sharing data of complete supply chain
3D Printing Manufacture complex parts in one-go without any assembly	**Production Simulation** Simulation and optimisation of production lines through software

What is clear is the organisation needs to:

- Build robust systems, processes, procedures and other mechanisms to promote operational efficiency, better planning and evidence based decision making;
- Review the organisation – its functions, organisational structure etc – to support emerging and future strategic imperatives;
- Build internal capability (skills and capacity) of the merSETA to promote effective internal functioning and governance;;
- Ensure that our grant system and funding model is robust and responsive to the need to support structural transformation, innovation, Industry 4.0 and other priorities;
- Build capability to ensure that key strategic data is readily available and accessible for planning and evidence based decision;
- Review the role of the merSETA governance structures (regional committees and chambers) in supporting the board and leadership (structures driving solutions and issues for regions/chambers);
- Delineate roles and responsibilities between governance structures and operations (complementary); and
- Strengthen communications and stakeholder engagement to better understand our stakeholders, sector, increase our reach and impact and showcase success stories.

With these possibilities, it is my honour to present the 2017/18 Annual Report of the Manufacturing, Engineering and Related Services SETA.

STATEMENT OF RESPONSIBILITY

AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

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

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

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

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

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

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

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

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

In our opinion, Annual Report fairly reflects the operations, performance information, human resources information and financial affairs of the public entity for the financial year ended 31 March 2018.

Dr R Patel
Chief Executive Officer
31 March 2018

Ms Lebogang Letsoalo
Accounting Authority Chairperson
31 March 2018

STRATEGIC OVERVIEW

VISION

Leaders in closing the skills gap.

MISSION

To increase access to high quality and relevant skills development and training opportunities to support economic growth in order to reduce inequalities and unemployment and to promote employability and participation in the economy.

VALUES

Batho Pele – People First

We care

We belong

We serve

LEGISLATIVE AND OTHER MANDATES

The merSETA's mandate is derived from the Skills Development Act No 97 of 1998 and National Skills Development Strategy (NSDS).

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

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

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

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

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

The legislative framework in which merSETA functions, and the policies and legislation that influence programme spending plans, are as follows:

- National Skills Development Strategy (NSDS III)
- Skills Development Act No 97 of 1998 (as amended)
- Sector Education and Training Authority (SETA) Grant Regulations on monies received by a SETA and related matters under Notice 35940 of 3 December 2012
- Skills Development Levies Act 9 of 1999 (as amended)
- Regulations on the establishment of SETAs under Notice R106 of 4 February 2005
- Government Notice No 39260 of 6 October 2015 as amended by Government Notice No 336 of 18 March 2016: Re-establishment of SETAs
- Public Finance Management Act No 1 of 1999 as amended (PFMA)
- National Treasury Regulations of 2005, issued in terms of the PFMA
- Public Audit Act 25 of 2004 (as amended)
- Government Gazette 39394 of 11 November 2015: Extension of tenure for SETA Accounting Authorities
- The Standard Constitution of SETA Regulations of 7 May 2012
- Promotions of Access to Information Act
- Promotion of Administrative Justice Act
- Employment Equity Act, Labour Relations Act, Basic Conditions Of Employment Act and the Occupational Health and Safety Act
- Tax laws.

ORGANISATIONAL STRUCTURE

Dr Raymond Patel
Chief Executive Officer

Ms Sebolelo Mokhobo-Nomvete
Strategy and Research Executive

Mr Wayne Adams
Chief Operations Officer

Ms Disa Mjikeliso
Chief Financial Officer

Ms Ester van der Linde
Corporate Services Executive

ACCOUNTING AUTHORITY

Ms Lebogang Letsoalo
Chairperson

Ms Jeanne Esterhuizen
Deputy Chairperson

Mr Xolani Tshayana
Deputy Chairperson

Mr Renai Moothilal

Mr Neil Rademan

Mr Manglin Pillay

Mr Lee Coetzee

Mr Andrew Chirwa

Dr Lesley Lee

Mr Sabelo Gina

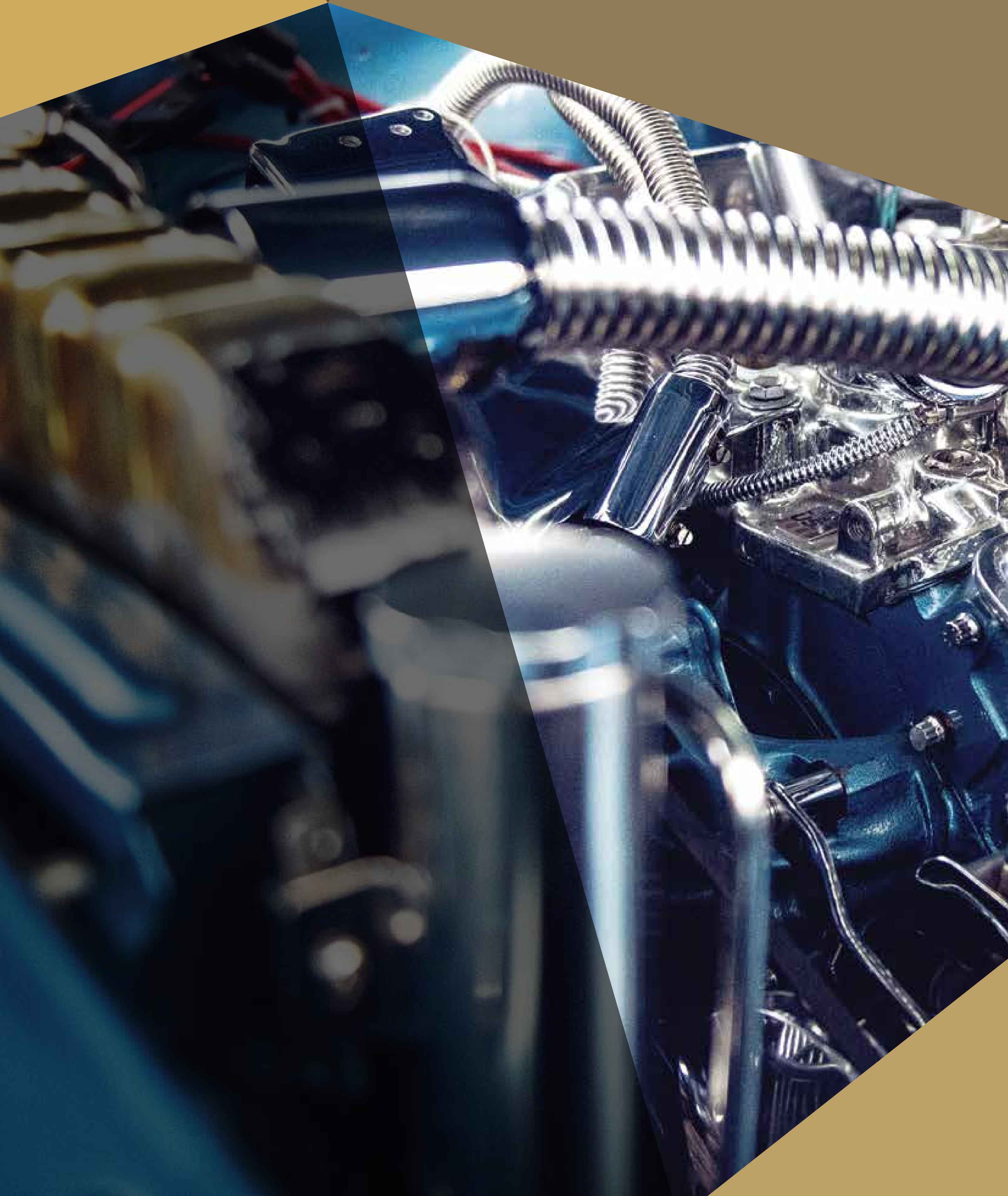
Ms Kirtida Bhana

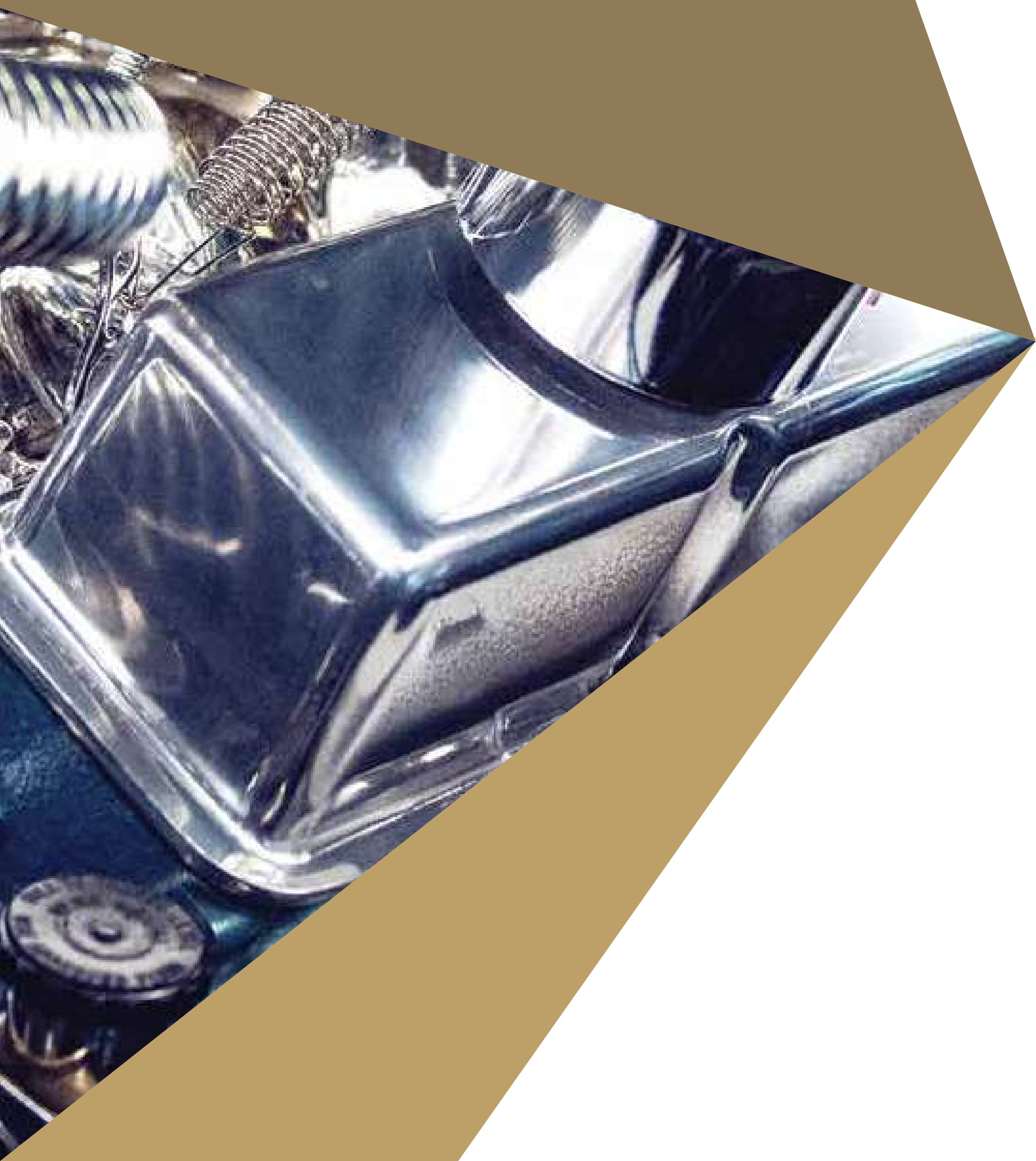
Ms Melanie Mulholland

Ms Thandeka Phiri

Mr Alex Mashilo

Mr Pierre Bezuidenhout





PART B

PERFORMANCE INFORMATION

1. Situational Analysis

1.1 Service Delivery Environment

The 2017/18 year has certainly been an eventful one considering the political and economic changes that have transpired. This is particularly true of the last quarter of the year which saw the country elect Cyril Ramaphosa as its new President heralding a rise in consumer confidence and relief towards credit downgrades risks.

With this renewed hope in the Fiscus and an additional 81 000 jobs reported in the formal sector for the third quarter of 2017 (QES, StatsSA), the merSETA continued to support the economy through its robust efforts in mediating skills needed by the manufacturing and engineering sectors so that these sectors can take pride of place as they have previously. The past financial year has steered the merSETA to the realisation that tailored approaches are needed not only by the sub-sectors but also the enterprise segments which we serve, defined by both size and region.

Social and economic divisions and injustices are still prevalent. The country only saw marginal gains in employment for the manufacturing sector in the last quarter of 2017. The sector needs to see quicker results in terms of youth employment, female empowerment and racial transformation in high level occupational categories. Through skills development, merSETA can make a contribution to address unfair discrimination and increase access to high quality education and training opportunities.
The merSETA has continued to put in place interventions ensuring the training of the unemployed and youth through skills programmes, bursaries, learnerships and apprenticeships. In addition the merSETA implemented another successful Black Females Leadership Development Programme to empower fledgling female leaders in the sector.

The merSETA also promoted work integrated learning in response to increasing the employability of TVET graduates through the NCV to artisan project.

Although economic growth in 2017/18 was higher than anticipated, South Africa is still in the midst of de-industrialisation with job losses and factory closures having a knock-on effect on the sectors over an extended period of time. Recovery from both the economic recession of 2008 and negative growth amidst political uncertainty in 2016/17 does not bode well for the immediate future of the sector. In response, the merSETA has implemented research to better understand the skills development requirements in formal and informal, SME and Cooperative enterprises as these smaller segments have potential to stimulate growth in the mer-sectors.

The merSETA however continues to invest its efforts in the development of artisans and engineering professionals, while assessing how it can best leverage skills development opportunities for medium, small, micro and informal enterprise segments. The merSETA ensures the training and development of semi-skilled and unskilled workers in the sector, given the higher skills demanded for occupations to meet the demands of Industry 4.0. Up-skilling, re-skilling and even multi-skilling of the current work force is required to keep pace with the demands of a technologically disruptive industry and curtail further job losses. To this end the merSETA is also working on improving its technological interface on apprenticeships, developing a tool to assist learners track their progress and achievements through the apprenticeship programme, making the apprenticeship experience more empowering and meaningful for tech savvy youth.

In addition, workers need to be equipped with skills that allow agility in an ever changing labour (skills) market. This emphasises the importance of lifelong learning in a changing world. Advanced manufacturing and beneficiation requires higher levels of investment in the country's Innovation, Research and Development (IRD) capability. This requires skills at Masters and PhD level. Curricula need to be informed by industry to ensure a capable workforce that is in sync with industry trends.

The merSETA supports research chairs in HEIs aimed at promoting advanced manufacturing and innovation. The merSETA also supports the Masters and PhD postgraduates at HEIs to increase innovation capabilities for the sector. for the sector.

1.2 Organisational Environment

The SETA licensing period was extended to 31 March 2020 by then Minister of Higher Education &Training Blade Nzimande who was subsequently recalled and replaced by Minister Hlengiwe Mkhize in October 2017. This was followed by the release of the draft National Skills Development Plan (NSDP) for public comment in January 2018, which comments were submitted to the Minister. Essentially the draft NSDP confirms the tenets of the White Paper for Post School Education and Training and will need to be implemented by the SETA as we go into the new financial year. Political uncertainty did play a role in the year under review but for the most part the organisation displayed optimism and renewed commitment to its mandate. Staff continued to received onsite and after hours, personal and professional support services, through the merSETA Wellness programme. Staff remuneration remains competitive and equitable as is evidenced through national benchmarking against private and public sectors. The development of the merSETA SSP and its accompanying Priority Skills List made inputs to the strategic planning process so as to continuously strengthen the organisation's ability to implement the annual performance plan.

Annual Performance Plan 2017/18

(translating strategic imperatives into goals and objectives)

GOAL 1:
Increased functional efficacy of the merSETA

Goal statement

The goal is to ensure that merSETA is fully-established, adequately-resourced and optimally delivering services to its constituency in fulfilment of its statutory mandate. This goal will be monitored annually through the following:

- Implementation of effective policies, strategies, plans and internal controls that comply with the applicable legislation and its ensuing regulations, good corporate governance, responsible citizenship and social justice.
- Effective and efficient financial, material and human resource planning and deployment of resources.
- Meeting and exceeding outcomes and impact-oriented targets keeping in mind race, age, gender, geography, access and disability.

GOAL 2:
Improved responsiveness of research to the transformation and transitional needs of the sector

Goal statement

The goal is to ensure that appropriate skills-related research is conducted to strengthen evidenced-based decision-making in the merSETA sector in response to transformational agenda. Proper research improves the effectiveness and efficiency of the skills delivery system by better deployment of resources. The promotion of research ensures the following:

- Strengthening evidence based decision-making in all functional areas of the merSETA.
- Improving diagnosis of skills demand and supply imbalances in the labour market to meet current and future transformational skills needs.
- Identifying new and emerging occupations in the sector.
- Determining the implications of advancing technology, new work processes, industrial policies and sector trends for skills development.
- Researching school-to-work transitions, graduate destinations and in-company training to determine impact.
- Establishing research partnerships to improve the understanding of skills needs in the sector.
- Improved throughput and graduate success rates with a focus on the previously disadvantaged individuals.

GOAL 3:
A skilled and capable workforce for the manufacturing sector

Goal statement

The goal is to ensure that learning programmes lead to a skilled and capable workforce that improves the competitiveness of the sector and livelihood of its workers. The key role of the merSETA is ensuring a constant supply of artisans, engineers and other scarce skills identified through research and captured in the sector skills plan (SSP) as priority skills, to the manufacturing and other sectors of the economy. The relationship between post-school education institutions (TVET colleges, HEIs), industry training centres and industry will be strengthened through a range of programmes, projects, incentives and other forms of support. These include supporting and promoting the national ARPL initiative. Another matter that the merSETA will attend to is enabling SMEs to offer apprenticeships. This goal will be addressed through the following:

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

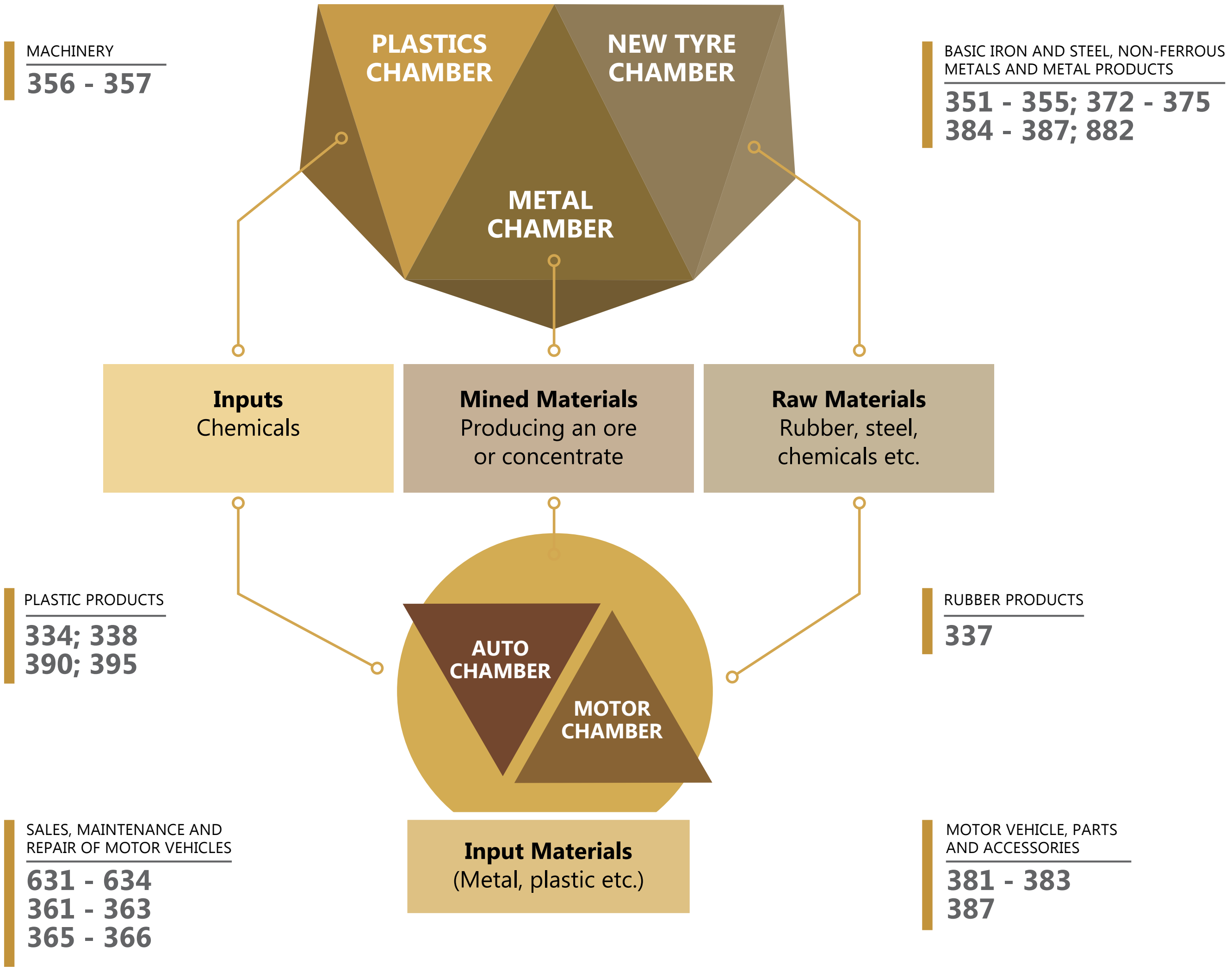
1.3 Beneficiaries

Employers and workers are the primary beneficiaries of merSETA skills development.

1.3.1. Companies

The merSETA, established in terms of the skills development legislation of 1998, includes a range of manufacturing activities in addition to a few related service and retail activities. The figure below outlines the industrial activities aligned to the merSETA scope of coverage and classifies them by chamber (sub-sector) and depicts the interrelationships between the chambers (sub-sectors).

In terms of the size of companies in the merSETA sector, most are small and medium, but they employ only 32% of all employees – large companies account for 68% of employment. In terms of the provincial distribution of the companies within merSETA’s five chambers, most are concentrated in Gauteng, the Western Cape, KwaZulu-Natal and the Eastern Cape. The metal sector also has a footprint in the Northern Cape and Mpumalanga. The Motor sector shows a footprint in all other provinces as do the other sectors, but to a lesser degree.



1.3.2. Employees/Workers

The manufacturing sector (under the merSETA scope of coverage), provided employment for about 1.01 million people (both formal and informal) or 6% of the total employed population (this proportion has decreased since last year, indicating that gains in employment in other sectors outweigh those in the mer-sectors).

