ANNUAL REPORT
2020/2021

LEADERS IN CLOSING THE SKILLS GAP

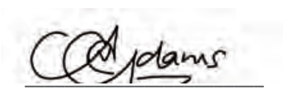
HONOURABLE MINISTER

DR B E NZIMANDE, MP

It is indeed a pleasure and privilege to present you with the Annual Report of the Manufacturing, Engineering and Related Services SETA (merSETA) for the period 1 April 2020 to 31 March 2021.

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

Yours Sincerely



Wayne Adams
Chief Executive Officer

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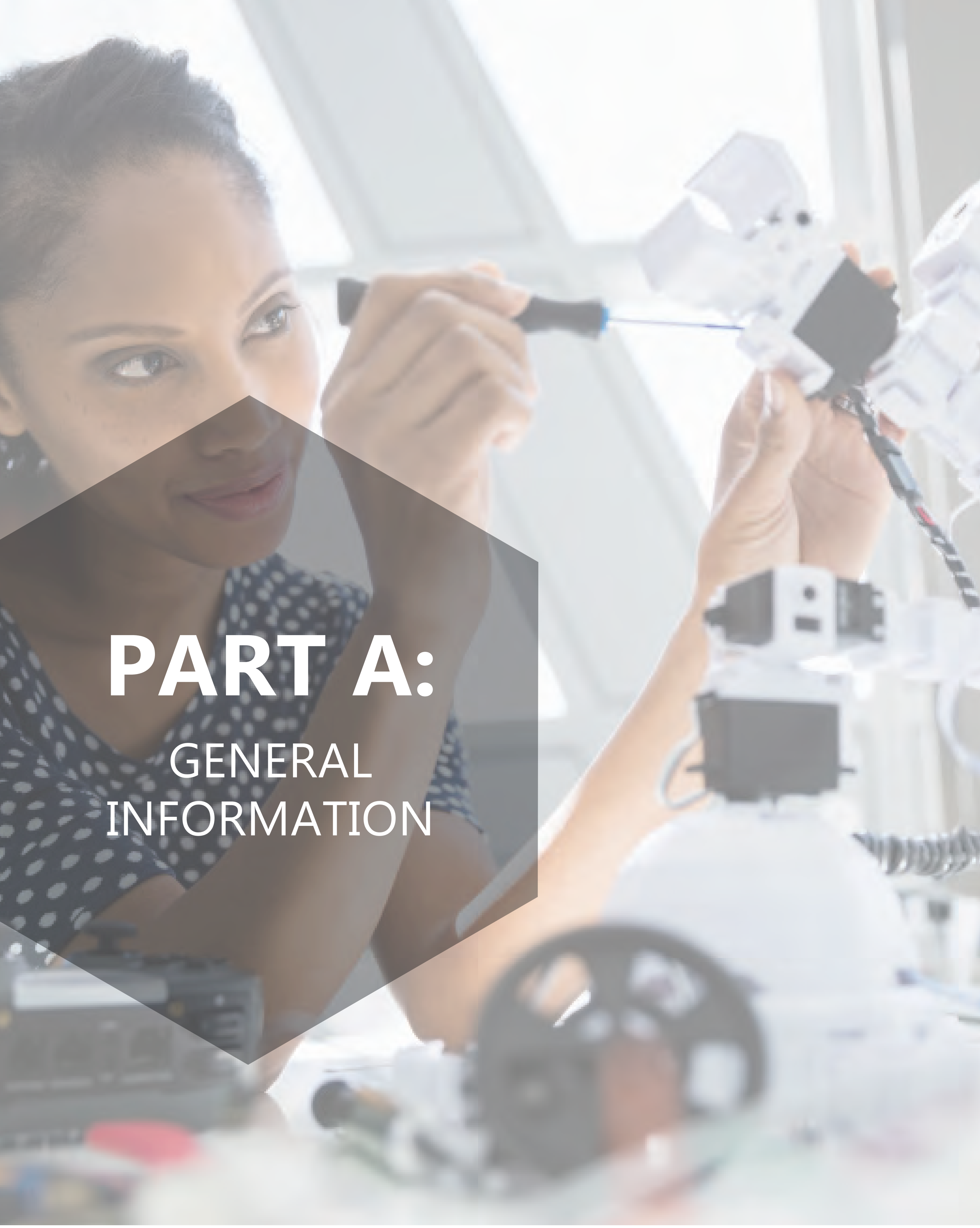