According to 2018Q1 QLFS data from StatsSA, the majority of employees have an NQF level 4 (45%), but overall, 74% of employees have FET band qualifications with less than 10% having qualifications higher than FET level. merSETA's sectors are male dominated with 76% males and 24% females. The majority of females work in clerical roles but a substantial proportion make up the professional and service and sales worker categories.

In terms of race, the sector does not reflect the demographics of the country. A total of 58% of merSETA employees are African and almost a quarter (23%) are White. Black Indians/Asians constitute 3%, while Coloureds constitute 9%. The sector thus demonstrates overrepresentation of White people based on the South African racial profile (9% of the total population). Africans are underrepresented in the sectors, whereas they represent 77% of the total population.

merSETA is a youthful sector: in 2018, around 41% of all employees were younger than 35 years and only 11% were older than 55. However, the 2018 data indicates fewer number of youth in the sector and a slight decline in employees overall. merSETA organisations employ 7 429 people with disabilities, 60% more than was reported in 2017. Overall, the manufacturing, engineering and related services sector comprises a majority of semi-skilled and skilled workers (79%). One in every five workers is skilled and a quarter is employed at technician level or higher. The 20% of unskilled workers represents a sizeable proportion of the total workforce and along with the semi-skilled workforce will require interventions to up-skill, re-skill and multi-skill workers to meet the demands of industry.

2.2 merSETA contributions against NSDS goals

NSDS goals	merSETA contributions
Goal 1 Establishing a credible institution mechanism for skills planning	The 2017/18 SSP was the organisation's key document, which was produced in collaboration with merSETA stakeholders and capitalised on merSETA primary and secondary research, and Chamber Research projects on key strategic issues that impact the mer-sector. Further, the merSETA supported 3 473 companies, which were paid mandatory grants and whose data was analysed to provide a sector overview and labour market information for the SSP. Seven research studies contained in the merSETA research plan were implemented.
Goal 2 Increasing access to occupationally-directed programmes	During the 2017/18 financial year, the merSETA supported 21 676 unemployed learners through different learning interventions such as learnerships, apprenticeships, bursaries, internships and skills programmes to address scarce skills within the mer-sector.
Goal 3 Promoting the growth of a public TVET college system that is responsive to sector, local, regional and national skills needs and priorities	By March 2018, the merSETA had entered into 1 796 partnerships with government departments, TVET colleges, universities and employers to support education and skills development. Further to the partnerships, 661 university students and lecturers were supported by merSETA through different learning interventions such as short learning programmes, PhD and Masters Scholarships and other postgraduate bursaries.
Goal 4 Addressing the low level of youth and adult language and numeracy skills to enable training	The merSETA continued to support adults requiring Adult Basic Education and Training, and other self-development intervention by supporting 2 376 learners to access different Adult Education and Training (AET) programmes.
Goal 5 Encouraging better use of workplace based skills development	The merSETA provided support to 13 550 employed learners to promote skills development in the workplace, enhancing their skills, enabling better productivity and addressing scarce skills within the mer-sector through different learning interventions such as learnerships, apprenticeships, bursaries, recognition of prior learning and skills programmes.
Goal 6 Encouraging and supporting cooperative, small enterprise, work initiated, NGO and community training initiatives	During the 2017/18 financial year, the merSETA supported a total of 1 912 civil society and community based organisations (CBOs) to promote skills development and assisted these organisations on training in different skills development interventions. These included the support and assistance of 15 NGOs, 213 non levy paying entities (NLPEs), 12 CBOs, 17 cooperatives and engagement with 1 651 small businesses.
Goal 7 Increasing public sector capacity for improved service delivery and supporting the building of a development state	During the 2017/18 financial year, the merSETA implemented 72% of its Workplace Skills Plans (WSPs) by funding employee studies in different learning fields to enhance their skills so that merSETA employees are skilled to improve service delivery.
Goal 8 Building career and vocational guidance	The merSETA took part in 67 Government career development events, such as career expos across the country in both rural and urban areas which aimed at promoting skills development by providing career guidance to school learners, out-of-school youth and unemployed people. The merSETA also developed and submitted ten qualifications to the Quality Council for Trades and Occupations (QCTO).

PROGRAMME 1: Administration

Strategic Objective 1	Performance Indicators	2016/17 Achievement	2017/18 Target	2017/18 Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Improved Financial and Corporate	% reduction of internal control deficiencies reported in previous external and internal reports.	N/A	100%	70%	30%	There were findings during the 2017/18 audit which the merSETA is in the process of implementing the control measures.
	Level of data integrity extracted from the information system determined by the percentage of validation errors	N/A	0%	70%	70%	There were errors with data extracted from the system. The merSETA is currently implementing the new NSDMS.
	% of merSETA WSP implemented	N/A	70%	72%	+2%	

Strategic Objective 2	Performance Indicators	2016/17 Achievement	2017/18 Target	2017/18 Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Improved quality of organisational planning, performance monitoring and reporting	Degree of consistency of reporting aligned to planned targets and DHET validation framework.	N/A	100%	100%	0%	

Strategic Objective 3	Performance Indicators	2016/17 Achievement	2017/18 Target	2017/18 Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Knowledge management institutionalised as a cross-functional activity across all divisions of the merSETA	Level of accessibility of knowledge products expressed as a rating on a scale of 1-3.	N/A	Rating of 2	1	(1)	Lack of systems integration and understanding of knowledge management across the organisation.

PROGRAMME 2: Skills Planning

Strategic Objective 4	Performance Indicators	2016/17 Achievement	2017/18 Target	2017/18 Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Increased publication of research products that inform cutting edge solutions in the sector.	Researched SSP developed and approved by the Minister	N/A	SSP that is recorded as accepted and approved by merSETA governance structures, DHET SSP assessment committee and Minister	SSP was accepted and approved by the Minister	None	The Sector Skills Plan was successfully submitted on time and received a good review from DHET.
	Number of research studies contained in the research plan implemented	N/A	7	8	1	The target was overachieved as a result of additional paper presented at the INAP conference

PROGRAMME 3: Learning Programmes and Projects

Strategic Objective 5	Performance Indicators	2016/17 Achievement	2017/18 Target	2017/18 merSETA Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Increased contribution to employment and growth opportunities through skills facilitation.	Number of learners entering learnerships	8 421	3 870	7 289	3 419	The target was exceeded as a result of the merSETA discretionary grants implementation process where additional allocation is made for platinum, gold and silver categories at different ratios based on the criteria during the actual signing of MoA, which happens later after the planning process.
	Number of unemployed graduates placed on internships	748	886	946	60	The target was exceeded as a result of the merSETA discretionary grants implementation process where additional allocation is made for platinum, gold and silver categories at different ratios based on the criteria during the actual signing of MoA, which happens later after the planning process.
	Number of learners entering skills programmes	9 533	6 125	8 496	2 371	The target was exceeded in that there were an additional number of special projects entered into e.g. Office of the Premier KZN, Department of Correctional Services, etc. In addition to the above, a number of agreements were entered into for the Training Layoff Scheme as well as the Retrenchment Assistance Programme. The additional interventions were made possible as a result of learners entering for skills programmes and not doing a maximum of 50 credits as per the discretionary grants policy. In some cases, learners did a stand alone unit standards with few credits make provision for availability of additional funds.
	Number of learners completing learnerships	4 838	4 350	4 650	300	The target was exceeded as a result of the number of learners who were already in the system as at the beginning of the 2017/18 financial year (Learners registered at the last quarter in line with DG year 17).
	Number of learners completing skills programmes	4 427	4 100	3 452	648	A number of learners were registered in the last quarter of the year in line with the requirements of DG year 17 who completed in year 18.
	Number of employed learners on bursaries	620	378	472	94	The over achievement was due to an integration of learners who were funded through the DG year 17 and 18 agreements.

PROGRAMME 3: Learning Programmes and Projects (Continued)

Strategic Objective 5 (Continued)	Performance Indicators	2016/17 Achievement	2017/18 Target	2017/18 merSETA Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Increased contribution to employment and growth opportunities through skills facilitation.	Number of unemployed learners on bursaries	510	251	422	171	More partnerships with universities were instituted after realising the challenges of NSFAS from previous year from whom the planning was based.
	Number of companies being paid mandatory grants: Large	540	500	509	9	The target was exceeded as a result of additional companies meeting the categories of large companies.
	Number of companies being paid mandatory grants: Medium	926	833	853	20	The target was exceeded as a result of additional companies meeting the categories of medium companies.
	Number of companies being paid mandatory grants: Small	2 171	2 135	2 111	(24)	A number of small companies submitted their mandatory grant applications and payments could not occur as a result of these companies falling below the threshold to contribute levies, as a result of the economic downturn in the manufacturing sector.
	Number of learners entered for artisan trade qualifications	5 147	4 000	4 221	(221)	The target was exceeded as a result of the merSETA discretionary grants implementation process where additional allocation is made for platinum, gold and silver categories at different ratios based on the criteria during the actual signing of MoA, which happens later after the planning process.
	Number of learners completing artisan trade qualifications	3 236	5 775	2 819	(2 956)	The target set did not adequately reflect the number of learners who were eligible to undertake the trade test.
	Number learners accessing Recognition of Prior Learning (RPL)	4 697	1500	2 495	995	Economic downturn in the manufacturing sector has resulted in a number of unemployed individuals undertaking trade tests in order to find employment or to become self employed.
	Number of learners accessing AET programmes	926	500	2 376	1 666	The target was exceeded as a result of special project between the merSETA and the organised labour, which was originally not planned for.

PROGRAMME 3: Learning Programmes and Projects (Continued)

Strategic Objective 6	Performance Indicators	2016/17 Achievement	2017/18 Target	2017/18 Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Strengthen partnerships for improved responsiveness to the needs of the sector	Number of student placements to achieve National Diplomas	1 266	680	1 008	328	The target was exceeded as a result of the merSETA discretionary grants implementation process where additional allocation is made for platinum, gold and silver categories at different ratios based on the criteria during the actual signing of MoA, which happens later after the planning process.
	Number of new TVET college partnerships established	18	5	8	3	There were eight TVET colleges Discretionary Grants applications that were considered and the additional three were funded through the spreading of programmes amongst the TVET colleges.
	Number of new SETA/HEI partnerships established	9	2	2	0	
	Number of new SETA/Employer partnerships established	1 696	1 523	1 786	263	Over and above the planned employer partnerships, merSETA entered into strategic partnerships with the government that allowed more funding of additional employers.
	Number of lectures developed	109	250	119	(131)	The decrease in the uptake of lecturer development is a direct impact on the fact that the lecturers are demanding that they are paid additional wages for extra hours worked.
	Number of new SETA/government partnerships established	N/A	5	0	(5)	The indicator could not be achieved in that the SETA continued to monitor the previous Government Partnerships, which were intended to be finalised during the 2016/17 financial year. Failure to finalize the previous eight partnerships necessitated that those partnerships be continued instead of signing the new government partnerships. Engagements were made to start the new Government SETA partnerships but could not be finalised as at 31 March 2018.

PROGRAMME 3: Learning Programmes and Projects (Continued)

Strategic Objective 7	Performance Indicators	2016/17 Achievement	2017/18 Target	2017/18 Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Improved competency levels of SMEs, township and village enterprises and cooperatives	Number of cooperatives Supported	36	20	17	(3)	The SETA evaluated all the cooperatives who applied but only 17 met the criteria to be supported. The merSETA is currently engaging with the Centre for cooperatives development within its different provinces so that the merSETA can engage with the cooperatives that are active within our sector.
	Number of small businesses supported	1 919	1 500	1 651	151	
	Number of NPOs supported (NGO and registered CBOs)	35	12	27	15	The merSETA over achieved in that the target comprises NGOs and CBOs where applications for cooperatives did not meet the criteria and its funding was utilised for additional NPO.
	Number of NLPEs supported	258	200	213	13	
	Number of trade unions supported	4	4	4	0	
	Number of rural development projects implemented	13	4	4	0	

PROGRAMME 4: Quality Assurance

Strategic Objective 8	Performance Indicators	2016/17 Achievement	2017/18 Target	2017/18 Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Increased responsiveness to the mer-sector with the provision of occupational qualifications and part qualifications	mer-sector occupational qualifications developed	N/A	Projects completed as per the SLA deliverables timeframes	Projects completed as planned	None	

Strategic Objective 9	Performance Indicators	2016/17 Achievement	2017/18 Target	2017/18 Achievements	Deviation from Planned Targets to Actual	Comment on deviation
Increased throughput of learners in occupational programmes through a strengthened merSETA quality assurance system	Percentage of accredited providers and approved workplaces implementing merSETA occupational qualifications monitored	N/A	50%	70%	+20	There were more providers who implemented merSETA programmes than anticipated.
	Number of career awareness events implemented	159	30	67	37	There were additional career awareness interventions as a result of government invitations for the merSETA to participate in their career development events.

PART C
GOVERNANCE

Mr Madimetja Tisana
Company Secretary

1. INTRODUCTION

In line with the Skills Development Act (no 97 of 1998) the Minister must appoint the Chairperson of the Accounting Authority of a SETA after consultation with the National Skills Authority. The Minister must appoint 14 persons as members of the Accounting Authority as follows:

1. **Six persons who must be nominated by organised labour;**
2. **Six persons who must be nominated by organised employers;**
3. **Two persons who must be nominated by-**
   3.1 any government department that has an interest in the relevant sector and that is not an organised employer
   3.2 any interested professional body;
   3.3 any bargaining council with jurisdiction in the sector in question; or
   3.4 any organisation in a community that has an identified interest in skills development in the sector in question.

Members of the Accounting Authority are appointed for a five-year term of office. The activities of merSETA are regulated in terms of the Standard SETA Constitution, which is part of the Skills Development Act Regulations.

2. PORTFOLIO COMMITTEE

The merSETA is a schedule 3a public entity and reports to the Department of Higher Education Training. merSETA reports to Parliament through the Portfolio Committee on Higher Education and Training.

3. EXECUTIVE AUTHORITY

The Minister of Higher Education and Training is merSETA's Executive Authority and the Minister is accountable to Parliament for the activities of merSETA .The merSETA has made all the required submissions to the Executive Authority, which includes Quarterly Reports (financial and performance), the APP and the Service Level Agreement during period under review.

Composition of the Accounting Authority

Ms Phindile Baleni was the Chairperson of the Accounting Authority during the year under review, while Mr Xolani Tshayana and Ms Jeanne Esterhuizen both served as Deputy Chairpersons. The following members served as Independent Non-executive Members: Mr Alex Mashilo, Mr Anton Hanekom, Professor Fiona Tregenna, Mr Jacobus Olivier, Mr Jonathan Swarts, Mr Johan van Niekerk, Ms Malebo Lebona, Mr Herman Kostens, Mr Andries Chirwa, Mr Thapelo Molapo, Ms Helen von Maltitz (Ms von Maltitz resigned in October 2017) and Ms Melanie Mulholland (Ms Mulholland was appointed by the Minister in August 2017).

The Honourable Minister appointed the new Accounting Authority members with effect from 01 April 2018 until 31 March 2020 as follows, Ms Lebogang Letsoalo Accounting Authority Chairperson, Mr Xolani Tshayana and Ms Jeanne Esterhuizen both Deputy Chairpersons, Mr Alex Mashilo, Mr Andrew Chirwa, Ms Melanie Mulholland, Ms Kirtida Bhana, Dr Lesley Lee, Ms Thandeka Phiri, Mr Neil Rademan, Mr Pierre Bezuidenhout, Mr Lee Coetzee, Mr Renai Moothilal, Mr Manglin Pillay and Mr Sabelo Gina.

4. COMMITTEES OF THE ACCOUNTING AUTHORITY

The following committees have been established in terms of Annexure 5 (1) and (2) and Annexure 6 of the Standard SETA Constitution:

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

All committees operate in terms of written terms of references, which are regularly reviewed and approved by the Accounting Authority.

A. THE EXECUTIVE COMMITTEE

Purpose

The Executive Committee (EXCO) acts in an independent non-executive capacity to oversee the Management of the merSETA. The Committee operates in accordance with section 9 of the Standard SETA Constitution and terms of reference subject to the delegation of the Accounting Authority in terms of the Delegation of Authority Framework.

Composition

During the year under review, EXCO comprised five members, all of whom are members of the Accounting Authority, namely Ms Phindile Baleni, Ms Jeanne Esterhuizen, Mr Xolani Tshayana, Ms Malebo Lebona and Ms Melanie Mulholland. The members are appointed for the term of the Accounting Authority. The Chairperson of the Accounting Authority is also the Chairperson of EXCO.

The new members with effect from 01 April 2018 until 31 March 2020 are Ms Lebogang Letsoalo, Ms Thandeka Phiri, Ms Jeanne Esterhuizen, Mr Xolani Tshayana and Ms Melanie Mulholland.

Roles and Responsibilities

EXCO ensures that merSETA carries out its responsibilities in line with section 9(4) of the Standard SETA Constitution. The Committee must among others:

- On behalf of the Accounting Authority, exercise oversight over the management of the affairs of merSETA.
- Coordinate and supervise the implementation of the Accounting Authority's policies.
- Exercise oversight over the management of budgets and business plans of the merSETA.
- Coordinate the functioning of the Chamber Committees and the Education and Training Quality Assurance Committee and monitor their activities to ensure that they act within the terms of any powers delegated to them by the Accounting Authority.

B. THE AUDIT AND RISK COMMITTEE

Purpose

The Audit and Risk Committee is an independent and non-executive Committee. The Committee advises and assist the Accounting Authority and Executive Management to secure transparency, accountability, compliance and sound management of revenue, expenditure, assets and liabilities of merSETA. The Committee operates in accordance with:

- Public Finance Management Act 199 (No 1 of 1999 as amended)
- National Treasury Regulations

Composition

During the year under review, the ARC comprised five members: Three independent members, namely Ms Thulisile Mashanda the Chairperson from 1 August 2015, Ms Kholeka Zama and Advocate Fay Mukaddam; two Accounting Authority members: Mr Jacobus Olivier and Mr Jonathan Swarts.

The new members with effect from 01 April 2018 until 31 March 2020 are Mr Sabelo Gina, Mr Renai Moothilal and three independent members, namely Ms Kholeka Zama, Mr Collins Nciki and Ms Khumo Mzozoyana.

Roles and Responsibilities

The Audit and Risk Committee fulfils a supervisory and monitoring role on behalf of the Accounting Authority, overseeing the company's financial affairs and its relationship with the internal and external auditors as well as risk management. The Committee monitors the quality, integrity and reliability of the company's compliance with the relevant legislation, ensuring that an appropriate system of internal controls is maintained to protect the assets of the organisation.

The ARC is also responsible for the evaluation of the independence, objectivity and effectiveness of the external and internal auditors, considering the accounting and auditing policies and addressing any concerns identified by the auditors.

The Audit and Risk Committee is also responsible for promoting the accuracy, reliability and credibility of financial reporting and reviewing the Annual Financial Statements as well as the Annual Report of the organisation prior to approval by the Accounting Authority. In addition, the ARC is responsible for the implementation and monitoring of risk management systems on behalf of the Accounting Authority.

C. HUMAN RESOURCES AND REMUNERATION COMMITTEE

Purpose

The objective of this Committee is to assist the merSETA Accounting Authority in its responsibility for the setting and administering remuneration and human resources policies and procedures. The Committee operates in accordance with item (12) sub-item (2) of the Standard SETA Constitution. The Committee acts in an independent and non-executive capacity.

Composition

During period under review, the Human Resources & Remuneration Committee comprised five members. Two were independent members, namely Mr Romano Daniels and Ms Japhtaline Maisela Mantunka; and three Accounting Authority members: Mr Thapelo Molapo (Chairperson), Mr Alex Mashilo and Mr Xolani Tshayana.

The new members with effect from 01 April 2018 until 31 March 2020 are Ms Thandeka Phiri (Chairperson), Dr Lesley Lee, Mr Andrew Chirwa and two independent members ,namely Mr Matheta Swafo and Ms Juliana Makapan.

Roles and Responsibilities

The Accounting Authority has delegated, among others, the following responsibilities:

- Providing advice on matters relating to remuneration so as to ensure consistent, fair and impartial strategies and policies for the compensation of staff.
- Review corporate goals relevant to the compensation and performance of the CEO.
- Reviewing material changes pertaining to the merSETA Retirement Fund.
- Reviewing and approving the merSETA WSP & ATR, EE Plan and Report and the implementation of the succession plans.

D. FINANCE AND GRANTS COMMITTEE

Purpose

The Finance and Grants Committee acts in an independent and non-executive capacity. The Committee advises the Accounting Authority and Executive Management to comply with financial requirements related to the Skills Development Act 97 of 1998 as amended as well as the Public Finance Management Act 1 of 1999 as amended and the relevant Regulations.

The Finance and Grants Committee (FGC) plays an oversight role in terms of the management of grant disbursements as well as monitoring the financial implications of policies, decisions and changes to the budget and business plan of merSETA.

Composition

During the year under review, the Finance and Grants Committee comprised seven members. Two are independent members, namely Mr Martin Kuscus and Ms Sizeka Rensburg and five Accounting Authority members, namely Mr Anton Hanekom (Chairperson), Prof Fiona Tregenna, Ms Malebo Lebona, Ms Jeanne Esterhuizen and Mr Jonathan Swarts.

The new members with effect from 01 April 2018 until 31 March 2020 are two independent members, namely Mr Mochele Noge, Ms Bongi Masinga and five Accounting Authority members, Mr Lee Coetzee (Chairperson), Ms Jeanne Esterhuizen, Mr Xolani Tshayana, Mr Manglin Pillay and Mr Andrew Chirwa.

Roles and Responsibilities

The Finance and Grants Committee is responsible for among others the following:

- Evaluating and recommending the budget, cash flow and financial statements to the Accounting Authority.
- Evaluating and recommending financial policies and grants guidelines to the Accounting Authority.
- Reviewing the investment policy and making recommendations to the Accounting Authority.
- Reviewing the investment strategy.
- Reviewing risk assessments and other related controls with regard to the investments.
- Evaluating and making recommendations to the Accounting Authority regarding the Discretionary Grants Criteria and ensuring that such criterion is aligned to the Sector Skills Plan as well as NSDS III.
- Evaluating and making recommendations to the Accounting Authority regarding Mandatory Grant Criteria in line with Grant Regulations.

E. GOVERNANCE AND STRATEGY COMMITTEE

Purpose

The Governance and Strategy Committee assists the Accounting Authority in its responsibility for the development of policies, principles, criteria and guidelines that are necessary for the governance and strategic function of the merSETA. The Committee operates in accordance with item 13 sub-item (2) of the Standard SETA Constitution. The Committee acts in an independent and non-executive capacity.

Composition

During the year under review, the Governance and Strategy Committee comprised two independent members, Ms Khulekelwe Mbonambi and Dr Marlo Swardt and seven Accounting Authority members, namely Mr Alex Mashilo (Chairperson), Mr Xolani Tshayana, Ms Jeanne Esterhuizen, Ms Malebo Lebona, Mr Herman Kostens, Mr Anton Hanekom and Ms Melanie Mulholland.

The new members with effect from 01 April 2018 until 31 March 2020 are two independent members, namely Mr Siyabonga Msweli, Dr Len Konar and seven Accounting Authority members, namely Mr Alex Mashilo (Chairperson), Mr Xolani Tshayana, Ms Jeanne Esterhuizen, Mr Neil Rademan, Mr Pierre Bezuidenhout, Ms Kirtida Bhana and Mr Andrew Chirwa.

Roles and Responsibilities

The Governance and Strategy Committee is responsible for among others the following:

- Monitoring compliance in terms of Standard SETA Constitution, Public Finance Management Act, Skills Development Act, King IV principles and the relevant Regulations.
- Considering matters of corporate governance and creating, maintaining and periodically reviewing the corporate governance principles and codes of ethics of the merSETA.
- Addressing possible cases of conflict of interest involving members of the Accounting Authority and its Committees.
- Overseeing the governance of Information Communication Technology Systems.
- Make recommendation to the Accounting Authority on matters pertaining to strategy development and implementation.
- Overseeing the review of the strategy on an ongoing basis and recommending the Strategic Plan, Annual Performance Plan and Service Level Agreement to the Accounting Authority.

F. CHAMBER COMMITTEES

Purpose

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

merSETA established five Chamber Committees as follows:

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

Composition

The Chamber Committees are composed of a maximum of ten members each per organised employers and organised labour constituency.

Roles and Responsibilities

The Chamber Committees ensure that merSETA carries out its responsibilities by:

- Developing sub-sector/s input into the SSP in accordance with the current merSETA and Department of Higher Education and Training guidelines;
- Developing a Chamber research agenda, approving research proposals, prior to submission to the Innovation, Research and Development Committee, and approving a lead organisation to manage the research in accordance with that organisation's procurement procedures, and monitor the implementation of the Chamber Research Project;
- Advising and reporting to the Regional Committees, and their respective constituencies, on sub-sector(s) needs, scarce skills and relevant grants, programmes and projects, and other appropriate matters;
- Identifying education and training needs in the sector for consideration by management in developing the Sector Skills Plan, Annual Performance Plan and Strategic Plan of the merSETA;
- Monitoring the development and implementation of relevant programmes and projects in the sub-sector;
- Making inputs to education and training policies and systems that make an impact on the sub sector(s);
- Liaising with relevant bargaining councils, forums and professional associations on matters pertaining to the implementation of training at local level, outside of the scope of the merSETA.

G. REGIONAL COMMITTEES

Purpose

The Regional Committees acts in a stakeholder capacity, as adviser to assist the Chamber Committees to carry the mandate of the Accounting Authority. The Committees operates in accordance with Schedule 5 item 2 of the Standard SETA Constitution. The Committees have a consulting, monitoring, evaluation and advisory role, with accountability to the Chamber Committees.

merSETA has Regional Committees as follows:

- Eastern Cape Regional Committee
- Free State and Northern Cape Regional Committee
- Gauteng North and North West Regional Committee
- Gauteng South Regional Committee
- KwaZulu-Natal Regional Committee
- Mpumalanga and Limpopo Regional Committee
- Western Cape Regional Committee

Composition

The Regional Committees comprise 24 member representatives from both organised employers and labour. Each constituency is entitled to four alternates.

Roles and Responsibilities

The Regional Committees ensure that merSETA carries out its responsibilities as they relate to:

- Developing sub-sectoral input into the skills plan in accordance with the principles, criteria, policies and guidelines of the merSETA.
- Reviewing the activities of the Regional Committees and reporting to these committees on sector and sub-sectoral needs, scarce skills and other appropriate matters.
- Identifying education and training needs in the region.
- Monitoring and evaluating skills development with regards to the implementation of all learning programmes as well as all other training initiatives in the sector and sub-sectors.
- Interacting with relevant Provincial Skills Development Forums, Human Resources Development Council, Bargaining Councils/Forums, Professional Associations and reporting back to Regional Committees on sector and sub-sectoral needs.

5. OTHER STRATEGIC COMMITTEE/STRUCTURES

The following committee also plays a crucial role in ensuring that the mandate of the organisation is achieved:

Education, Training, Quality Assurance Committee (ETQA)

Purpose

The ETQA Committee is responsible for the oversight of the execution of the quality assurance functions and obligations of the merSETA. The Committee operates in accordance with the Standard SETA Constitution subject to the directions of the Accounting Authority.

Composition

The ETQA Committee comprises maximum of ten) members drawn from both the Accounting Authority and the Chamber Committees of the merSETA.

Roles and Responsibilities

The ETQA Committee has the following responsibilities:

- The consistency of accreditation of skills development providers and workplace approvals related to historic qualifications under the QCTO delegation.
- Monitoring, evaluating and making recommendations on the execution of the quality assurance functions to the Accounting Authority.
- Quality assuring the assessment and moderation of the specific qualifications and unit standards in the Sector and sub-sectors in terms of criteria that may be established for this purpose.
- Ensuring that the merSETA maintains an appropriate data base for its quality assurance and certification function in order to upload to the National Learners Records Database (NLRD).
- Performing quality assurance functions as delegated by Quality Assurance Partners as well as the function of the Assessment Quality Partner for registered occupational qualifications.

ATTENDANCE AT THE ACCOUNTING AUTHORITY AND COMMITTEES						
Name	Accounting Authority	Audit and Risk Committee	Executive Committee	Human Resources and Remuneration Committee	Finance and Grant Committee	Governance and Strategy Committee
Phindile Baleni	5/8		5/5	4/9		
Jeanne Esterhuizen	6/8		5/5		2/4	4/5
Xolani Tshayana	6/8		5/5	9/9		5/5
Alex Mashilo	5/8			8/9		4/5
Andries Chirwa	5/8					
Anton Hanekom	7/8				4/4	4/5
Fiona Tregenna	7/8				4/4	
Jacobus Olivier	6/8	2/6				
Jonathan Swarts	8/8	5/6			4/4	
Johan van Niekerk	4/8					
Melanie Mulholland	4/8		1/5			2/5
Malebo Lebona	7/8		5/5		4/4	4/5
Thapelo Molapo	7/8			9/9		
Helen von Maltitz**	3/8					
Herman Kostens	6/8					3/5
Martin Kuscus					0/4	
Romano Daniels				7/9		
Sizeka Rensburg					3/4	
Mantunka Maisela				7/9		
Kholeka Zama		5/6				
Fay Mukkadam		5/6				
Thulisile Mashanda	8/8	6/6				
Masaccha Mbonambi						3/5
Marlo de Swardt						5/5

6. ACCOUNTING AUTHORITY AND AA COMMITTEE ASSESSMENT

During the year under review, the Accounting Authority adopted the recommendation in King IV report that the assessment of the Accounting Authority and the following Committees be conducted every second year:

1. Executive Committee
2. Governance & Strategy Committee
3. Audit and Risk Committee
4. Human Resources and Remuneration Committee
5. Finance and Grants Committee

The assessment for the Accounting Authority and the committees will conducted in 2019 as the new Accounting Authority and its committees will commence their term on 01 April 2018.

7. APPLICATION OF KING IV PRINCIPLES

To ensure compliance with relevant legislation, merSETA's Legislative Compliance Register is reviewed on a quarterly basis to monitor compliance. Systems are in place to detect changes in legislation as and when they arise. Changes in legislation and statutory requirements are reported to the Accounting Authority on a quarterly basis and as and when it becomes necessary.

During the year under review, in addition to the legislative framework above, merSETA applied the King IV corporate governance principles. merSETA ensured that all the King IV principles were applied and in this regard, the principles were included in the Legal and Compliance Register, which is presented on a quarterly basis at the Audit and Risk Committee meetings.

8. COMPLIANCE WITH LAWS AND REGULATIONS, ETHICS AND CODE OF CONDUCT

The Accounting Authority sets the tone for ethical behaviour, leadership and values throughout merSETA. The members of the Accounting Authority ensure that the merSETA ethics are managed effectively through building an ethical culture, setting ethics into risk management, operations, performance management and disclosure. Effective communication channels exist for employees and others to raise concerns in confidence about possible improprieties in matters of financial reporting and related matters.

The merSETA Code of Conduct for the Accounting Authority members and the Code of Ethics were under review at the end of the term on 31 March 2018. Both the codes ensure that members of the Accounting Authority and Accounting Authority committees conduct themselves in accordance with the highest standards of integrity and ethics and in compliance with the Skills Development Act and other legislation related to objectivity, independence and conflict of interest. The primary purpose of the codes is to promote exemplary conduct.

9. RISK MANAGEMENT

The Accounting Authority is responsible for the merSETA risk management process. The Audit and Risk Committee assists the Accounting Authority in carrying out its risk management responsibilities.

The merSETA continuously strives to improve its risk management processes and risk assessments are carried out on a regular basis to determine the effectiveness of its risk management strategy and to identify new and emerging risks.

10. INTERNAL AUDIT

The merSETA's internal audit function is outsourced to an independent audit firm that carries out its function on an approved three-year internal audit plan. The Sizwe Ntsaluba Gobodo (SNG) contract ended and OMA was appointed as merSETA's Internal Auditors during the year under review. The independent internal auditors perform and report in terms of an approved internal audit plan. The Risk and Audit Committee reviews the internal audit Charter as well as the performance of the internal auditors on an annual basis. The internal audit plan and the internal audit charter were approved during the year under review.

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

11. FRAUD AND CORRUPTION

merSETA has a fully implemented 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 maintained and reported through the governance structures periodically. All cases are investigated to determine validity and appropriate action is taken in cases where allegations are found to be true.

The fraud and corruption report is a standing item on the Audit and Risk Committee.

12. MINIMISING CONFLICT OF INTEREST

Members of the Accounting Authority as well as Senior Management are required to avoid situations where they have or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. Procedures have been put into place for the disclosure by the directors of any such conflicts, and these procedures have been operating effectively. Members of staff also have an obligation to declare their interests on an annual basis in order for the organisation to avoid issuing contracts to related parties.

13. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

All of the merSETA programmes are aligned to the national policy framework that aims to contribute and to assess the impact on social transformation, environmental preservation and economic upliftment. Initiatives during the period under review were linked to the National Skills Development Strategy (NSDIII); White Paper for Post-School Education and Training (2012); Human Resource Development Strategy for South Africa; New Growth Path; Industrial Policy Action Plan; Medium-Term Strategic Framework; Rural Development Strategy; National Development Plan and Operation Phakisa.

14. HEALTH AND SAFETY

A national Occupational Health & Safety Committee ensures compliance to the Occupational Health & Safety Act No 85 of 1999, the ISO 9001:2008 Quality Management System as well as the National Environment Management Act No 107 of 1998.

15. COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr Madimetja Tisana is the Company Secretary and Compliance Officer and is responsible for advising the Accounting Authority, AA Committees, Chambers and Executive Management on matters related to compliance with procedures and applicable regulations and statutes.

Members of AA, AA Committees, Chambers and Executive Management have full and timely access to information that helps them fulfil their duties. The Company Secretary and Compliance Officer is responsible for facilitating training for AA members and its Committee members on matters related to Corporate Governance.

PART D

HUMAN RESOURCES MANAGEMENT

1. INTRODUCTION

A Human Resource and Remuneration Committee (HRRC) continues to provide leadership towards achieving valuable and resourceful human resource practices. The management of human resources (HR) continues to provide positive results in line with the HR Strategic Objectives as well as the merSETA Strategic Plan, Programme 1: Administration.

2. HUMAN RESOURCE STRATEGIC ACHIEVEMENTS

During the year under review, the following achievements contributed to effective human resource planning, management, control and operational efficiency:

- An ongoing Managed Integrity Evaluation (MIE) through conducting screening and verification checks.
- Annual performance reviews, except those of the Senior Management Team, were finalised and moderated, and performance bonuses were paid out.
- Regular bilateral meetings with the recognised union were conducted. Diversity and policy review meetings continue to contribute towards workplace harmony.
- An improvement in ensuring that all staff receive the appropriate level of training as required in line with their Personal Development Plans (PDPs) for this period. A minimum of 65% of the PDPs have been implemented.
- The merSETA Leadership Development Programme at both executive and senior management was implemented.
- Job evaluations and the internal salary equity reviews were conducted so as to ensure internal alignment.
- The Annual merSETA Wellness Day took place in all regions and at the head office. Remedial initiatives to be initiated to address wellness gaps.

2.1 Attraction and retention of talented individuals

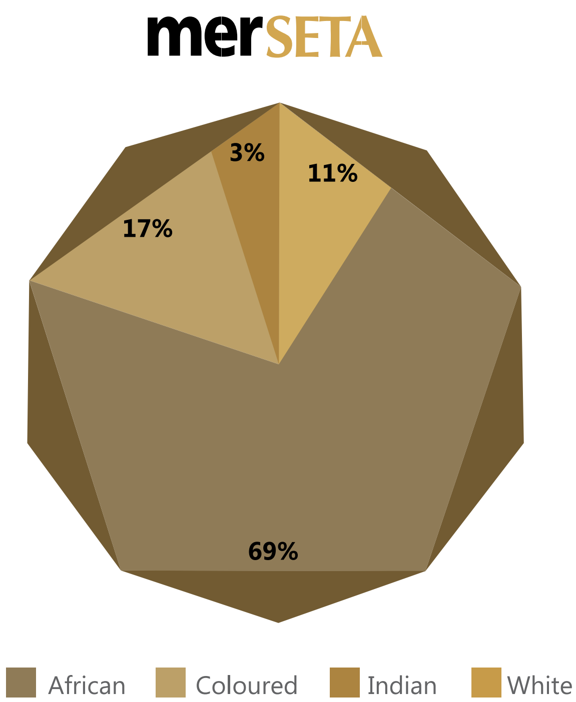
The merSETA invests considerably in employee development to attract and retain values-driven, high-performing and diverse talent.

Best practice in attracting, recruiting and selection ensured the appointment of high calibre candidates so as to sustain the continued achievement of organisational goals, whilst working towards achieving employment equity.

Salary benchmarking ensured internal equity and external parity in remuneration practices so as to reward high performance and encourage retention. Talent Management and Succession Planning further enhanced the nurturing, development and up-skilling of human capital.

The merSETA staff compliment at year 2018 March was 225 of which 223 were permanent staff members and 2 temporary staff. The gender ratio reflects the national statistics (50.2% females and 49.8% males) in line with the reporting by Statistics South Africa.

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



	AFRICAN	COLOURED	WHITE	INDIAN
merSETA	69%	17%	11%	3%
National	78.5%	9.6%	9.1%	2.8%

The merSETA is on a drive to deal with the underachievement against the national target.

Staff turnover rate was recorded at 8.73% which is well below the average level.

Managed integrity evaluation and comprehensive background screening checks (pre- and post-employment) have been conducted and it is an ongoing process that ensures that placement decisions are based on reliable and accurate information so as to avoid financial and reputational risks.

2.2 High-performance learning culture

The merSETA continues to promote a working environment that allows employees to deliver high performance. A culture of lifelong learning and knowledge sharing lead to an interdependent, innovative and engaged workforces in which staff are generous with their time and talents and continually collaborate to better position the merSETA for dealing with complexity within the external environment. Staff members were exposed to continuous learning, development, collaboration and innovation opportunities. We manage our outcomes by engaging, enabling and energising our teams through embedding the critical behaviours to our stakeholders and clients and high performance culture.

A bi-annual performance management and moderation process translated broad organisational performance drivers into divisional, unit and individual performance targets, whilst also recognising and rewarding behaviour that is in line with the merSETA's values. We have identified critical skills and are on a mission to develop them to drive business performance.

We continue to build leadership capacity to enable productivity, high performance and to keep the organisation sustainable.

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

2.3 Organisational wellness

Employee and organisational wellness programmes focus on holistic wellbeing to support employees to achieving success in the workplace and in their personal lives. The appointment of the Facilities, Travel and Assets Manager has boosted our Safety, Health and Environment (SHE) approach to deliver a safe working area for the merSETA. We now have a safe, healthy, engaged and productive workforce of our 225 employees with relevant skills, knowledge and experience.

2.4 Compliance

A harmonious and productive working environment was established through ensuring that HR Policies, Procedures, Standards and Practices are aligned legally, compliant and integrated within the organisation. Critical risks were identified and controls implemented to mitigate their potential impact.

2.5 Labour relations

The Management/NEHAWU Relationship was healthy and the consultative approach adopted promoted collaboration and inclusivity. The Diversity Committee and the Safety, Health and Environment Committee is ongoing, adding value to the organisation. Regular bilateral meetings took place quarterly.

3. HUMAN RESOURCE OVERSIGHT STATISTICS

3.1 Personnel costs

Total expenditure for the entity '000	Personnel expenditure '000	Personnel exp. as a % of total exp.	Number of employees	Average personnel cost per employee '000
*1 146 128	**125 278	10.93	250	501

* Includes ALL merSETA expenses, grants, projects etc
* Includes staff who are designated to specific projects and remunerated from the project
* Excludes interns
** Includes performance rewards, projects, administration, but excludes recruitment, training, staff welfare

3.2 Personnel costs by salary band

	MALES				FEMALES				
Levels	**African R'000**	**Coloured R'000**	**White R'000**	**Indian R'000**	**African R'000**	**Coloured R'000**	**White R'000**	**Indian R'000**	**TOTAL R'000**
Top Management	0	2 040	0	0	0	0	0	0	**2 040**
Senior Management	0	1 643	0	0	2 893	0	1 335	0	**5 871**
Professional Qualified	4 127	0	1 130	0	2 215	0	2 261		**9 733**
Skilled	8 830	1 535	1 834	1 007	4 287	3 045	686	0	**21 224**
Semi-skilled	17 131	6 865	4 007	2 357	11 741	377	355	444	**43 277**
Unskilled	6 212	304	302	0	10 766	99	1 163	0	**18 846**
TOTAL	**36 300**	**12 387**	**7 273**	**3 364**	**31 902**	**3 521**	**5 800**	**444**	***100 991**

* Salaries ONLY

3.3 Performance rewards

	MALES				FEMALES				
Levels	**African R'000**	**Coloured R'000**	**White R'000**	**Indian R'000**	**African R'000**	**Coloured R'000**	**White R'000**	**Indian R'000**	**TOTAL R'000**
Top Management	0	285	0	0	0	0	0	0	**285**
Senior Management	0	230	0	0	387	0	186		**803**
Professional Qualified	297	173	102	0	179		307		**1 058**
Skilled	825	135	160	91	308	173	213		**1 905**
Semi-skilled	1 359	531	248	146	888	198	128	78	**3 676**
Unskilled	472	51	22	0	880	157	111		**1 693**
TOTAL	**2 953**	**1 405**	**632**	**237**	**2 642**	**528**	**945**	**78**	**9 420**

3.4 Training costs

Programme/ activity/objective	Personnel expenditure ‘000	Training expenditure ‘000	Training expenditure as % of personnel cost	Number of employees	Average training cost per employee ‘000
Staff Training	125 278	2 319	1.85	120	19.33

3.5 Employment and vacancies

Programme/ activity/objective	2017 / 2018 Number of employees	2017 / 2018 Approved posts	2017 / 2018 Number of employees	2017 / 2018 Vacancies	2017 / 2018 Percentage of vacancies
Recruitment	*227	2	**225	18	7.89

* Permanent staff members
** Average number of employees

3.6 Employment changes

Salary brand	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	1	0	0	1
Senior Management	4	1	1	4
Professional Qualified	41	2	3	40
Skilled	92	7	7	96
Semi-skilled	78	5	8	75
Unskilled	11	3	1	9
TOTAL	**227**	**18**	**20**	**225**

* Appointments include internal promotions.
* Terminations include those who were promoted from their lower bands.

3.7 Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	1	5
Resignation	17	85
Dismissal	1	5
Retirement	1	5
Ill-health	0	0
Other	0	0
TOTAL	**20**	**100**

3.8 Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Counselling	2
Verbal warning	8
Written warning	9
CCMA	3
Dismissal	1
Resignation during hearing	3
Grievance	3

3.9 Equity target and employment equity status

Levels	MALES							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	1	0	0	0	0	0
Senior Management	0	0	1	0	0	0	0	0
Professional Qualified	16	0	4	0	1	1	3	0
Skilled	34	0	13	0	4	0	7	0
Semi-skilled	25	0	1	0	0	0	1	0
Unskilled	1	0	0	0	0	0	0	0
TOTAL	**76**	**0**	**20**	**0**	**5**	**1**	**11**	**0**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	2	1	0	0	0	0	1	0
Professional Qualified	7	3	4	1	0	1	5	0
Skilled	27	0	5	0	2	1	4	0
Semi-skilled	36	0	8	0	0	1	4	0
Unskilled	7	0	1	0	0	0	0	0
TOTAL	**79**	**4**	**18**	**1**	**2**	**3**	**14**	**0**

3.10 Disabled staff

Levels	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	0	0	0	0
Skilled	3	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	**3**	**0**	**0**	**1**

PART E

FINANCIAL INFORMATION

CONTENTS

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT on the Manufacturing, Engineering and Related Services Education and Training Authority

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Manufacturing, Engineering and Related Services Education and Training Authority (merSETA) set out on pages 65 to 119, which comprise statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Manufacturing, Engineering and Related Services Education and Training Authority as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

Basis for opinion

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

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

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

Other matter

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

Unaudited supplementary schedules

7. The supplementary information set out on pages 59 to 62 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the Accounting Authority for the financial statements

8. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the 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.

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

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

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the Annual Performance Report
Programme 2 Skills development	28
Programme 3 Learning programmes and projects	29 - 32

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

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

- Programme 2 – Skills development
- Programme 3 – Learning programmes and projects

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on pages 27 to 33 for information on the achievement of planned targets for the year and explanations provided for the over achievement of a significant number of targets.

Report on the audit of compliance with legislation

Introduction and scope

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

20. The material findings on compliance with specific matters in key legislations are as follows:

Expenditure management

21. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R1 933 000 as disclosed in note 27 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure identified was as a result of non-compliance with supply chain management regulations.

Other information

22. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the report of the audit and risk committee. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

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

Internal control deficiencies

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

Leadership

27. The lack of effective monitoring and implementation of the action plan to address previously reported internal control deficiencies resulted in material non-compliance identified during the audit.

Financial and performance management

28. The entity did not implement effective monitoring and review controls to prevent non-compliance on supply chain management regulations that resulted in irregular expenditure.

Other reports

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

Investigations

30. A detailed forensic investigation that was commissioned by the accounting authority of merSETA on the extent and liability on identified irregularities and the extent of prejudice suffered by the merSETA was completed on 1 September 2017. Disciplinary proceedings have been instituted against the implicated persons and were still in progress at the date of my report.