PART A:

GENERAL INFORMATION

1. Public Entity's General Information

Registered Name:	merSETA (Manufacturing, Engineering and Related Services SETA)
Registration Number:	17/merSETA/1/04/11
Registered Offices Address:	95, 7th Avenue, cnr Rustenburg Road, Melville, Johannesburg, 2092
Postal Address:	PO Box 61826, Marshalltown, Johannesburg, 2107
Contact Telephone Number:	010 219 3000
Email Address:	info@merseta.org.za
Website Address:	www.merseta.org.za
External Auditors:	Auditor-General South Africa
Bankers:	Standard Bank Ltd, Simmonds St, Selby, Johannesburg, 2001
Company Secretary:	Lebogang More
ISBN Number:	978-0-621-49420-4
RP Number:	126/2021

2. List of Abbreviations and Acronyms

AET	Adult Education and Training
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
ARPL	Artisan Recognition of Prior Learning
ARC	Audit and Risk Committee
CBO	Community-Based Organisation
DHET	Department of Higher Education and Training
ETQA	Education, Training, Quality Assurance (Committee)
Exco	Executive Committee
FGC	Finance and Grants Committee
GRAP	Generally Recognised Accounting Practice
GSC	Governance and Strategy Committee
HEI	Higher Education Institution
HRRC	Human Resources and Remuneration Committee
ICT	Information and Communication Technology
IPAP	Industrial Policy Action Plan
ISA	International Standards on Auditing
ISO	International Organization for Standardization
merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MoA	Memorandum of Agreement
NDP	National Development Plan
NGO	Non-Governmental Organisation
NLPE	Non-Levy-Paying Entity
NPO	Non-Profit Organisation
NSDMS	National Skills Development Management System
NSDP	National Skills Development Plan
NSDS	National Skills Development Strategy
DPWI	Department of Public Works and Infrastructure
PSET	Post-School Education and Training
RPL	Recognition of Prior Learning
QCTO	Quality Council for Trades and Occupations
SDLA	Skills Development Levies Act
SETA	Sector Education and Training Authority
SLA	Service Level Agreement
SME	Small and Medium Enterprise
SOE	State-Owned Enterprise
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training
WSP	Workplace Skills Plan

"It was a brutal year for our country's economy as the COVID-19 pandemic cut swathes of productive capacity, forced millions into social isolation and bit deeply into traditional modes of education and training at the workplace."

3. CHAIRPERSON'S FOREWORD

It was a brutal year for our country's economy as the COVID-19 pandemic cut swathes of productive capacity, forced millions into social isolation and bit deeply into traditional modes of education and training at the workplace.

At a macro level, South Africa faced its worst economic crisis in a century, according to official data. Gross domestic product shrank 7% in the 2020/21 financial year compared with a 0,2% expansion in 2019/20, Statistics South Africa reported.

The unemployment rate increased to 30,1% -- the highest since 2003. Increasing unemployment has resulted in a shrinking tax revenue base, which has constrained the national fiscus and increased the number of people relying on social grants.

In the metal and engineering sector, total employment declined by 8% as the pandemic hit demand and production. This sector accounts for 35,9% of the country's manufacturing capacity.

Youth unemployment remains high. The lack of skills among the youth in SA is partly responsible for the escalating unemployment rate as the country transitions to the digitisation of the manufacturing, engineering and related industries.