Auditor-General

Pretoria
31 July 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE
Auditor-General's responsibility for the audit

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

Financial statements

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

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

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

   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority

   - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the merSETA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern

   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

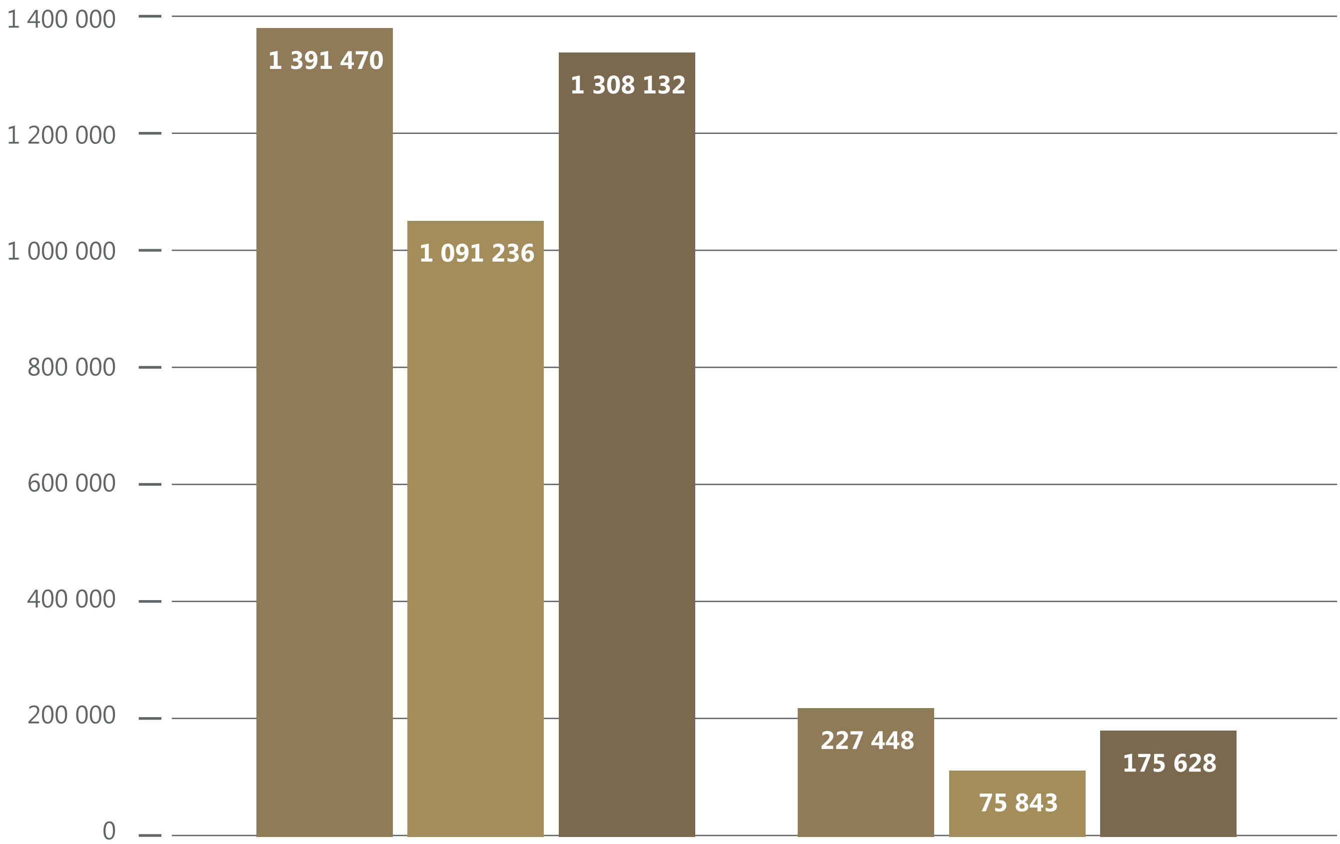
3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

SUMMARY OF FINANCIAL INFORMATION

Revenue collection

	2017/2018			2016/2017		
	R'000	R'000	R'000	R'000	R'000	R'000
	Budget	Actual amount collected	(Over)/Under collection budget	Budget	Actual amount collected	(Over)/Under collection budget
Skills development levy income	1 091 236	1 391 470	(300 234)	1 184 128	1 308 132	(124 004)
Skills development penalties and interest	25 000	32 742	(7 742)	26 000	27 519	(1 519)
Net gains from financial instruments	75 843	227 448	(151 605)	95 000	175 628	(80 628)
Other income	-	123	(123)	175	141	34
Total	**1 192 079**	**1 651 783**	**(459 704)**	**1 305 303**	**1 511 420**	**(206 117)**

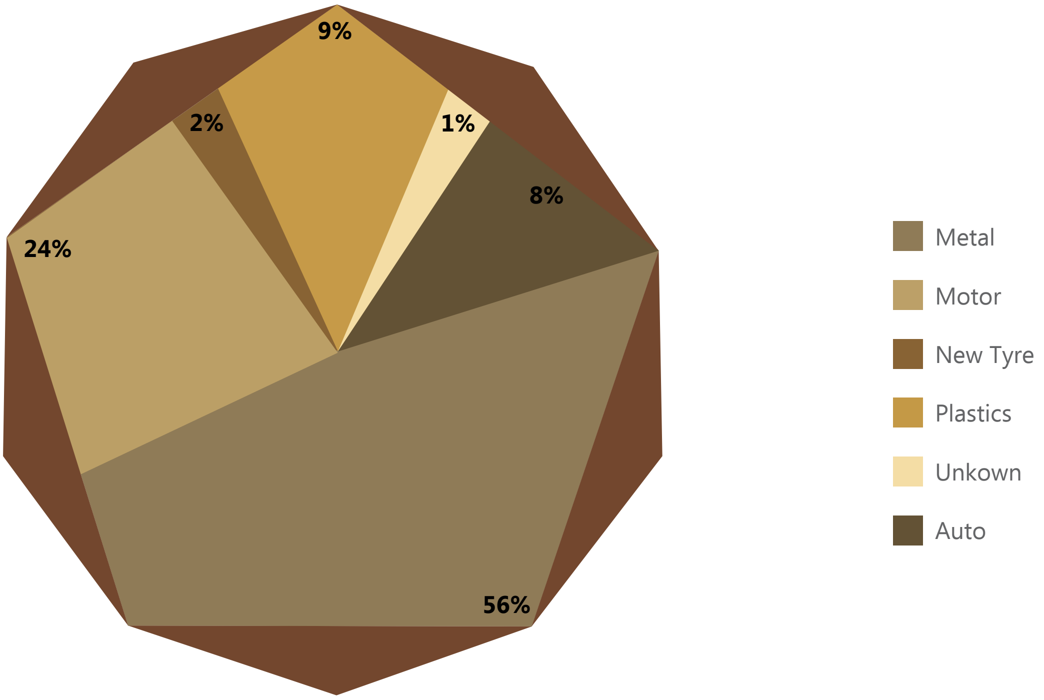


The merSETA levy income grew by 6% in the 2017/18 financial yearto reach R1.391 billion. This increase relates to wage increases and not real growth in terms of contributing employers as the number of contributing employers dropped by 2 278 companies. There were 14 614 contributing companies at the end 2016/17 compared to 13 386 at the end of 2017/18.

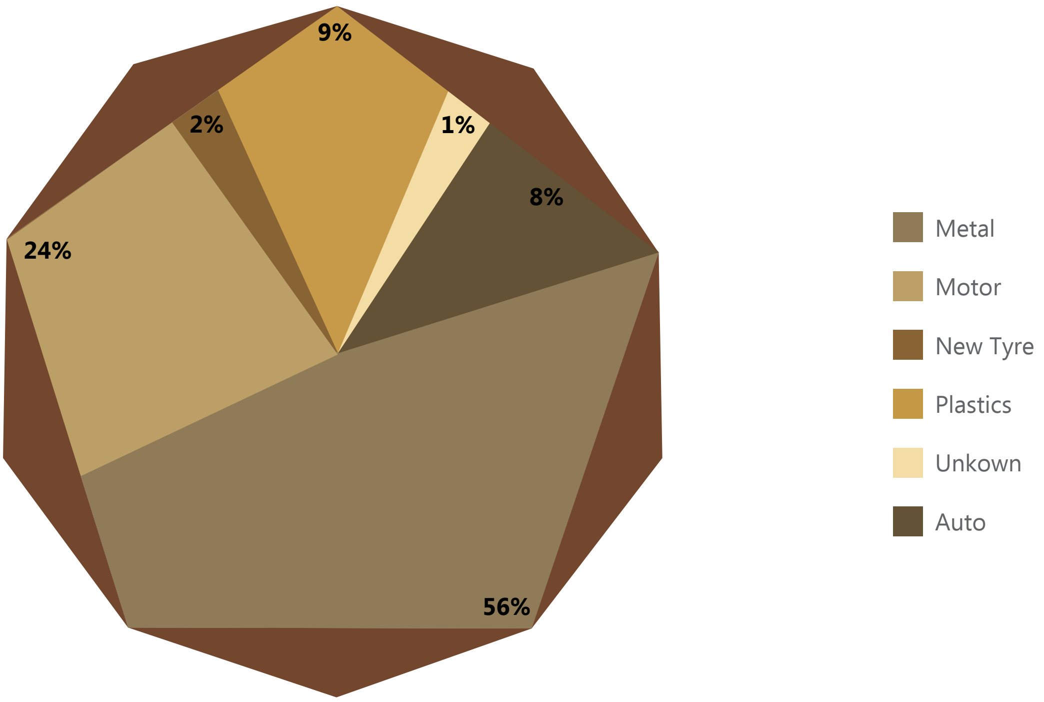
Actual levy income exceeded budgeted levy income by 2%. The budget was set conservatively with an expected 4% increase over the previous year.

The breakdown of levies received per chamber as shown in Graph 1 below, shows a similar pattern to prior year, with the Metal Chamber contributing the largest share of levies at 56%. Most companies that were registered, active and contributing were based in Gauteng and the North West as per Graph 2 below.

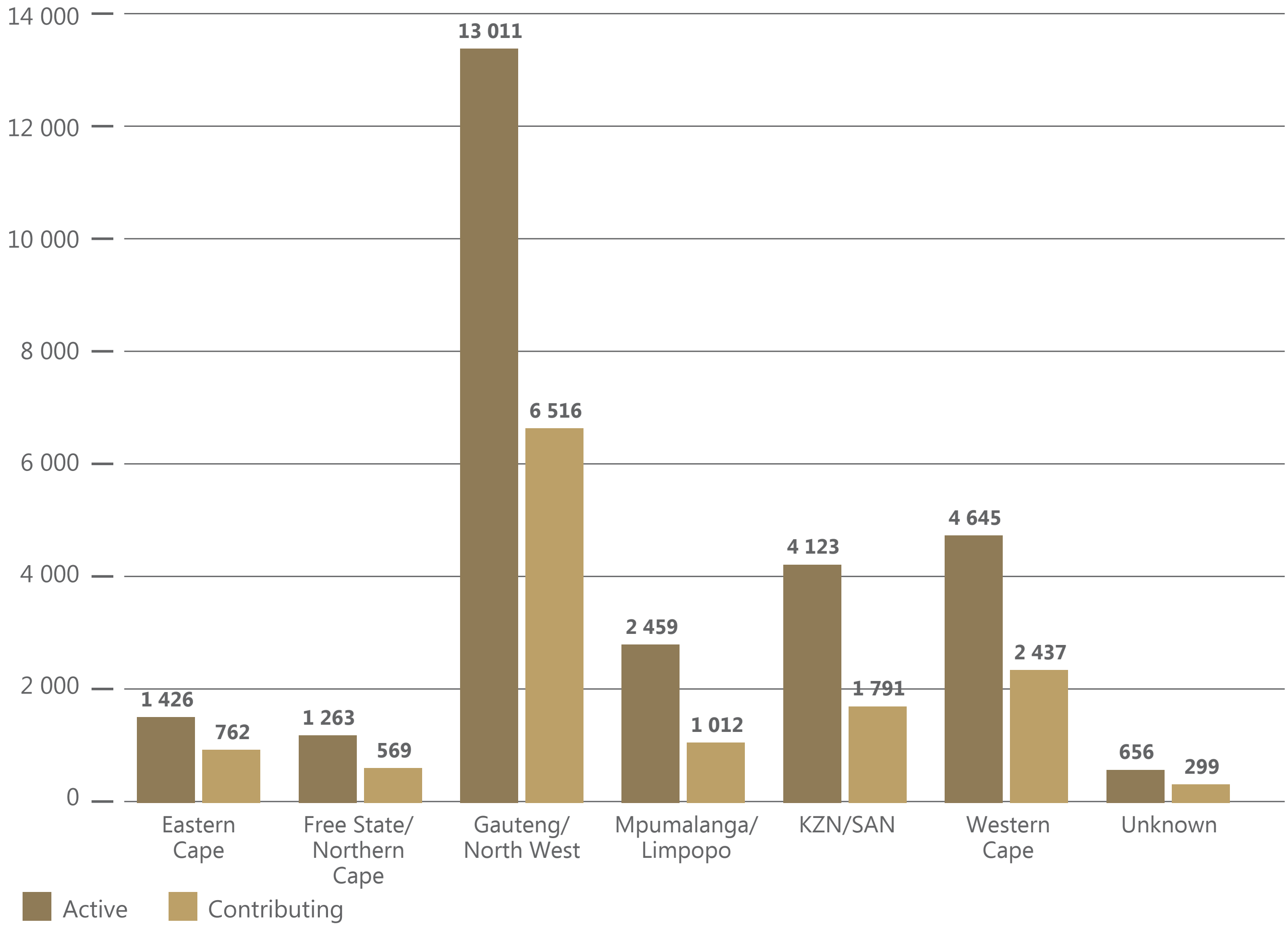
Total Levy Analysis by Province: Year to date - March 2018
Year 18



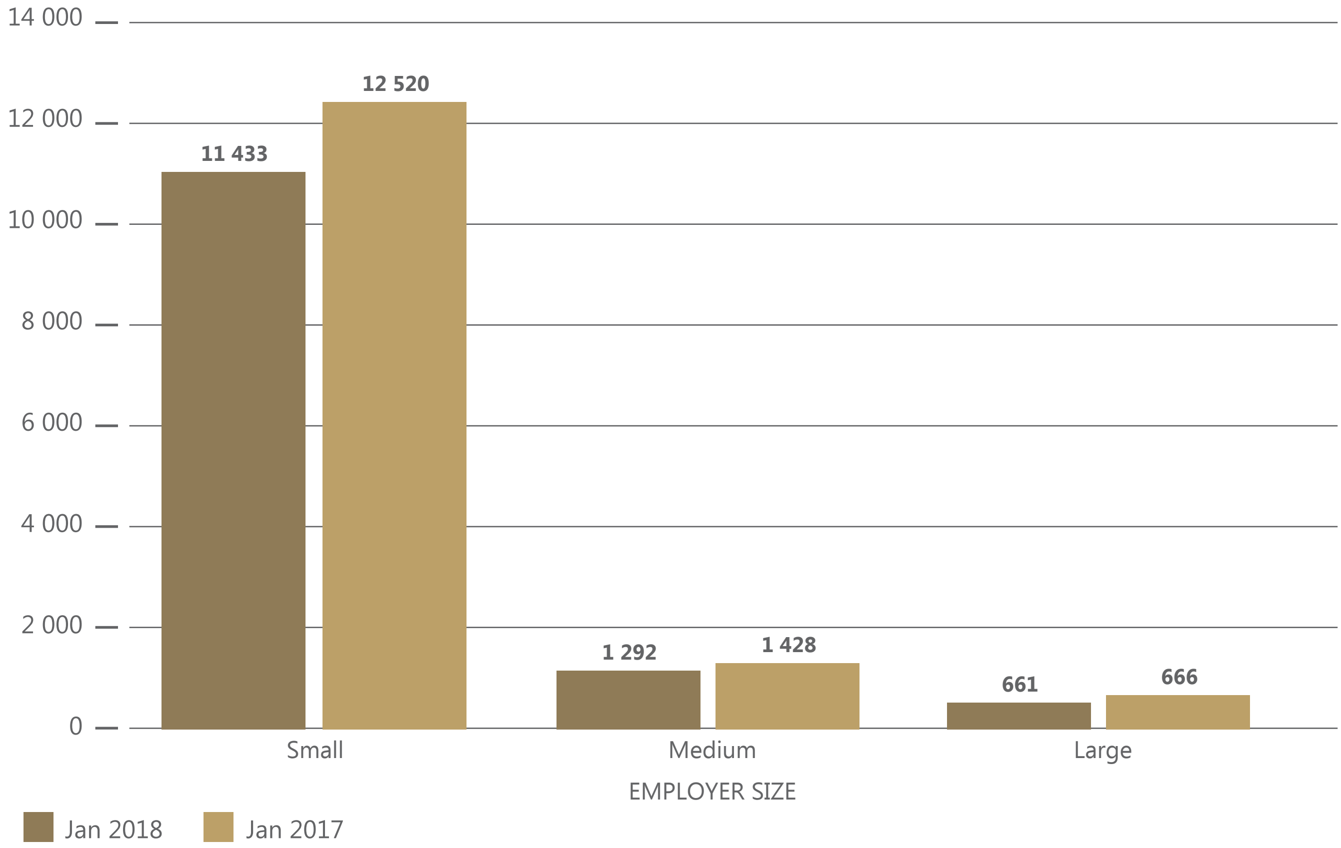
Total Levy Analysis by Province: Year to date - March 2017
Year 17



Total Levy Analysis by Province: Year to date - March 2018



Size of Employer Contribution Analysis - 2017/18 vs 2016/17



Programme Expenditure vs Budget 2018

	2017/2018			2016/2017		
	R'000	R'000	R'000	R'000	R'000	R'000
Programme Name	**Budget**	**Actual expenditure**	**(Over)/Under expenditure**	**Budget**	**Actual expenditure**	**(Over)/Under expenditure**
Administration	172 529	202 800	(30 271)	205 153	183 608	21 545
Skills planning	55 293	32 483	22 810	61 918	19 686	42 232
Learning programmes and projects	953 229	910 357	42 872	1 121 346	942 374	178 972
Quality assurance	11 028	1 243	9 785	4 315	1 076	3 239
Total	**1 192 079**	**1 146 883**	**45 196**	**1 392 732**	**1 146 744**	**245 988**

Mandatory Grants

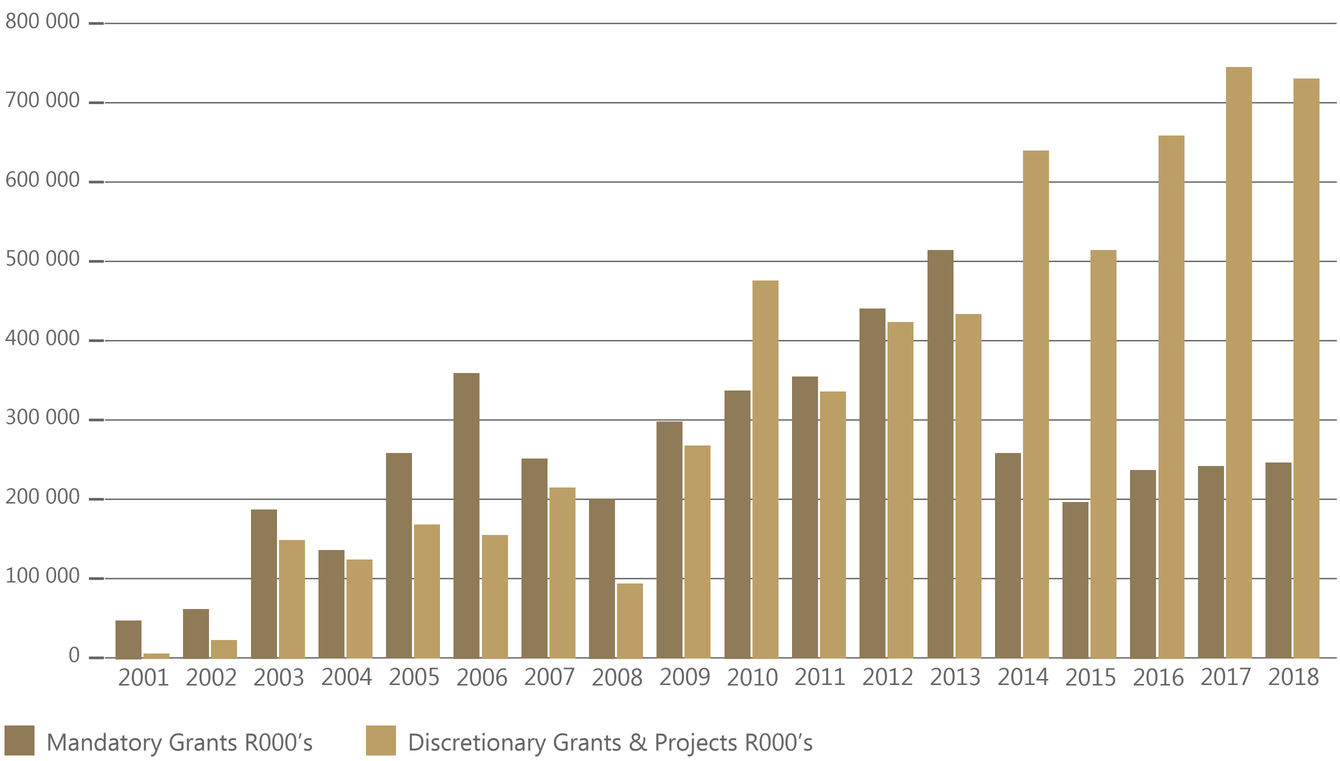
The merSETA has experienced a decrease in mandatory grant participation, as the claims ratio decreased from 74.2% in the previous year to 70.2% in the current year. Of the 4 483 mandatory grant applications received, a total of 3 795 companies were successfully approved for mandatory grants. In the previous year, a total of 4 084 companies were successfully approved for mandatory grants.

The mandatory grant expense in the current year increased by 1% to R250 million from R247 million in the previous year and is in line with budget.

Discretionary Grants and Projects Expenditure

Discretionary project expense amounted to R736 million, a decrease of 2.3% from the previous year.

Grants and Project Expenses



REPORT OF THE AUDIT AND RISK COMMITTEE

The merSETA internal control systems and risk management processes are effective and form a sound basis for the preparation of reliable Annual Financial Statements

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the Public Finance Management Act, Treasury Regulation 3.1. The Audit and Risk Committee also reports that it has adopted the appropriate formal terms of reference as its Charter and that it was reviewed during the year under review. The Committee has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The effectiveness of Internal Control and Risk Management

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

The Committee considers all significant control matters and associated action plans. The merSETA internal control systems and risk management processes are effective and form a sound basis for the preparation of reliable Annual Financial Statements.

Management and Quarterly Reports

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

Evaluation of Financial Statements

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

Auditor's Report

The Audit and Risk Committee reviewed the public entity's implementation plan for audit issues raised in the prior year and the Committee is satisfied that the matters have been adequately addressed. The Committee concurs and accepts the conclusions of the external auditors on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the auditor.

Chairperson of the Audit and Risk Committee
Ms Kholeka Zama

MANUFACTURING, ENGINEERING AND RELATED SERVICES EDUCATION AND TRAINING AUTHORITY

for the year ended 31 March 2018

The audited Annual Financial Statements for the year ended 31 March 2018, set out on pages 65 to 119, 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 26 July 2018, and are signed on its behalf by:

L Letsoalo
Chairperson

R Patel
Chief Executive Officer

REPORT OF THE ACCOUNTING AUTHORITY

for the Financial Year ended 31 March 2018

1. Performance Overview against Budget Programmes

1.1 Administration

1.1.1 Governance

The merSETA ensured that good governance, risk management and legal compliance were the pillars that enabled it to achieve its strategic objectives. The Accounting Authority in its governance role, ensured that the principles contained in King IV were applied.

1.1.1.1 Accounting Authority

The Accounting Authority, which comprised 15 members, commenced its term of office on 1 April 2011 for a five-year term. In April 2016, the Minister extended the term until 31 March 2018. The Accounting Authority as per the Standard SETA Constitution was comprised of six members representing organised labour, six members representing organised employers, two Ministerial appointees, and the Chairperson. Ms H von Maltitz who represented organised employers, resigned in October 2017.

All the Accounting Authority Committees including Chambers functioned effectively in line with the approved terms of references and charters.

In August 2017, the Minister issued a request to all the SETA CEOs to commence with the process of nomination of new Accounting Authority members. merSETA, through the CEO's office, ensured that nominations process was smooth and facilitated in terms of the Skills Development Act and the Standard SETA Constitution.

The merSETA ensured that on a quarterly basis, the Governance Report was submitted to the Department of Higher Education and Training (DHET) through the DHET SETA Performance Management Office.

1.1.1.2 Other Governance Matters

Following the Department of Higher Education and Training's forensic investigation on merSETA in 2016, the Accounting Authority appointed a service provider (Strauss Daly Attorneys) to continue the investigation because the report from the DHET process was not conclusive. The final report was received by the Accounting Authority in November 2017. Emanating from the report, the Accounting Authority initiated disciplinary processes according to the recommendation of Strauss Daly Attorneys. The disciplinary processes were still underway at the close of the financial reporting period.

1.1.2 Financial Management

Levy income increased by 6% over the prior year. Penalties and interest on skills development levy income have increased by 19% compared to the previous year. The increase in penalties and interest could be reflective of the tough economic climate in South Africa currently.

Cash and cash equivalents comprise bank balances and fixed notice deposits held by merSETA on a short term basis. These investments are for 12 months or less, bar one investment of R100 million, which has been invested for 24 months. The carrying amount of these assets approximates their fair value. Notice deposits yielded good returns, the average being in excess of 8%. The overall weighted average interest rate for the year is 8.17% compared to 7.9 % in the previous year. The resulting interest income is R227 million compared to R176 million in the previous year. This increase of almost 30% is mostly due to increasing cash reserves.

Monthly mandatory grant payments were made throughout the year, which amounted to R250 million in the previous year. The mandatory grant claims ratio dropped from 74.2% in 2016/17 to 70.2% in 2017/18.

Disbursements of discretionary grants and projects have decreased by 2.3% from the previous year, dropping from R754 million in 2016/17 to R736 million in 2017/18. The merSETA has been consistently driving its discretionary grant milestones.

The discretionary grant reserves of R3 billion are 73.5% committed to multiyear learnerships, apprenticeships and projects stretching over an average period of four years. Any commitments beyond the merSETA licence will be subject to Accounting Authority ratification.

1.1.3 Grant Disbursement

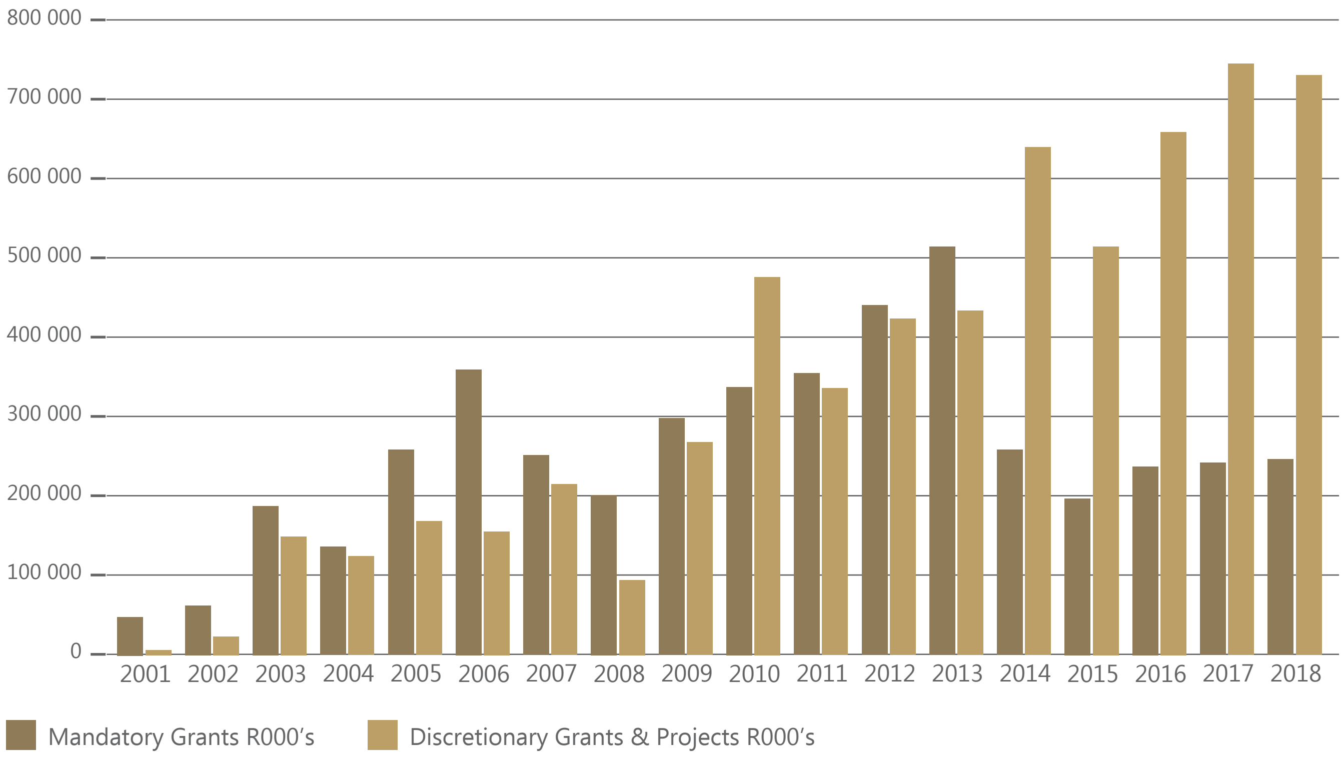
The merSETA facilitates the disbursement of mandatory and discretionary grants to support the implementation of skills development interventions.

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

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

The table and graph below shows the grants paid to date since the inception of the merSETA.

Year	Mandatory grants	Discretionary grants and projects	TOTAL
	R'000	R'000	R'000
2001	49 714	350	50 064
2002	66 640	27 128	93 768
2003	188 778	156 333	345 111
2004	143 170	136 937	280 107
2005	256 227	178 891	435 118
2006	362 128	165 982	528 110
2007	250 228	216 612	466 840
2008	204 274	97 394	301 668
2009	303 908	268 985	572 893
2010	334 254	483 104	817 358
2011	368 759	352 044	720 803
2012	445 459	420 709	866 168
2013	514 279	428 046	942 325
2014	261 222	650 009	911 231
2015	206 405	515 613	722 018
2016	240 847	665 973	906 820
2017	247 151	753 615	1 000 766
2018	249 777	736 447	986 224
TOTAL	4 693 220	6 254 172	10 947 392



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

The drop in mandatory grants in the year 2013/14 year and thereafter is due to the changes in the Grant Regulations, whereby the percentage allocation to mandatory grants from levies received was reduced from 50% to 20%. This change also influenced a decline in the participation ratio in the first two years after changes were effective. However, through the ongoing support and awareness by merSETA, a marked increase was seen in 2016. This level was maintained in 2016/17, thereafter there was a drop in 2017/18.

1.1.3.1 Fraud

The fraud prevention plan was in place and implemented throughout the year, and a revised plan was approved by the Accounting Authority toward the end of the financial year. This will be implemented in the coming year.

There were no instances of fraud that were uncovered during the year 2017/18, but there is an ongoing investigation pertaining to alleged fraudulent activities that were reported in the previous years as stated under "Other Governance Matters" above.

1.1.3.2 Internal Controls

The system of accounting and internal controls is constantly monitored and improved, particularly with regard to financial management, supply chain management, performance information management and other core business functions. The internal auditors also conduct continuous reviews of the controls and processes in place and advise management of any improvements necessary.

The merSETA financial management remains sound and committed to comply with the Public Finance Management Act (Act 1 of 1999, as amended) (PFMA) and National Treasury regulations. There were no instances of non-compliance during the 2017/18 year.

The merSETA Executive Committee, Audit and Risk Committee, Finance and Grants Committee and the Accounting Authority are presented with a full financial management report by the Chief Financial Officer on a quarterly basis.

An all-inclusive budgeting process forms part of the Annual Performance Plan development process and is used as a benchmark for levy income, grant administration and capital expenditure. A quarterly report showing financial performance results against budget is presented to the merSETA Accounting Authority and the Department of Higher Education and Training.

In terms of the Skills Development Act, total administration expenditure may not exceed 10.5% (this being inclusive of monies payable to the QCTO) of total levy income. The merSETA has kept within the limit.

1.1.3.3 Policies

The financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board. The merSETA policies and procedures are aligned with GRAP and the Public Finance Management Act, 1999 (Act 1 of 1999, as amended) (PFMA).

Existing policies are reviewed at least every two years, or as necessary to comply with changes in the relevant legislation.

1.1.4 Supply Chain Management Unit

Irregular expenditure of R1.9 million was identified during the financial period 2017/18. Condonation was received for expenditure amounting to R856 000. Application for condonation for the 2016/17 irregular expenditure of R4.8 million has been made with National Treasury, but this was not condoned. An appeal process has been initiated. Irregular expenditure of R6.1 million relating to the disciplinary charges referred to under "Other Governance Matters" was also identified. The opening balances on the irregular expenditure note to the Annual Financial Statements have been adjusted to reflect this.

1.1.4.1 Planned Utilisation of Surplus Funds

The merSETA has discretionary grant reserves of R3 billion, of which R2.2 billion is committed to signed contracts. These apply to learnerships, apprenticeships, skills programmes, projects and partnerships that will continue to be implemented.

Cash and cash equivalents at year end amounted to R3 billion. The merSETA received approval from National Treasury and the Department of Higher Education and Training to carry forward surpluses for the 2016/17 financial year, and has applied for a similar carry forward of surplus for the 2017/18 year in May 2018.

The merSETA carries a R10 million administration reserve in its Statement of Financial Position as at 31 March 2018. The administration reserve is equal to the net book value of the non-current assets.

1.1.4.2 Utilisation of Donor Funds

The merSETA continued supporting companies in distress via the Training Lay Off Scheme. The merSETA funds the training component while the Unemployment Insurance Fund funds the wage component.

1.1.5 IT Systems

The merSETA Information, Communication and Technology (ICT) division has maintained its alignment and complied with the Corporate Governance of Information, Communication and Technology Policy Framework (CGICTPF) during the 2017/2018 financial year. ICT developed a new five-year Strategy for 2017-2022, which was approved by the merSETA Management Committee in February 2018. Critical systems are monitored continuously throughout the year and a 97% uptime was achieved on all systems during the 2017/2018 financial year.

The merSETA has suffered no virus infections or data loss during this financial year. The development of the new NSDMS (National Skills Development Management System) has been initiated and the Skill Module was implemented on 1 February 2018. The remaining modules (Finance, ETQA, Projects and Reporting) remain in development and will be completed during the 2018/2019 financial year.

1.1.6 Human resources

The Human Resource and Remuneration Committee (HRRC) continues to provide leadership towards achieving valuable and resourceful human resource practices. The management of human resources (HR) continues to provide positive results in line with the HR Strategic Objectives.

Major human resource achievements during this period are as follows:

- An ongoing Managed Integrity Evaluation (MIE) through conducting screening and verification checks
- Annual performance reviews, except those of the Senior Management Team, were finalised and moderated, and performance bonuses were paid out.
- Regular bilateral meetings with the recognised union were conducted. Diversity and policy review meetings continue to contribute towards workplace harmony.
- An improvement in ensuring that all staff receives the appropriate level of training as required in line with their Personal Development Plans (PDP) for this period. A minimum of 65% of the PDP's have been implemented.
- The merSETA Leadership Development Programme at both executive and senior management were implemented.
- Job evaluations and the Internal Salary Equity reviews were conducted so as to ensure internal alignment.
- The Annual merSETA Wellness Day took place in all regions and at the head office. Remedial initiatives to be initiated to address wellness gaps.

1.1.7 Marketing and communications

The Marketing and Communications unit aims to keep the organisation speaking with one voice across a vast number of regions and customer interactions. The unit is guided by the following objectives:

- Improving and enhancing marketing and communication efforts between the merSETA and its target audiences;
- Strengthening and maintaining stakeholder relationships;
- Assisting in the facilitation of a positive work culture and climate;
- Enhancing the positive merSETA brand among stakeholders; and
- Profiling the merSETA as valuable, rare, difficult to imitate and hard to substitute.

The following are the Marketing and Communications achievements of the year:

- Four editions of Achieve magazine were produced and distributed each quarter to 4 000 top levy-paying companies;
- R1.7 million worth of branding/advertising was placed in major local, regional and national media, generating total free advertising value of R28 million. This branding/advertising was targeted at print, electronic, television and broadcast media;
- Five colloquia on the "State of Manufacturing in South Africa" were held through the country. Opinion makers, academics, organised labour and business engaged each other on policy initiatives to stem the tide of manufacturing de-industrialisation. Two of the colloquia were broadcast live on radio while reports on the debates were published and read by more than one million people in five national and regional newspapers;
- The merSETA Twitter and Facebook social pages are operational. The fan base on these pages continues to grow and the fans/stakeholders are assisted with various queries. Queries are often related to merSETA learnership and apprenticeship programmes;
- 41 events/exhibitions/career promotions were handled by the Marketing and Communications Unit, with 29 merSETA-initiated career promotions, workshops and similar events generated by the career awareness section.
- The website had more than 800 000 visitors during the 2017/2018 financial year. It is set for a graphics redesign to accommodate latest trends and security options. A mobile application for career awareness has been developed and promoted; and
- Opinion pieces and editorials were published in major stakeholder print and electronic media, reaching a wide base of levy-paying companies.

1.1.8 Monitoring and Evaluation (M&E)

The M&E unit has successfully prepared the planning documents in line with the National Treasury Frameworks and also implemented the four budget programmes stipulated for all SETAs by the DHET in the 2017/18 Annual Performance Plan. The qualitative indicators were for the first time included in the APP and were reported. Monthly validation and capacity building on reporting for performance information were conducted across different units to eliminate audit findings in relation to performance information management. No major findings were identified by the Auditor General of South Africa (AGSA) during interim audits as a result of the unit's monitoring and evaluation interventions.

The details of merSETA performance achievements are provided in the Annual Report under the section on Performance Information.

1.1.9 Quality Management System

The Quality Management System unit has successfully continued to maintain the merSETA ISO 9001:2008 certification by addressing the following:

- The alignment of the merSETA policies and procedures to address the organisation strategic objectives of the merSETA; and
- Conducting the stakeholder survey to continuously address and meet the merSETA stakeholder needs and improvements thereof.

The unit has started with aligning the merSETA Quality Management System to strategically address the revised ISO 9001:2015 standard in line with international benchmarking.

1.1.10 Knowledge Management

The unit has successfully developed the Enterprise Content Management strategy. The strategy is aimed at harnessing, capturing, storing, preserving and disseminating data, information and knowledge supporting key organisational processes through its life cycle. The project plan has been developed to start with the implementation of the strategy in the 2018/19 financial year.

1.2 Skills Planning

1.2.1 Sector Skills Planning

The Sector Skills Plan was successfully submitted on time and received a good review from the DHET requiring minimal improvements. In its efforts to improve skills planning the unit implemented a regional supply and demand research study assessing skills required by the large, medium, small, micro, cooperative and informal enterprise segments. The unit has also successfully forged a research partnership with the Nelson Mandela University specifically looking at youth livelihoods in the Eastern Cape Region and how they operate within the mer-sectors. This will also strengthen the merSETA qualitative research capacity going forward.

1.2.2 Research and Development

In line with the merSETA strategic intent, the Applied Research and Innovation Projects unit has continued to progress its work in the following areas:

- Strengthening of research partnerships with Higher Education Institutions both locally and internationally;
- Large scale diagnostic instruments, building an understanding of effective work-integrated learning models between TVET Colleges and their industrial counterparts;
- Pilot projects for testing research recommendations;
- Sector specific research conceptualised and managed through chamber committees;
- Lecturer development through the provision of postgraduate studies including PhD studies.

1.3 Learning Programme and Projects

Continuous improvements in the management of discretionary grant funding allocations enabled more companies to conclude signing of MoAs before the end of the third quarter.

The merSETA has continued support of cooperatives, small enterprises, worker-initiated projects, not for profit organisation (NPOs) – inclusive of non-government and community based organisations. Funding agreements were concluded with these organisations.

A total of 3 795 companies were successfully approved for mandatory grants, compared to 4 084 in 2016/17.

The merSETA continuously provides support to all the companies that have been awarded discretionary grants to ensure quality training is provided and that MoA deliverables are effectively implemented. Companies that fail to adhere to the terms of the signed MoA are requested either to effect remedial action or to refund the portion of discretionary grant funds paid to them.

The merSETA has continued strategic partnerships with non-levy paying entities inclusive of government departments, Higher Education Institutions and TVET colleges. These partnerships have contributed to the number of learners participating on merSETA learning programmes.

1.4 Quality Assurance

During the year under review the following quality assurance functions were performed:

- Accreditation of workplaces and training providers for the purpose of quality training provision
- Assessment and moderation of learners against set criteria
- Auditing and monitoring of training providers for the purpose of assessing the quality of training provision
- Development of occupational qualifications and registration of these with the South African Qualifications Authority (SAQA)
- Skills development advice and assistance to companies and training providers
- Administration and maintenance of the apprenticeship and learnership systems.

2. Strategic Interventions

2.1 Discontinued activities

The merSETA did not discontinue any major activity during the year under review and has no plans to discontinue any activities in the next financial year.

2.2 New Initiatives

In response to the changing needs of the sector for effective response to the tripartite challenges of unemployment, poverty and inequality, the merSETA will be implementing a number of new strategic initiatives during the 2018/19 financial year in support of the National Development Plan (NDP) and Industrial Policy Action Plan (IPAP) IV. A few of the strategic initiatives are highlighted below.

2.2.1 Supporting black industrialists in components manufacturing in the merSETA through relevant skills interventions

The purpose of this project will be to support the black industrialists programme through relevant skills interventions for black industrialists in components manufacturing in the sector.

2.2.2 Understanding green skills within the mer-sector partnership

The purpose of this project is to (1) understand the different concepts relating to the green economy; (2) how the green economy has impacted on their business processes, occupations and skills requirements and lastly (3) what their green skills requirements looks like currently.

2.2.3 Learning work through a student-driven association

The purpose of this project is to build a conceptual understanding of cooperative associations that could provide information appropriate to the design of a TVET student-driven economic model; and the skills demands for such models.

2.2.4 Atlas of occupations and jobs in the manufacturing, engineering and related services sectors

The purpose of this project is to provide the learners, workers and skills planners with a reference guide to occupations and jobs that are demanded by the Metals Engineering, Plastics, Auto, Motor and Tyre Manufacturing Sectors, particularly emerging and future occupations.

2.2.5 Bursaries

Three hundred and fifteen continuing students will be supported through the bursaries project with six Higher Education Institutions.

2.2.6 Supporting Industry 4.0

The Central University of Technology will be funded for the establishment of the Chair in Innovation and Commercialisation of Additive Manufacturing.

The East Cape Midlands College will be funded to set up training facilities linked to the 4th Industrial Revolution concept.

2.2.7. Other Strategic Interventions

Project/Proposal	Amount Committed R'000
East Cape Midlands College – Industry 4.0	**120 000**
TVET Quality Programme Aligned to Industry 4.0	**100 000**
Bursaries with Universities – Ikusasa Student Financial Aid Programme	**100 000**
KZN Provincial Government (Premier's Office)	**55 000**
Future Manufacturing Skills Project – BRICS	**40 000**
Continuing Bursaries, Various Universities	**38 000**
Free State University – Industry 4.0	**37 000**
False Bay TVET College (Swartklip Campus) – Artisans	**30 000**
Post-School Education and Training Collaboration	**30 000**
Meraka Proposal – ICT in SME Sector	**29 000**
Tshepo 1 million Project	**24 000**
University of the Western Cape - Interactive Digital Centre Hub	**18 000**
Nelson Mandela University Chair in Engineering	**16 000**
Career Development Framework	**13 000**
Stakeholder Communication Enhancement Project	**12 000**
Employment Facilitation	**11 000**
Centre for Integrated Post-School Education and Training – CIPSET Nelson Mandela University	**8 000**
Unisa Work-intergrated Leaning Proposal	**7 000**
Skills Demand SMME	**7 000**
Green Skills within the mer-SECTOR Partnership	**7 000**
Mercedes Benz Learning Academy Proposal	**7 000**
Central University of Technology Department of Science and Technology Chair in Innovation on Commercialisation of Additive Manufacturing products and processes	**6 000**
Human Resource Management – Operation Excellent Project	**5 000**
National Skills Development Management System	**5 000**
College of Cape Town: upgrade of the Current Welding Training Facilities at Thornton Campus	**4 000**
Supporting Black Industry in components manufacturing	**4 000**
British Council Skills for employability	**3 000**
Atlas of occupations and jobs in the merSETA sub-sectors	**3 000**
Nelson Mandela University – Skills needs for youth entrepreneurial	**2 000**
Liberated Metalworkers Union of South Africa – LIMUSA Proposal	**2 000**
Umgugundlovu TVET College	**2 000**
TOTAL	**745 000**

2.3 Events Conducted After Reporting Period

merSETA is required to obtain an approval from National Treasury to retain its accumulated surpluses on an annual basis. The surplus will be utilised for the implementation of the strategic projects some which are identified in section 2.2 above. A submission will be made to National Treasury by the 31 July 2018, for the current financial year.

On 19 April 2018, SARS approved merSETA's application for exemption from Income Tax.

Condonation was received for irregular expenditure amounting to R856 000.

3. Approval

The audited Annual Financial Statements for the year ended 31 March 2018 set out on pages 73 – 119, have been approved by the Accounting Authority in terms of Section 51 (1)(f) of the Public Finance Management Act, 1999 (Act 1 of 1999, as amended) on 26 July 2018, and are signed on its behalf by:

L Letsoalo
Accounting Authority Chairperson

R Patel
Chief Executive Officer

STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 March 2018

	Note	2018 Actual R'000	2018 Budget R'000	2018 Variance R'000	2017 Actual R'000	2017 Budget R'000	2017 Variance R'000
REVENUE							
Skills development levy income	2	1 391 470	1 091 236	300 234	1 308 132	1 184 128	124 004
Skills development penalties and interest	3	32 742	25 000	7 742	27 519	26 000	1 519
Total non-exchange revenue		**1 424 212**	**1 116 236**	**307 976**	**1 335 651**	**1 210 128**	**125 523**
Net gains from financial instruments	5	227 448	75 843	151 605	175 628	95 000	80 628
Other income	6	123	-	123	141	175	(34)
Total exchange revenue		**227 571**	**75 843**	**151 728**	**175 769**	**95 175**	**80 594**
TOTAL REVENUE		**1 651 783**	**1 192 079**	**459 704**	**1 511 420**	**1 305 303**	**206 117**
EXPENSES							
Employer grant and project expenses	7	(986 224)	(1 050 579)	64 355	(1 000 766)	(1 230 354)	229 588
Administration expenses	8	(160 659)	(141 500)	(19 159)	(145 978)	(162 378)	16 401
TOTAL EXPENSES		**(1 146 883)**	**(1 192 079)**	**45 196**	**(1 146 744)**	**(1 392 732)**	**245 988**
Net surplus/(deficit) for the year	1	**504 900**	**-**	**504 900**	**364 676**	**(87 429)**	**452 105**

* Accounting Authority approval for the year 2017/18 budgets as well as National Treasury approval for the retention of surplus funds for the year ended 31 March 2017 was obtained as per the requirements of section 53 of the PFMA.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2018

	Note	31 March 2018 R'000	31 March 2017 R'000
ASSETS			
Current assets			
Cash and cash equivalents	9	3 005 195	2 396 644
Receivables from exchange transactions	10	130 111	80 040
Receivables from non-exchange transactions	11	20 173	44 248
Financial assets at fair value	12	-	105 617
Prepayments	13	-	62
Consumables	14	799	505
		3 156 278	**2 627 116**
Non-current assets			
Property and equipment	15	10 315	8 949
Intangible assets	16	225	263
		10 540	**9 212**
TOTAL ASSETS		**3 166 818**	**2 636 328**
LIABILITIES			
Current liabilities			
Payable from exchange transactions	17	21 400	26 405
Grants and transfers payable	18	117 323	88 535
Other payables	19	1 185	1 075
Provisions	20	15 810	14 113
		155 718	**130 128**
NET ASSETS		**3 011 100**	**2 506 200**
Administration reserve		10 540	9 212
Employer grant reserve		992	735
Discretionary reserve		2 999 568	2 496 253
TOTAL NET ASSETS		**3 011 100**	**2 506 200**

STATEMENT OF CHANGES IN NET ASSETS
For the year ended 31 March 2018

	Note	Administration reserve	Employer grant reserve	Discretionary grant reserve	Unappropriated surplus	TOTAL
		R'000	R'000	R'000	R'000	R'000
Balance at 31 March 2016		**6 606**	**183**	**2 134 735**	**-**	**2 141 524**
Net surplus for the year per statement of financial performance		-	-	-	364 676	364 676
Allocation of unappropriated surplus for the year	1	25 812	80 930	257 934	(364 676)	-
Excess reserves transferred to discretionary reserve		(23 206)	(80 378)	103 584	-	-
Balance at 31 March 2017		**9 212**	**735**	**2 496 253**	**-**	**2 506 200**
Net surplus for the year per statement of financial performance		-	-	-	504 900	504 900
Allocation of unappropriated surplus for the year	1	22 072	99 244	383 584	(504 900)	-
Excess reserves transferred to discretionary reserve		(20 744)	(98 987)	119 731	-	-
Balance at 31 March 2018		**10 540**	**992**	**2 999 568**	**-**	**3 011 100**
		*	**			

* 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 22.1.2.

CASH FLOW STATEMENT
For the year ended 31 March 2018

	Note	2018			2017		
		Actual R'000	Budget R'000	Variance R'000	Actual R'000	Budget R'000	Variance R'000
CASH FLOW FROM OPERATING ACTIVITIES							
Operating activities							
Cash receipts from stakeholder and others		1 426 530	1 099 659	326 871	1 335 564	1 210 998	124 566
Levies, interest and penalties received		1 426 407	1 099 659	326 748	1 335 423	1 210 823	124 600
Other income	6	123	-	123	141	175	(34)
Cash paid to stakeholders, suppliers and employees		(1 096 287)	(1 059 738)	(36 549)	(1 212 156)	(1 355 651)	143 495
Direct grants and project payments		(900 853)	(891 415)	(9 438)	(1 012 638)	(1 194 347)	181 709
(Outflow)/inflow relating to the TLS and AATP programme		-	-	-	(25 426)	(1 397)	(24 029)
Employment costs		(119 888)	(122 538)	2 650	(114 227)	(121 798)	7 571
Payment to suppliers		(75 546)	(45 785)	(29 761)	(59 865)	(38 109)	(21 756)
Cash generated from (utilised in)/operations	21	330 243	39 921	290 322	123 408	(144 653)	268 061
Interest received		177 379	115 010	62 369	100 952	94 096	6 856
Net cash inflow from operating activities		**507 622**	**154 931**	**352 691**	**224 360**	**(50 557)**	**274 917**
CASH FLOW FROM INVESTING ACTIVITIES							
Purchase of property and equipment	15	(4 353)	(9 535)	5 182	(5 342)	(9 535)	4 193
Purchase of intangible assets	16	(405)	(4 358)	3 953	(314)	(4 358)	4 044
Proceeds from disposal of property and equipment		70	-	70	90	-	90
Net disposal/(purchase) of financial instruments at fair value		105 617	105 617	-	1 608 704	1 594 321	14 383
Net cash outflow from investing activities		**100 929**	**91 724**	**9 205**	**1 603 138**	**1 580 428**	**22 710**
Net increase/(decrease)in cash and cash investments		**608 551**	**246 655**	**361 896**	**1 827 498**	**1 529 871**	**297 627**
Cash and cash equivalents at beginning of year		**2 396 644**	**2 396 644**	**-**	**569 146**	**569 146**	**-**
Cash and cash equivalents at end of year	9	**3 005 195**	**2 643 299**	**361 896**	**2 396 644**	**2 099 017**	**297 627**

STATEMENT OF CAMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 31 March 2018

	Original budget per APP and ENE submissions	Revisions	Final approved budget	Actual	Variance	Revised budget approved by Accounting Authority
	R'000	R'000	R'000	R'000	R'000	
REVENUE						
Skills development levy income	1 091 236	-	1 091 236	1 391 470	300 234	1 365 000
Skills development penalties and interest	25 000	-	25 000	32 742	7 742	26 000
Total non-exchange revenue	**1 116 236**	**-**	**1 116 236**	**1 424 212**	**307 976**	**1 391 000**
Net gains from financial instruments	75 843	-	75 843	227 448	151 605	175 000
Other income	-	-	-	123	123	150
Total exchange revenue	**75 843**	**-**	**75 843**	**227 571**	**151 728**	**175 150**
Total revenue	**1 192 079**	**-**	**1 192 079**	**1 651 783**	**459 704**	**1 566 150**
EXPENSES						
Employer grant and project expenses	(1 050 579)	-	(1 050 579)	(986 224)	64 355	(1 498 744)
Administration expenses	(141 500)	-	(141 500)	(160 659)	(19 159)	(176 842)
Total expenses	**(1 192 079)**	**-**	**(1 192 079)**	**(1 146 883)**	**45 196**	**(1 675 586)**
Net (deficit)/ surplus for the year	**-**	**-**	**-**	**504 900**	**504 900**	**(109 436)**

REVISIONS TO THE ORIGINAL BUDGET

In February 2017, the Accounting Authority approved a revised budget for the 2017/18 financial year, showing a deficit of R109 436. This is the budget that was used to manage costs during the year. It was later established that this revised budget was never submitted to the Executive Authority for approval. The statement of financial performance thus measures income and expenditure against the original approved budget, and not the revised budget approved by the Accounting Authority.

COMPARISON OF BUDGET VERSUS ACTUAL

Levy income is 28% above budget. At the time of compiling the budget, the economy was experiencing a downturn and it was uncertain if this trend would continue. Levy income was thus budgeted very conservatively. The ecomomy has since stabilised, with levy income showing a 6% increase over the previous year.

Net gains from financial instruments are 200% above budget. This item was also budgeted conservatively due to the reasons stated above. The above expected increase in levy income resulted in a higher inflow of cash and this caused the net gains on financial intruments to also increase.

Disbursements of employer grants and projects is only 6% below budget. There were delays in the conclusions of some contracts, that was outside the control of the merSETA, causing the deliverables to be shifted into the 2018/19 financial year.

Administration expenses are 14% above budget, but only 10% above the costs of the previous year. Throughout the year the administration budget was monitored against the budget that was approved by the Accounting Authority, and remained well within the legislated 10% administration limit.

The surplus for the year was R505 million. This was mainly driven by levy income, which was R300 million above budget and interest income, which was R152 million above budget.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

for the Financial Year ended 31 March 2018

1. Basis of preparation

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

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

2. Currency

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

3. Revenue recognition

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

3.1 Levy income

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

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

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

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

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

3.2 Interest and penalties

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

3.3 Government grants and other donor income

Conditional government grants and other conditional donor funding received are recorded as deferred income when they are received and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs that they are intended to compensate.

Unconditional government grants and other unconditional donor income are recognised as income at the time the amounts are received.

3.4 Net gains from financial instruments

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

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

4. Grant and project expenses

4.1 Mandatory grants

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

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

4.2 Discretionary project expenses

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

Discretionary project expenses are:

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

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

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

4.3 Government grant expenses

Conditional government grants costs are recognised as expenses in the period in which they are incurred. The deferred government grant income is recognised as income on a systematic basis over the period necessary to match the grants with the related costs that they are intended to compensate. Where government grants costs on the project exceed government grant income, a receivable will be raised to the extent that such costs exceed government funding.

Unconditional government grants costs are recognised as expenses in the period in which they are incurred.

4.4 Administration expenses

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

5. Irregular, fruitless and wasteful expenditure

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

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

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

6. 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
Computer equipment	3 - 6 years
Office furniture and fittings	5 - 10 years
Office equipment	5 - 10 years
Motor vehicles	4 - 8 years
Other assets	2 - 5 years

Expectations about the useful lives and residual value of property and equipment have not changed since the previous reporting date.

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.

7. 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.

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.

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. Leasing

Operating lease

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

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

10. 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%**

11. Provisions

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

Provision for employee related entitlements

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

12. Financial instruments

Recognition

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

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

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

Financial assets

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

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

Financial assets at fair value

Financial assets at fair value are either derivatives, combined instruments that are designated at fair value, instruments held for trading, non-derivatives designated at fair value in initial recognition and financial instruments that do not meet the definition of amortised cost or cost.

The merSETA has classified money market instruments as financial assets at fair value as these non-derivatives were designated at fair value in initial recognition and are held for trading as the intention is to earn short-term gains.

The initial measurement of financial assets at fair value is at fair value. The subsequent measurement is at fair value based on quoted price where an active market exists, or by using a valuation technique if no active market exists.

The net gains and losses for all financial assets at fair value are determined by the changes in the market value between the reporting periods. These net gains and losses include the interest income on fixed notice deposits, which is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period of maturity.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial instruments, with fixed and determinable payments, excluding those that are held for trading or designated at fair value at initial recognition.

Deposits paid are discounted on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The prevailing market rate for a similar instrument with a similar credit risk rating is used as the discount rate.

The initial measurement of receivables from exchange transactions is at fair value including any transaction costs. The subsequent measurement is at amortised cost, using the effective interest rate method, where considered applicable. Impairment losses are recognised in an allowance account where the carrying value exceeds the present value of future cash flows, discounted at the original effective interest rate.

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition

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

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

Fair value measurement considerations

The fair value at which financial instruments are carried at reporting date has been determined using the available market values. The market values are readily and regularly available from an active market where transactions are on an arm's length basis. Where market values are not available, the fair value is determined using a valuation technique such as:

- Recent arm's length market transaction;
- If available, reference to the current fair value of another instrument that is substantially the same; and
- Discounted cash flow analysis, discounting the future receipts/payments of a financial instrument over the period of the contract, by using a market-related interest rate (adjusted for credit risk), to its present value.

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.

13. Reserves

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

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

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

Member company levy payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act, for the purpose of:

	2018	2017
Administration costs of the merSETA	10%	10%
QCTO Administration costs	0.5%	0.5%
Mandatory Workplace Skills Planning Grant	20%	20%
Discretionary projects	49.5%	49.5%
Received by the merSETA	80%	80%
Contribution to NSF	20%	20%
TOTAL	**100%**	**100%**

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

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

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

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

14. Contingencies

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

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

15. Related party transactions

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

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

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

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

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

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

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

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

16. Comparative figures

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

17. Critical accounting judgments and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Useful lives of property and equipment

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

Provision for below threshold levies received

Companies with annual payrolls below R500 000 are exempted from paying skills development levies. There are, however, still exempt companies that are paying skills development levies. The merSETA estimates the value and makes provision to refund these levies. The provision is held for only five years as in terms of section 190(4) of the Tax Administration Act a person is entitled to a refund if claimed within five years of the date of assessment. Unclaimed levies only 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.

18. Segment reporting

A segment is an activity of the merSETA:

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

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

Measurement

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

1. ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES

	Total per statement of financial performance	Administration reserve	Employer grants reserve	Discretionary grants
	R'000	R'000	R'000	
Year ended 31 March 2018				
TOTAL REVENUE	**1 651 783**	**182 731**	**349 021**	**1 120 031**
Admin levy income (10.5%)	182 649	182 649	-	-
Grant levy income (69.5%)	1 208 821	-	349 021	859 800
Penalties and interest	32 742	-	-	32 742
Investment income	227 448	-	-	227 448
Other income	123	82	-	41
TOTAL EXPENSES	**1 146 883**	**160 659**	**249 777**	**736 447**
Employer grants and project expenses	986 224	-	249 777	736 447
Administration expenses	160 659	160 659	-	-
Net surplus per the statement of financial performance allocated	**504 900**	**22 072**	**99 244**	**383 584**
Year ended 31 March 2017				
TOTAL REVENUE	**1 511 420**	**171 790**	**328 081**	**1 011 549**
Admin levy income (10.5%)	171 717	171 717	-	-
Grant levy income (69.5%)	1 136 415	-	328 081	808 334
Penalties and interest	27 519	-	-	27 519
Investment income	175 628	-	-	175 628
Other income	141	73	-	68
TOTAL EXPENSES	**1 146 744**	**145 978**	**247 151**	**753 615**
Employer grants and project expenses	1 000 766	-	247 151	753 615
Administration expenses	145 978	145 978	-	-
Net surplus per the statement of financial performance allocated	**364 676**	**25 812**	**80 930**	**257 934**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2018

2. SKILLS DEVELOPMENT LEVY INCOME

	Note	2018 R'000	2017 R'000
The total levy income per the statement of financial performance is as follows:			
Levy income: Administration		**182 649**	**171 717**
Levies received from SARS		183 275	171 950
InterSETA transfers		(530)	(144)
Provision for refund SARS		(96)	(89)
Levy income: Employer grants		**349 021**	**328 081**
Levies received from SARS		349 199	327 467
InterSETA transfers		(1 010)	(327)
Provision for refund SARS		832	941
Levy income: Discretionary grants		**859 800**	**808 334**
Levies received from SARS		863 805	810 622
InterSETA transfers		(2 499)	(724)
Provision for refund SARS		(1 506)	(1 564)
		1 391 470	**1 308 132**

3. SKILLS DEVELOPMENT LEVY PENALTIES AND INTEREST

Penalties		17 150	15 487
Interest		15 594	12 046
InterSETA transfers		(2)	(14)
		32 742	**27 519**

4. GOVERNMENT GRANTS

4.1 National Skills Fund

	Note	2018 R'000	2017 R'000
TLS Programme			
Opening balance		-	176
Refund to National Skills Fund		-	(176)
Closing balance		**-**	**-**

Funds were received from the National Skills Fund (NSF) for the purposes of funding the wage portion of the Training Layoff Scheme. Unutilised monies were reimbursed to the NSF.

5. NET GAINS FROM FINANCIAL INSTRUMENTS

Net gains from financial assets at fair value		-	37 412
Interest income from cash and cash equivalents		227 448	138 216
		227 448	**175 628**

6. OTHER INCOME

Fair value adjustment of property and equipment		-	2
Income from re-certification		41	43
Management fee income		82	71
Bad debts recovered		-	25
		123	**141**

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

7. EMPLOYER GRANT AND PROJECT EXPENSES

Mandatory grants		**249 777**	**247 151**
Mandatory grants		250 531	247 285
Bad debts - mandatory		(754)	(134)
Discretionary projects		**736 447**	**753 615**
Discretionary projects	7.1, 23.1	728 593	753 733
Bad debts - discretionary		7 854	(118)
		986 224	**1 000 766**

7.1 Discretionary project expenses consists of:

Direct project costs		688 885	720 756
Indirect project administration costs		39 708	32 977
		728 593	**753 733**

8. ADMINISTRATION EXPENSES

	Note	2018 R'000	2017 R'000
Advertising, marketing and promotions, communication		5 391	3 541
Amortisation - intangible assets		443	590
Audit costs - internal audit		451	1 616
Audit costs - external audi		3 237	1 869
Audit costs - other audits		106	22
Bad debts		-	216
Bank charges		522	311
Accounting Authority and sub-committee costs		3 240	3 268
Remuneration to members of the audit committee		375	437
Accounting Authority and sub-committee members' fees		2 725	2 324
Accounting Authority and sub-committee assessment cost		70	369
Stakeholder training		-	138
Secretarial services		70	-
Cleaning and groceries		753	390
Depreciation		1 918	1 841
Employment costs		121 695	116 190
Recruitment costs		545	338
Salaries, wages and benefits	8.1	117 888	112 280
Staff training, development and welfare		3 262	3 572
Entertainment expenses		10	11
Gifts, donations and sponsorships paid		265	182
Insurance and licence fees		1 694	1 299
Investigations and forensic costs		404	387
Legal fees		2 324	1 387
Loss on disposal of property and equipment	21	51	49
Operating lease rentals		12 254	12 065
Buildings		10 698	10 486
Parking		1 556	1 579
Printing, stationery and postages		2 472	2 387
QCTO administration cost		7 468	7 041
Rates, water and electricity		3 764	3 395
Repairs, maintenance and running costs		3 823	2 940
Buildings		2 142	1 546
Property and equipment		1 681	1 394
Service provider administration fees		11 583	3 850
Special functions		775	260
Storage		311	277
Telecommunication expenses		4 827	4 420
Travel, conferences and meeting expenses		10 586	9 151
		200 367	**178 955**
Less: amounts allocated to project expenses	7.1	(39 708)	(32 977)
Net administration cost		**160 659**	**145 978**

8. ADMINISTRATION EXPENSES (continued)

8.1 Salaries, wages and benefits	Note	2018 R'000	2017 R'000
Salaries and wages		102 571	97 742
Basic salaries		88 369	83 707
Performance awards		8 128	7 523
Arbitration awards		272	-
Other non-pensionable allowance		3 162	3 140
Temporary staff		1 650	1 974
Leave payments		990	1 398
Social contributions		15 317	14 538
Medical aid contributions		4 247	3 967
Pension contributions: defined contribution fund		9 493	9 011
UIF		399	399
Insurance		154	186
Other salary-related costs		1 024	975
		117 888	**112 280**
Average number of employees during the year		229	270
Permanent staff		229	233
Interns		-	37

	Note	2018	2017
Number of employees at the end of the year		223	267
Permanent staff		223	238
Interns		-	29

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.

9. CASH AND CASH EQUIVALENTS

Cash on hand		30	30
Cash at bank		4 705	3 215
Call accounts		150 460	180 899
Fixed notice deposits		2 850 000	2 212 500
		3 005 195	**2 396 644**

The merSETA obtained National Treasury approval of the banking institutions where these funds are held as required in terms of Treasury Regulation 31.2. The weighted average interest rate for cash and cash equivalents was 8.17% (2017: 7.90%).

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

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

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

10. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Note	2018 R'000	2017 R'000
Deposits		1 261	1 255
Receivables due by employees and stakeholders		9	13
Sundry receivables	10.1	-	-
Interest receivable		128 841	78 772
		130 111	**80 040**

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

Sundry receivables represent a deposit on a lease agreement for the KZN regional office, which the landlord is withholding. The lease expired at the end of 2017. All attempts made to recover the funds were unsuccessful.

10.1 Sundry receivables

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

Allowance for doubtful debts:			
Opening carrying amount		216	-
Opening carrying amount		-	216
Closing carrying amount		**216**	**216**

11. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Employer receivable	11.1	4 784	3 171
Receivable - discretionary projects (UIF)	11.3	14 734	15 221
Receivable - Training Layoff Scheme (UIF)	11.3	-	25 250
National Department of Public Works (NDPW)	11.3	655	606
		20 173	**44 248**

11.1 Employer receivable

Employer receivable		18 402	9 689
Allowance for doubtful debts	11.1.1	(13 618)	(6 518)
Net receivable from employers		**4 784**	**3 171**

The employer receivable of R18.4 million (March 2017: R9.7 million) represents recoverable amounts due to:

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

An amount of R13.6 million (March 2017: R6.5 million) was provided against such employer receivables.

11.1.1 Allowance for doubtful debts:

	Note	2018 R'000	2017 R'000
Opening carrying amount		(6 518)	(14 790)
Bad debts written off		-	8 020
Additional provision during period	7	(7 100)	252
Closing carrying amount		(13 618)	(6 518)

11.2 Receivable - investigations

Receivable arising from investigations		-	-
Allowance for doubtful debts		-	-
Net receivable from investigations		-	-

11.2.1 Allowance for doubtful debts:

Opening carrying amount		-	(6 329)
Provision reversed		-	6 329
Closing carrying amount		-	-

The opening carrying amount of R6.329 million was carried unchanged from 2011. In the prior year the Accounting Authority approved the write off of the debt.

	2018		2017	
	Gross	Impairment	Gross	Budget
AGEING OF RECEIVABLES				
Current	7 583	(2 799)	1 983	-
30 Days	468	(468)	1 188	-
60 Days	872	(872)	390	(390)
90 Days	1 317	(1 317)	281	(281)
91 Days to 6 Months	1 376	(1 376)	1 847	(1 847)
6 Months - 1 Year	1 606	(1 606)	640	(640)
1 Year plus	5 180	(5 180)	3 360	(3 360)
TOTAL	**18 402**	**(13 618)**	**9 689**	**(6 518)**

11.3 Receivable - UIF and NDPW

	2018		2017	
	UIF	NDPW	UIF	NDPW
AGEING OF RECEIVABLES				
Current	112	-	1 785	150
30 Days	863	-	4 723	-
60 Days	187	-	686	-
90 Days	525	306	3 341	-
91 Days to 6 Months	4 335	-	29 936	2
6 Months - 1 Year	2 209	-	-	-
1 Year plus	6 503	349	-	454
TOTAL	**14 734**	**655**	**40 471**	**606**

12. FINANCIAL ASSETS AT FAIR VALUE

	Note	31 MARCH 2018	31 MARCH 2017
		R'000	R'000
Money market instruments		-	105 617

All the financial assets at fair value are measured at quoted prices as per the market determinable fair value from an active market at reporting date. This amount consists of the capital investment and the returns earned.

The fair value measurements recognised are at a Level 1 hierarchy as they are based on quoted prices (unadjusted) in an active market.

In the prior year, the merSETA obtained National Treasury approval of the banking institutions where these funds were held as required in terms of Treasury Regulation 31.2. The weighted average interest rate on financial instruments at fair value for 2017 was 6.72%.

13. PREPAYMENTS

	Note	31 MARCH 2018 R'000	31 MARCH 2017 R'000
Prepayments - Insurance		-	62

14. CONSUMABLES

	Note	31 MARCH 2018 R'000	31 MARCH 2017 R'000
Opening carrying value		505	320
Consumables purchased		1 259	851
Consumables issued and adjustments		(965)	(666)
Closing carrying value		799	505

15. PROPERTY AND EQUIPMENT

	Cost R'000	Accumulated depreciation/ impairments R'000	Closing carrying amount R'000
YEAR ENDED 31 MARCH 2018			
Owned assets			
Computer equipment	11 105	(7 229)	3 876
Office furniture and fittings	7 227	(4 760)	2 467
Office equipment	3 272	(2 364)	908
Motor vehicles	4 794	(1 736)	3 058
Other assets	60	(54)	6
TOTAL OWNED ASSETS	**26 458**	**(16 143)**	**10 315**

	Cost R'000	Accumulated depreciation/ impairments R'000	Closing carrying amount R'000
YEAR ENDED 31 MARCH 2017			
Owned assets			
Computer equipment	8 567	(6 591)	1 976
Office furniture and fittings	6 624	(4 622)	2 002
Office equipment	3 035	(2 137)	898
Motor vehicles	4 794	(727)	4 067
Other assets	1 024	(1 018)	6
BALANCE AT END OF YEAR	**24 044**	**(15 095)**	**8 949**

15. PROPERTY AND EQUIPMENT (continued)

	Opening carrying amount	Fair value adjustment/ re-classification	Additions	Disposals cost	Depreciation charge	Accumulated depreciation on disposals	Closing carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
MOVEMENT SUMMARY 2018							
Owned assets							
Computer equipment	1 976	-	3 120	(581)	(1 156)	517	3 876
Office furniture and fittings	2 002	-	935	(332)	(419)	281	2 467
Office equipment	898	-	298	(62)	(282)	56	908
Motor vehicles	4 067	-	-	-	(1 009)	-	3 058
Other assets	6	-	-	-	-	-	6
TOTAL OWNED ASSETS	**8 949**	**-**	**4 353**	**(975)**	**(2 866)**	**854**	**10 315**

	Opening carrying amount	Fair value adjustment/ re-classification	Additions	Disposals cost	Depreciation charge	Accumulated depreciation on disposals	Closing carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
MOVEMENT SUMMARY 2017							
Owned assets							
Computer equipment	2 370	2	735	(689)	(1 044)	602	1 976
Office furniture and fittings	2 354	-	78	(83)	(416)	69	2 002
Office equipment	881	-	311	(695)	(256)	657	898
Motor vehicles	391	-	4 218	-	(542)	-	4 067
Other assets	70	-	-	-	(64)	-	6
BALANCE AS AT END OF YEAR	**6 066**	**2**	**5 342**	**(1 467)**	**(2 322)**	**1 328**	**8 949**

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

16. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Cost	Accumulated amortisation	Closing carrying amount
	R'000	R'000	R'000
YEAR ENDED 31 MARCH 2018			
Intangible assets	1 525	(1 300)	225
YEAR ENDED 31 MARCH 2017			
Intangible assets	1 968	(1 705)	263

	Opening carrying amount	Additions	Disposals cost	Amortisation charge	Accumulated amortisation on disposals	Closing carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000
MOVEMENT SUMMARY 2018						
Intangible assets	263	405	(847)	(443)	847	225
MOVEMENT SUMMARY 2017						
Intangible assets	540	314	-	(591)	-	263

17. PAYABLES FROM EXCHANGE TRANSACTIONS

	Note	31 MARCH 2018	31 MARCH 2017
		R'000	R'000
Trade payables from exchange transactions		21 400	26 405

18. GRANTS AND TRANSFERS PAYABLE

Grants payable		98 551	71 958
Provision for SARS refund	18.1	17 147	15 877
InterSETA payables	25.1	1 625	700
		117 323	**88 535**

18.1 Provision for SARS refund

Opening carrying amount		15 877	15 094
Amount utilised		(3 515)	(3 492)
Additional provision during the period		4 785	4 275
Closing carrying amount	18	17 147	15 877

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.

19. OTHER PAYABLES

Accruals salaries and wages		1 185	1 075

20. PROVISIONS

Provision for leave pay		6 209	5 818
Provision for Workman's Compensation		164	208
Provision for performance bonuses		9 437	8 087
		15 810	**14 113**

	Leave pay	Workman's compensation	Performance bonuses
	R'000	R'000	R'000
Opening carrying amount 2017	4 857	186	7 180
Amounts utilised 2017	(502)	(186)	(7 180)
Additional provision during the period	1 463	208	8 087
Closing carrying amount 2017	5 818	208	8 087
Amounts utilised 2018	(651)	(208)	(9 436)
Additional provision during the period	1 042	164	10 786
Closing carrying amount 2018	**6 209**	**164**	**9 437**

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

21. RECONCILIATION OF NET SURPLUS TO CASH UTILISED IN OPERATIONS

	Note	2018 Actual R'000	2018 Budget R'000	2017 Actual R'000	2017 Budget R'000
NET SURPLUS PER THE STATEMENT OF FINANCIAL PERFORMANCE		504 900	-	364 676	(87 429)
Adjusted for non-cash items:					
Depreciation property and equipment	15	2 866	9 284	2 322	1 559
Amortisation of intangible assets	16	443	2 921	591	2 145
Loss on disposal of property and equipment	8	51	-	49	-
Fair value adjustments to property and equipment	15	-	-	(2)	-
Movements in provisions		1 697	(1 613)	1 890	(9 223)
Adjusted for items separately disclosed					
Net gains from financial instruments		(177 379)	(115 010)	(100 952)	(94 096)
Adjusted for working capital changes:					
(Increase) in prepayments		62	(34)	(62)	(93)
Decrease/(increase) in receivables from non-exchange transactions		24 075	33 998	(35 793)	(45)
(Increase)/decrease in receivables from exchange transactions		(50 071)	39 135	(74 489)	(899)
(Increase)/decrease in consumables		(294)	255	(185)	80
Increase/(decrease) in grants and transfers payable		28 788	61 465	(50 345)	46 120
(Decrease)/increase in payables from exchange transactions		(5 005)	10 595	15 635	(1 770)
Increase/(decrease) in other payables		110	(1 075)	73	(1 002)
Cash utilised in operations		**330 243**	**39 921**	**123 408**	**(144 653)**

22. CONTINGENCIES

22.1 Contingent Liabilities

22.1.1 Refunds to National Treasury

In terms of the PFMA, public entities may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained. Approval for the retention of surpluses as at 31 March 2018 has been requested from National Treasury.

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

	Note	31 MARCH 2018	31 MARCH 2017
		R'000	R'000
Cash and cash equivalents at the end of the year	9	3 005 195	2 396 644
Add: Receivables from exchange transactions	10	130 111	80 040
Add: Receivables from non-exchange transactions	11	20 173	44 248
Add: Financial assets at fair value	12	-	105 617
Less: Current liabilities		(155 718)	(130 128)
Less: Commitments	23.1	(2 205 938)	(2 356 868)
Total surplus		**793 823**	**139 553**

The discretionary reserves of merSETA amount to R3.000 billion. merSETA is 73.5% committed in terms of these reserves.

22.1.2 Mandatory grants for newly registered companies

Contingent liabilities comprise an Employer Grant Reserve of R992 000 (2017: R735 000) for newly registered member companies participating after the legislative cut-off date.

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

22.2 Contingent Assets

Financial instruments

A portion of monies invested with a fund to the value of R3.0 million was placed with an entity that went under curatorship, and the funds were placed in a retention fund.

The curator has suspended trading in these assets, and has instructed that neither the capital nor the interest may be released without his final instruction.

Caution must be taken when determining the fair value of the financial instrument, as they are traded in an open market and as a result, valued in accordance to the market value of the day. If and when the fixed interest investments, currently held in side pockets, become tradable (and this is not guaranteed), the market will determine their value.

23. COMMITMENTS

23.1 Discretionary reserve commitments - Contractual

Of the balance of R3.000 billion available in the discretionary reserve on 31 March 2018, an amount of R2.206 billion has been approved for future discretionary projects as set out below. This represents a commitment ratio of 73.5%. Amounts for expenses that have already been incurred, and therefore included in the discretionary project expense in the statement of financial performance, are also indicated.

PROJECT/DISCRETIONARY GRANT PROGRAMMES	Opening balance 2017	Administration expenses/ other adjustments 2017	Approved contractual expenses and reductions 2017	Charged to statement of financial performance 2017	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2017	Closing balance 2018
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROGRAMME 1: ADMINISTRATION									
Discretionary Grant Administration Expenses	-	26 264	-	(26 264)	-	31 217	-	(31 217)	-
Project Administration Expenses	-	6 206	-	(6 206)	-	8 486	-	(8 486)	-
Media Symposiums	-	698	3 005	(3 703)	-	1 471	-	(1 471)	-
Labour and Stakeholder Capacity Building	-	-	-	-	-	78	-	(78)	-
ETQA Committee	-	72	-	(72)	-	32	-	(32)	-
Knowledge Management Project	-	702	342	(930)	114	825	(86)	(853)	-
	-	**33 942**	**3 347**	**(37 175)**	**114**	**42 109**	**(86)**	**(42 137)**	**-**
PROGRAMME 2: SKILLS PLANNING									
SSP Review	1 751	5 471	486	(7 358)	350	2 077	3 652	(3 994)	2 085
Chamber Development Programme	-	-	-	-	-	3 846	1 992	(4 838)	1 000
Strategic Planning Project	140	7	-	(147)	-	720	-	(720)	-
SA Tyre Manufacturers (SATMC)	135	-	(135)	-	-	-	-	-	-
Vaal University of Technology	24 960	-	-	(2 404)	22 556	-	(12 657)	(9 899)	-
Dual System Apprenticeship Pilot	6 438	2 700	6 152	(6 911)	8 379	2 592	2 037	(6 876)	6 132
Walter Sisulu University	24 633	-	-	(1 286)	23 347	-	-	(5 178)	18 169
University of Johannesburg - Multiyear Project	4 100	-	-	(1 580)	2 520	-	-	(993)	1 527
	62 157	**8 178**	**6 503**	**(19 686)**	**57 152**	**9 235**	**(4 976)**	**(32 498)**	**28 913**

PROJECT/DISCRETIONARY GRANT PROGRAMMES	Opening balance 2017	Administration expenses/ other adjustments 2017	Approved contractual expenses and reductions 2017	Charged to statement of financial performance 2017	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2017	Closing balance 2018
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS									
Partnership Wits University	34 000	-	-	(8 362)	25 638	-	-	(8 319)	17 319
Central University of Technical Services	330	-	-	(330)	-	-	-	-	-
Institute of Motor Industry	3 500	16	-	(3 052)	464	10	700	(31)	1 143
University of Western Cape	9 036	-	-	(4 535)	4 501	-	(2 276)	(2 225)	-
Durban University of Technology	8 002	-	(2)	(1 550)	6 450	-	(3 200)	(713)	2 537
Dept of Basic Education - Technology	29 264	-	3 000	(1 428)	30 836	-	-	(14 285)	16 551
Young Motor Engineers TVET	-	-	12 192	-	12 192	(11 322)	-	(870)	-
Innovation, Research and Support - Uni FS	-	-	8 700	-	8 700	-	-	(2 175)	6 525
Innovation, Research and Sup - Uni Venda	-	-	8 456	-	8 456	-	-	(846)	7 610
Resolution Circle - P1, P2 and Intern Development	-	-	24 914	-	24 914	-	3 629	(22 431)	6 112
Mangosuthu University of Technology	16 158	-	-	-	16 158	-	(12 000)	(2 479)	1 679
Bursaries	3 315	349	54 884	(18 534)	40 014	(24 637)	1 160	(14 281)	2 256
UIF/MerSETA Artisan Development	17 449	(8 224)	58 770	(23 004)	44 991	(7 825)	6 614	(3 851)	39 929
Denel Artisan Training Programme	779	-	-	(618)	161	-	(161)	-	-
Accelerated Artisan Training Programme	11 705	(54)	(5 666)	(5 985)	-	-	101	(101)	-
KZN - Office of Premierr Project	30 053	-	-	(5 613)	24 440	-	(1 254)	(13 699)	9 487
Eastern Cape - Office of Premier	28 632	-	-	-	28 632	-	(9 968)	(4 933)	13 731
Jaguar Land Rover Enrichment Project	1 215	-	(1 215)	-	-	-	-	-	-

23.1 Discretionary reserve commitments - Contractual (continued)

PROJECT/DISCRETIONARY GRANT PROGRAMMES	Opening balance 2017	Administration expenses/ other adjustments 2017	Approved contractual expenses and reductions 2017	Charged to statement of financial performance 2017	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2017	Closing balance 2018
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROGRAMME 3: LEARNING PROGRAMMES & PROJECTS									
MoA Project DG3 (Year 2011)	149	28	(108)	(69)	-	-	-	-	-
MoA Project DG4 (Year 2012)	23 993	(68)	(12 232)	(11 130)	563	(267)	(56)	-	240
MoA Project DG5 (Year 2013)	21 939	(372)	(6 202)	(7 111)	8 254	244	(4 622)	(3 876)	-
MoA Project DG6 (Year 2014)	223 974	(303)	(16 854)	(49 998)	156 819	(764)	(18 795)	(29 276)	107 984
MoA Project DG7 (Year 2015)	411 236	(2 957)	(35 380)	(92 045)	280 854	(1 753)	(36 076)	(33 841)	209 184
MoA Project DG8 (Year 2016)	524 650	(4 630)	(38 007)	(89 756)	392 257	(8 191)	(55 493)	(45 250)	283 323
MoA Project DG9 (Year 2017)	-	135	768 564	(205 194)	563 505	(5 493)	(55 498)	(66 869)	435 645
MoA Project DG10 (Year 2018)	-	-	-	-	-	(214)	680 511	(185 095)	495 202
School Support	4 831	-	-	(450)	4 381	-	-	(1 045)	3 336
DPWRT - Mpumalanga Provincial	1 350	-	(1 114)	(67)	169	-	(68)	(101)	-
Limpopo Department of Public Works	796	-	2 883	(1 339)	2 340	-	(289)	(684)	1 367
Development of Trade	4 820	-	-	(1 288)	3 532	-	16 712	(5 135)	15 109
SA Tyre Manufacturing (SATMC)	3 079	-	-	(2 250)	829	-	(579)	-	250
EWSETA	7 800	-	-	(7 800)	-	-	-	-	-
National Department of Public Works (NDPW)	16 087	(1 526)	5 356	(4 947)	14 970	(1 711)	21 180	(7 176)	27 263
Department of Military Veterans	1 703	-	-	-	1 703	-	(1 703)	-	-
Nelson Mandela Metro University	26 823	-	-	(4 288)	22 535	-	-	(10 166)	12 369
Cape Peninsula University of Technology	33 507	-	-	-	33 507	-	(14 364)	(3 727)	15 416

23.1 Discretionary reserve commitments - Contractual (continued)

PROJECT/DISCRETIONARY GRANT PROGRAMMES	Opening balance 2017	Administration expenses/ other adjustments 2017	Approved contractual expenses and reductions 2017	Charged to statement of financial performance 2017	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2017	Closing balance 2018
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS									
Gauteng Dept of Education (GDE)	30 955	139	(4 029)	(9 864)	17 201	(768)	35 071	(12 802)	38 702
Matriculation - 2017	37 239	(151)	(2 006)	(3 107)	31 975	(58)	(3 207)	(2 750)	25 960
Office of Premier - North West Province	12 256	-	23 840	(7 021)	29 075	-	-	(9 390)	19 685
Chinese Cultural Training Centre	-	-	23 000	(8 800)	14 200	-	26 104	(16 024)	24 280
Offenders Awaiting Parole (FS)	-	-	-	-	-	4 500	-	(1 500)	3 000
Offenders Awaiting Parole (KZN)	-	-	2 198	-	2 198	-	-	-	2 198
Offenders Awaiting Parole (KIM)	-	-	4 500	-	4 500	4 572	-	-	9 072
Skills Development - Saldanha and Atlantis	-	-	16 712	-	16 712	-	(16 712)	-	-
Schoolchildren - Land Speed Record	-	-	743	-	743	-	-	(490)	253
Office of Premier - Limpopo	-	-	19 900	-	19 900	-	-	(4 975)	14 925
East Cape Training Centre - Artisans	4 181	-	(4 181)	-	-	-	-	-	-
False Bay Public FET College	22 618	(15)	(9 806)	(3 485)	9 312	-	(1 000)	(3 305)	5 007
ISOEs	5 862	30	6 805	(3 576)	9 121	-	(646)	(2 206)	6 269
TVET Learner Support	4 808	-	(418)	(732)	3 658	-	(801)	(732)	2 125
TVET Lecturer Support	139 257	64	735	(38 038)	102 018	39	2 153	(35 819)	68 391
Goldfields Public TVET College	2 455	-	-	(1 205)	1 250	-	-	(1 250)	-
The British Council	2 000	-	-	(1 000)	1 000	12	2 700	(1 012)	2 700
Central University of Technology	3 818	-	8 900	(1 860)	10 858	-	(358)	(3 022)	7 478

23.1 Discretionary reserve commitments - Contractual (continued)

PROJECT/ DISCRETIONARY GRANT PROGRAMMES	Opening balance 2017	Administration expenses/ other adjustments 2017	Approved contractual expenses and reductions 2017	Charged to statement of financial performance 2017	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2017	Closing balance 2018
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS									
Cooperatives and TVETs	-	-	9 100	(2 777)	6 323	-	-	(2 749)	3 574
NC(V) Learners to Artisan - TVET	-	-	10 500	-	10 500	2 250	-	(3 750)	9 000
Spraypainting Simulator - TVET	-	-	15 000	-	15 000	-	-	(1 500)	13 500
Offenders Awaiting Parole - Eastern Cape	-	-	1 344	-	1 344	-	-	-	1 344
Innovation, Research and Support - University of North West	-	-	21 500	-	21 500	-	-	(4 272)	17 228
Young Motor Engineers TVET	-	-	917	-	917	-	(917)	-	-
Programme Impl-work Integrated	-	-	-	-	-	-	192	(48)	144
Cape Peninsula Univ Technology	2 880	-	-	(1 104)	1 776	-	1 920	(1 712)	1 984
Maths and Science Student Project	1 351	-	-	(1 216)	135	-	(135)	-	-
ABET Project - Phase 3 and 4	925	(2)	(128)	(230)	565	(22)	(210)	(86)	247
NEET Access Programme	424	-	(424)	-	-	-	-	-	-
Tshwane University of Technology - Institute for Advanced Tooling	21 416	-	-	(10 051)	11 365	-	(7 530)	(2 603)	1 232
University of Johannesburg Project	3 204	-	(30)	(2 680)	494	-	(382)	(112)	-
Internships	-	2 565	-	(2 565)	-	151	-	(151)	-
Retrenchment Assistance Programme	51 150	420	14 831	(12 933)	53 468	492	(7 980)	(10 667)	35 313

23.1 Discretionary reserve commitments - Contractual (continued)

PROJECT/DISCRETIONARY GRANT PROGRAMMES	Opening balance 2017	Administration expenses/ other adjustments 2017	Approved contractual expenses and reductions 2017	Charged to statement of financial performance 2017	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2017	Closing balance 2018
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS									
People with Disabilities	4 555	-	(602)	(2 244)	1 709	-	3 027	(1 441)	3 295
Saldanha Bay - Industrial Development Zone	4 187	-	-	(2 302)	1 885	-	-	(1 151)	734
Annual Conference	-	(342)	-	342	-	-	-	-	-
Black Female Management Project	-	-	963	(241)	722	-	135	(582)	275
Non Levy Paying NGOs and CBOs	2 266	133	3 416	(2 502)	3 313	(260)	4 440	(3 392)	4 101
Cooperatives	906	27	-	(933)	-	-	-	-	-
Department of Trade and Industry	19 741	-	(5 229)	(5 914)	8 598	-	2 424	(4 737)	6 285
Small, Medium Enterprise (SME) Project	5 398	61	(413)	(951)	4 095	(14)	(1 120)	(864)	2 097
Green Skills	1 121	-	-	(981)	140	-	(140)	-	-
Department of Small Business Development	10 000	-	-	(387)	9 613	-	(3 300)	(1 866)	4 447
Worker Initiated Project	2 958	-	18 320	(4 073)	17 205	(93)	(707)	(4 124)	12 281
World Skills	568	1 456	-	(1 456)	568	2 231	19 795	(5 831)	16 763
Career Path and Development	-	160	-	(160)	-	846	7 066	(2 610)	5 302
Mobile Skills Development	-	1 927	-	(1 927)	-	2 001	-	(2 001)	-
National Skills Development Scheme (NSFAS)	25 000	-	75 000	(8 769)	91 231	-	(14 236)	(1 995)	75 000
Corporate Social Investment	-	310	-	(310)	-	13	-	(13)	-
	1 923 674	**(10 824)**	**1 081 897**	**(695 795)**	**2 298 952**	**(46 031)**	**559 851**	**(637 014)**	**2 175 758**

23.1 Discretionary reserve commitments - Contractual (continued)

PROJECT/DISCRETIONARY GRANT PROGRAMMES	Opening balance 2017	Administration expenses/ other adjustments 2017	Approved contractual expenses and reductions 2017	Charged to statement of financial performance 2017	Opening balance 2018	Administration expenses/ other adjustments 2018	Approved contractual expenses and reductions 2018	Charged to statement of financial performance 2017	Closing balance 2018
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROGRAMME 4: QUALITY ASSURANCE									
Courseware and Curriculum Development	-	112	-	(112)	-	90	800	(90)	800
QCTO CEP Pilot Project	1 004	382	194	(930)	650	384	498	(1 065)	467
Assessment Quality Partner	-	35	-	(35)	-	88	-	(88)	-
	1 004	**529**	**194**	**(1 077)**	**650**	**562**	**1 298**	**(1 243)**	**1 267**
TOTAL CONTRACTUAL COMMITMENTS	**1 986 835**	**31 825**	**1 091 941**	**(753 733)**	**2 356 868**	**5 875**	**556 087**	**(712 892)**	**2 205 938**

Included in these commitments are month to month contracts totalling R47 thousand. There are also contracts totalling R1,042 million where the addendums to the contracts were signed after the reporting date but prior to the approval of the Annual Financial Statements. There is a clause in these contracts stating that "the addendum shall commence retrospectively on 01 November 2017 notwithstanding the date of signature hereof".

23.2 Commitments not yet contracted

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

This represents bursary commitments where the original contracts have expired and the addendums were not yet signed at 31 March 2018.

23.3 Funding agreements

UIF - Project 2	75 000	-	(32 400)	-	42 600	-	(3 209)	-	39 391
National Dept Public Works	10 869	-	23 311	-	34 180	-	(28 432)	-	5 748
GDE Apprent Support Programme	-	-	44 625	-	44 625	-	(37 443)	-	7 182
TOTAL	**85 869**	**-**	**35 536**	**-**	**121 405**	**-**	**(69 084)**	**-**	**52 321**

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

23.4 Operating Leases

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

The operating leases relate to premises utilised for office space. The existing leases came to an end on 31 March 2018.

Most of the lease contracts were renewed before 31 March 2018 for the period 1 April 2018 to 31 March 2020. The average escalation was 8%.

	2018	2017
	R'000	R'000
Not later than one year	12 029	12 659
Later than one year and not later than five years	12 558	-
	24 587	**12 659**

24. FINANCIAL INSTRUMENTS

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

MARKET

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, namely interest rate risk, currency risk and other price risks.

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

Interest rate risk

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

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

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

24. FINANCIAL INSTRUMENTS (continued)

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

FINANCIAL INSTRUMENT	FLOATING RATE		FIXED RATE			NON-INTEREST BEARING		Total
	Amount	Effective interest rate	Amount	Weighted average effective interest rate	Weighted average period for which the rate is fixed	Amount	Weighted average period until maturity	
	R'000	%	R'000	%	Years	R'000	Years	R'000
YEAR ENDED 31 MARCH 2018								
Assets								
Cash and cash equivalents	4 735	6.60	3 000 460	8.29	12 months	-	-	3 005 195
Receivables from exchange	-	-	-	-	-	130 111	12 months	130 111
Total financial assets	**4 735**		**3 000 460**			**130 111**		**3 135 306**
Liabilities								
Trade payables	-	-	-	-	-	21 400	30 days	21 400
Net financial assets	**4 735**		**3 000 460**			**108 711**	**-**	**3 113 906**

FINANCIAL INSTRUMENT	FLOATING RATE		FIXED RATE			NON-INTEREST BEARING		Total
	Amount	Effective interest rate	Amount	Weighted average effective interest rate	Weighted average period for which the rate is fixed	Amount	Weighted average period until maturity	
	R'000	%	R'000	%	Years	R'000	Years	R'000
YEAR ENDED 31 MARCH 2017								
Assets								
Cash and cash equivalents	3 245	6.75	2 393 399	7.90	12 months	-	-	2 396 644
Financial instruments at fair value	105 617	6.72	-	-	-	-	-	105 617
Receivables from exchange transactions	-	-	-	-	-	80 040	12 months	80 040
Total financial assets	**108 862**		**2 393 399**	-	-	**80 040**	-	**2 582 301**
Liabilities								
Trade payables	-	-	-	-	-	26 405	30 days	26 405
Net financial assets	**108 862**		**2 393 399**	**-**	**-**	**53 635**	**-**	**2 555 896**

Equity market risk

The equity market risk is managed by ensuring that the capital amount invested is guaranteed by the financial institution. The capital guarantees arising from contractual arrangements with the financial institutions, thus are enforceable by law.

The investment policy that has been approved by the Accounting Authority states the requirements for the capital preservation on equity-linked instruments and a limited percentage of total investments can be invested in equity-linked instruments.

SENSITIVITY ANALYSIS

The financial period under review was faced with a number of economic challenges such as credit ratings downgrade, a severe drought and low growth prospects. In the first quarter of 2018, Moody's decision to keep an investment grade credit rating, the Rand's resilience, low inflation and President Cyril Ramaphosa's appointment bode well for the economy. Inflation has remained within the Reserve Bank's target range of 3% to 6% resulting in an interest rate cut of 25 basis points. Most economic forecasts had anticipated an interest rate increase of 25 basis point during the year, therefore management determines that a fluctuation interest rate of 25 basis points, is reasonable for sensitivity analysis.

At 31 March 2018, if the weighted average interest rate was 25 basis point higher with all other variables held constant, then the surplus would have been R11 million higher to R516 million, arising from the increase in net gains on financial instruments. If the weighted average interest rate was 25 basis point lower with all other variables held constant, then the surplus would have been R3.9 million lower to R501 million, arising from the decreased net gains in financial instruments.

The metal and engineering sector has been facing an economic crisis over the last three years. This can be seen in the decrease in production and job losses in the sector. Manufacturing production decreased by 1.3% in March 2018 compared with March 2017. The largest negative contribution was made by the petroleum, chemical products, rubber and plastic products division (-6.3% and contributing -1.5 percentage points), while the largest positive contribution was made by the following divisions: food and beverages (6.1% and contributing 1.5 percentage points). Levy income growth in 2018 was at 6% over prior year when compared to 0.1% growth in 2017. Therefore, management determines that a variant of 5% to 10% fluctuating in levy income is reasonable for the sensitivity analysis.

At 31 March 2018, if skills development levy income grew only by 2% from the previous financial year, instead of the 6% growth and all other variables held constant, then a surplus of R448.5 million would have been incurred. If the skills development levy income declined by 2% and all other variables held constant, then a surplus of R396.2 million would have been earned.

CREDIT RISK

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

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

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

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

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

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

	Note	2018 R'000	2017 R'000
Employer receivable	11	4 784	3 171
Receivables due by employees	10	9	13
		4 793	**3 184**

FINANCIAL INSTRUMENTS (Continued)

LIQUIDITY RISK

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

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

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

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

	Carrying Amount	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
	R'000	R'000	R'000	R'000	R'000	
2018						
Trade payables from exchange transactions	21 400	21 400	21 400	-	-	-
2017						
Trade payables from exchange transactions	26 405	26 405	26 405	-	-	-

Fair values

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

Cash and cash equivalents

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

Receivables from exchange transactions

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

25. RELATED PARTY TRANSACTIONS

25.1 Transactions with other SETAs

Inter-SETA 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:

		2018		2017	
		R'000		R'000	
	Note	Net transfers in/(out) during the year	Amount receivable/ (payable)	Net transfers in/(out) during the year	Amount receivable/ (payable)
Payables	18	**(4 039)**	**(1 625)**	**(1 195)**	**(700)**
AGRISETA		(7)	-	-	-
CETA		(2 874)	(182)	(15)	(15)
CHIETA		(1 112)	(1 095)	(107)	(108)
EWSETA (Previously ESETA)		-	-	(245)	(119)
FASSET		(83)	-	-	-
FP&M SETA		(98)	-	12	-
MICT SETA		(117)	(14)	(45)	(2)
MQA		(53)	(53)	(61)	(61)
PSETA		-	(67)	-	-
SERVICES SETA		(3)	(3)	(379)	(386)
TETA		(90)	(90)	(75)	-
W&RSETA		398	(121)	(280)	(9)
Total		**(4 039)**	**(1 625)**	**(1 195)**	**(700)**

25. RELATED PARTY TRANSACTIONS (Continued)

25.2 Accounting Authority and independent committee members fees

ACCOUNTING AUTHORITY AND INDEPENDENT COMMITTEE MEMBERS	2018 R'000		2017 R'000	
	Net transfers in/(out) during the year	Amount receivable/ (payable)	Net transfers in/(out) during the year	Amount receivable/ (payable)
X Tshayana	(306)	(36)	(280)	(8)
J Esterhuizen	(175)	(15)	(132)	-
J Swarts	(214)	(23)	(271)	-
M Lebona	(311)	(41)	(298)	(8)
A Hanekom*	(173)	(8)	(164)	-
T Molapo	(170)	(8)	(69)	-
F Tregenna	(90)	(8)	(101)	-
J Olivier*	(57)	-	(147)	-
J Van Niekerk	(33)	(6)	(54)	-
H Korstens*	(82)	(6)	(108)	(2)
N Chirwa	(41)	-	(16)	-
R Daniels (Independent)	(82)	-	(8)	-
M Maisela (Independent)	(74)	-	(31)	-
M Kuscus (Independent)	-	-	(23)	-
S Rensburg (Independent)	(41)	-	(31)	-
M Mulholland	(106)	(21)	-	-
M Ally**	-	-	(30)	-
H von Maltitz**	(35)	-	(122)	(10)
T Mashanda (Independent)***	(589)	(145)	(410)	-
F Mukaddam (Independent)	(124)	-	(152)	-
A Mashilo	(165)	-	(153)	-
K Mbonambi (Independent)	(25)	-	(31)	-
M de Swardt (Independent)	(65)	-	(46)	-
K Zama (Independent)	(142)	-	(84)	-
	(3 100)	**(317)**	**(2 761)**	**(28)**

These transactions and balances relate to Accounting Authority fees and independent committee members' fees. The Chairperson of the Accounting Authority is a public servant and is therefore not paid fees.

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

** These members have resigned

*** T Mashanda also attended Accounting Authority meetings as Chairperson and representative of the Audit and Risk Committee. The fees stated above include an amount of R233 000 for attending such meetings. The Chairperson was also paid an amount of R218 000 for special investigative work requested by the Accounting Authority.

25.3 Key management personnel costs

	Basic Salary	Travel Allowance	Medical Aid	Pension Fund	Performance Bonus	Total 2018	Total 2017	Notes
	R'000	R'000	R'000	R'000	R'000	R'000		
KEY PERFONNEL								
Chief Executive Officer	1 680	132	63	165	286	2 326	2 162	
Chief Financial Officer	265	-	2	12	-	279	1 581	Apr 2017 to May 2017
Chief Financial Officer	1 169	-	26	130	189	1 514	-	May 2017 to Mar 2018
Chief Operating Officer	1 412	96	-	134	230	1 872	1 672	
Executive: Corporate Services	1 125	-	29	109	187	1 450	967	
Executive: Strategy and Research	1 258	-	29	131	199	1 617	1 264	
TOTAL	**6 909**	**228**	**149**	**681**	**1 091**	**9 058**	**7 646**	

* Note that the performance bonus of the CEO and executives is based on a provision as the performance review process was not finalised by 31 March 2018.

26. GOING CONCERN

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

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

CRIMINAL CONDUCT

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

IRREGULAR EXPENSES

	2018	2017 RESTATED
	R'000	R'000
Opening balance	10 955	999
Add: Irregular expenses - current year	1 933	10 955
Less: expenses where condonation obtained	-	(999)
	12 888	**10 955**
Irregular expenses awaiting condonation - current year	12 888	10 955
Analysis of expenses awaiting condonation per age classification		
Current year	1 933	4 838
Prior year	10 955	6 117
TOTAL	**12 888**	**10 955**

YEAR ENDED 31 MARCH 2018				
Incident	**Nature of transaction**	**Disciplinary steps taken/criminal proceedings**	**Remedial actions taken**	**Amount R'000**
merSETA failed to obtain an approval for deviation from a competitive bidding process	Acquisition of a mobile bus	No disciplinary steps were taken	Internal controls relating to supply chain procedures have been strengthened	1 077
merSETA failed to obtain a deviation for support, service and maintenance for the Great Plains Accounting System	Technical support for the accounting system used by merSETA	Disciplinary steps have been initiated	Deviation memo/SLA to be drawn up for the 2018/19 financial year	372
Lowest bidding provider unfairly disqualified and award made to a provider with higher quotes that did not meet the specification requirement	Acquisition of IT equipment	Disciplinary steps have been initiated	Internal controls relating to supply chain procedures have been strengthened/ training of supply chain officials and management	480
Goods and serviced procured without obtaining minimum number of quotations	Recruitment of personnel and catering	Disciplinary steps have been initiated	Internal controls relating to supply chain procedures have been strengthened/ training of supply chain officials and management	4
TOTAL				**1 933**

Irregular expenditure of R1.9 million was identified during the financial period 2017/18. Application for condonation of these expenses was made to National Treasury. At 31 March 2018, this was still pending. Application for condonation for the 2016/17 irregular expenditure of R4.8 million was also made with National Treasury. This was not condoned. An appeal process has been initiated.

YEAR ENDED 31 MARCH 2017				
Incident	Nature of transaction	Disciplinary steps taken/criminal proceedings	Remedial actions taken	Amount R'000
merSETA failed to obtain an approval for deviation from a competitive bidding process	Acquisition of a mobile bus	No disciplinary steps were taken	Internal controls relating to supply chain procedures have been strengthened	4 838
Various incidents of misconduct relating to procurement of goods and services	Forensic investigation into alleged misconduct	Disciplinary steps have been initiated	Internal controls relating to supply chain procedures have been strengthened	6 117
TOTAL				**10 955**

PRIOR YEAR ADJUSTMENT

Irregular expenditure that occurred in prior years amounting to R6.1 million relating to disciplinary charges was identified. The opening balance of R4.8 million has been adjusted to reflect this.

FRUITLESS AND WASTEFUL EXPENSES

No fruitless and wasteful expenses was identified during the current year or the prior year.

28. 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). The application to obtain approval of the exemption from SARS was still in process at year end.

29. SEGMENT REPORTING

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

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

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

29. SEGMENT REPORTING (Continued)

2017/18

Segment Reporting	Mandatory	Discretionary	Administration	Reconciliation to the statement of financial performance			
				Total segmental reporting	No segmented amounts	Total	Note
Segment revenue							
Total non-exchange revenue	349 021	892 583	182 649	1 424 253	-	1 424 253	1
Total exchange revenue	-	227 448	82	227 530	-	227 530	1
Total Revenue	**349 021**	**1 120 031**	**182 731**	**1 651 783**	**-**	**1 651 783**	
Segment expenses							
Employer grant and project expenses	(249 777)	(736 447)	-	(986 224)	-	(986 224)	7
Administration expenses	-	-	(160 659)	(160 659)	-	(160 659)	8
Total Expenses	**(249 777)**	**(736 447)**	**(160 659)**	**(1 146 883)**	**-**	**(1 146 883)**	
SURPLUS FOR THE PERIOD	**99 244**	**383 584**	**22 072**	**504 900**	**-**	**504 900**	

29. SEGMENT REPORTING (Continued)

2017/18

Segment Reporting	Mandatory	Discretionary	Administration	Reconciliation to the statement of financial performance: Total segmental reporting	No segmented amounts	Total	Note
Assets							
Non-current assets							
Property and equipment	-	-	-	-	10 315	10 315	15
Intangible assets	-	-	-	-	225	225	16
Current assets							
Cash and cash equivalents	-	-	-	-	3 005 195	3 005 195	9
Receivables from exchange transactions	-	-	-	-	130 111	130 111	10
Receivables from non-exchange transactions	1 018	19 155	-	20 173	-	20 173	11
Financial assets at fair value	-	-	-	-	-	-	12
Prepayments	-	-	-	-	-	-	13
Consumables	-	-	-	-	799	799	14
Total Assets	**1 018**	**19 155**	**-**	**20 173**	**3 146 645**	**3 166 818**	
Liabilities							
Current liabilities							
Payables from exchange transactions	-	20 659	741	21 400	-	21 400	17
Grants and transfers payable	40 543	73 192	1 963	115 698	1 625	117 323	18
Other payable	-	-	1 185	1 185	-	1 185	19
Provisions	-	-	15 810	15 810	-	15 810	20
Total Liabilities	**40 543**	**93 851**	**19 699**	**154 093**	**1 625**	**155 718**	
NET ASSETS AND LIABILITIES	**(39 525)**	**(74 696)**	**(19 699)**	**(133 920)**	**3 145 020**	**3 011 100**	
Funds and reserves							
Administration reserve	-	-	10 540	10 540	-	10 540	
Employer grant reserve	992	-	-	992	-	992	
Discretionary reserve	-	2 999 568	-	2 999 568	-	2 999 568	
TOTAL FUNDS AND RESERVES	**992**	**2 999 568**	**10 540**	**3 011 100**	**-**	**3 011 100**	

29. SEGMENT REPORTING (Continued)

2016/17

Segment Reporting	Mandatory	Discretionary	Administration	Reconciliation to the statement of financial performance: Total segmental reporting	No segmented amounts	Total	Note
Segment revenue							
Total non-exchange revenue	328 081	835 853	171 717	1 335 651	-	1 335 651	1
Total exchange revenue	-	175 696	73	175 769	-	175 769	1
Total Revenue	**328 081**	**1 011 549**	**171 790**	**1 511 420**	**-**	**1 511 420**	
Segment expenses							
Employer grant and project expenses	(247 151)	(753 615)	-	(1 000 766)	-	(1 000 766)	7
Administration expenses	-	-	(145 978)	(145 978)	-	(145 978)	8
Total expenses	**(247 151)**	**(753 615)**	**(145 978)**	**(1 146 744)**	**-**	**(1 146 744)**	
SURPLUS FOR THE PERIOD	**80 930**	**257 934**	**25 812**	**364 676**	**-**	**364 676**	

29. SEGMENT REPORTING (Continued)

2016/17

Segment Reporting	Mandatory	Discretionary	Administration	Reconciliation to the statement of financial performance: Total segmental reporting	No segmented amounts	Total	Note
Assets							
Non-current assets							
Property and equipment	-	-	-	-	8 949	8 949	15
Intangible assets	-	-	-	-	263	263	16
Current assets							
Cash and cash equivalents	-	-	-	-	2 396 644	2 396 644	9
Receivables from exchange transactions	-	-	-	-	80 040	80 040	10
Receivables from non-exchange transactions	1 018	43 230	-	44 248	-	44 248	1
Financial assets at fair value	-	-	-	-	105 617	105 617	12
Prepayments					62	62	13
Consumables	-	-	-	-	505	505	14
Total assets	**1 018**	**43 230**	**-**	**44 248**	**2 592 080**	**2 636 328**	
Liabilities							
Current liabilities							
Payables from exchange transactions	-	25 223	1 182	26 405	-	26 405	17
Grants and transfers payable	43 626	42 342	1 867	87 835	700	88 535	18
Other payables	-	-	1 075	1 075	-	1 075	19
Provisions	-	-	14 113	14 113	-	14 113	20
Total liabilities	**43 626**	**67 565**	**18 237**	**129 428**	**700**	**130 128**	
NET ASSETS AND LIABILITIES	**(42 608)**	**(24 335)**	**(18 237)**	**(85 180)**	**2 591 380**	**2 506 200**	
Funds and reserves							
Administration reserve	-	-	9 212	9 212	-	9 212	
Employer grant reserve	735	-	-	735	-	735	
Discretionary reserve	-	2 496 253	-	2 496 253	-	2 496 253	
TOTAL FUNDS AND RESERVES	**735**	**2 496 253**	**9 212**	**2 506 200**	**-**	**2 506 200**	

30. EVENTS AFTER THE REPORTING DATE

Application to National Treasury to seek approval for the retention of accumulated surpluses as at 31 March 2018 has been made. SARS approved merSETA's application for exemption from Income Tax on 19 April 2018.

SARS approved merSETA's application for exemption from Income Tax on 19 April 2018.

Condonation was received for irregular expenditure amounting to R856 000. This was condoned by the Chief Executive Officer on 24 May 2018 in accordance with the Delegation of Authority Framework.

31. NEW ACCOUNTING PRONOUNCEMENTS

The ASB has issued the following standards of GRAP for which effective dates have not yet been gazetted by the Minister of Finance:

	Statement
Related Parties Disclosures	GRAP 20
Service Concession Arrangements: Grantor	GRAP 32
Separate Financial Statements	GRAP 34
Consolidated Financial Statements	GRAP 35
Investments in Associates and Joint Ventures Joint Arrangements	GRAP 36
Disclosure of Interest in Other Entities	GRAP 37
Statutory Receivables	GRAP 38
Accounting by Principals and Agents	GRAP 108
Living and Non-living Resources	GRAP 109
Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	IGRAP 17

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

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

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

GRAP 20 : Related Parties Disclosures

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

GRAP 32: Service Concession Arrangements: Grantor

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

GRAP 34: Separate Financial Statements

This standard prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

GRAP 35: Consolidated Financial Statements

This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

GRAP 36: Investments in Associates and Joint Ventures

This standard prescribes the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

GRAP 37: Joint Arrangements

This standard establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

GRAP 38: Statutory Receivables

This standard requires an entity to disclose information that enables users of its financial statements to evaluate:

(a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
(b) the effects of those interests on its financial position, financial performance and cash flows.

GRAP 108: Statutory Receivables

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

GRAP 109: Accounting by Principals and Agents

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

GRAP 110: Living and Non-living Resources

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

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

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

NOTES

merSETA
MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

GAUTENG SOUTH (HEAD OFFICE)
merSETA House, 95 7th Avenue
Cnr Rustenburg Road, Melville, Johannesburg 2109
Tel: 010 219 3000 • Fax: 086 673 0017

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

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

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

FREE STATE & NORTHERN CAPE
46 Second Avenue, Westdene, Bloemfontein 9300
Tel: 0861 637 733 • Fax: 086 673 0017

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

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

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

f merSETAsocial
t @merSETAsocial
w www.merseta.org.za