SETAs, as schedule 3A public entities, play a critical role in helping government implement its skills development policy agenda. The SETA skills training pipeline is fundamental in the fight against poverty, inequality and unemployment.

The COVID-19 pandemic struck a serious blow against key policies aimed at stimulating economic growth, but it was not mortal. Gross domestic expenditure for the fourth quarter grew an annualised 6,5% quarter-on-quarter, showing the underlying resilience of the economy.

Strategic Overview

The Accounting Authority, appointed for a five-year term on 1st April 2020, placed emphasis on meeting imperatives in the face of the pandemic.

The 2020-2025 strategy focuses on responding to the accelerated growth of new technologies and changing business processes arising from the Fourth Industrial Revolution (4IR).

Innovation in socio-economic, technological and structural transformation as well as opportunities in the circular, green and blue economies are features of the strategy.

This includes societal transformation in the ownership, control and management of business through the promotion of entrepreneurship, small and medium enterprises (SMEs) and localisation.

The strategy, too, looks at influencing curriculum change and innovation in the education and training sphere, both at institutional and workplace levels.

Strategic Relationships

Partnerships are key in assisting the merSETA to achieve its mandate.

The merSETA has partnered with higher education institutions, technical and vocational education and training colleges, government departments and their entities, as well as civil society.

These partnerships ensure the development of academics, the upskilling of lecturers, curricula reviews and innovation through research and development. needs.

College partnerships are vital for the development of technical and vocational skills, with an emphasis on workplace-based learning so that learners, once qualified, can make meaningful contributions to the workplace.

Agreements with government and its agencies at national and local government levels have assisted in addressing regional and local skills needs.

Civil society partnerships support skills development for persons with disabilities, addressing youth development and empowering female workers in disadvantaged communities. In all these initiatives, the relationships which the merSETA has forged with employers have been instrumental.

The merSETA continues to expand its skills development initiatives in the international arena through technical exchange programmes with international development agencies (e.g., United Kingdom and the People's Republic of China).

Challenges

The challenges posed by slow economic growth, resulting in large scale retrenchments, business closures and ultimately fewer workplaces available to train artisans, especially during the lockdown, resulted in low and slow skills training throughput rates. This also tended to hamper employer commitment due to the safety, cost and time required to train artisans.

Rapid technological advances have posed challenges about the relevance of current curricula at our HEIs and TVETs. Curricula shortcomings are in the areas of digitalisation, artificial intelligence, robotics and additive manufacturing. 4IR processes in South African industry are further not standardised across the manufacturing sector.

Solutions

When the national state of disaster was gazetted, the merSETA launched innovative products to shield its stakeholders and learners from the worst effects of the crisis.

This included support for the Temporary Employee Relief Scheme (TERS) as well as stipend backup for apprentices/learners who bore the brunt of retrenchments and the closure of training services at the workplace.

In order to overcome some of these challenges, the merSETA has proposed skills priority actions that build on its previous successes that strategically align with the trajectory of industry and national priorities.

This includes a focus on the social economy, which is a people-centred approach to economic development, based on principles of sustainable economic activity that stimulates socially and environmentally responsible growth.

It also entails developing unique skills to advance local manufacturing. And this in turn will focus on strategic partnerships with cooperatives, community-based enterprises, trade union-owned enterprises, informal enterprises, non-governmental organisations (NGOs), non-profit trusts/charitable trusts/public benefit organisations and other social enterprises.

In October 2020, the President announced South Africa's Economic Reconstruction and Recovery Plan. It is designed to mitigate the social devastation caused by COVID-19 through stimulating the country's economy.

Through this plan, the merSETA is geared to implement government policies, such as empowering Black Industrialists and rural economic development, the South African Automotive Master Plan and the Steel and Fabrication Master Plan.

Conclusion

Going forward, the merSETA organisational structure and human resources planning is to be reviewed. This seeks to ensure a relevant delivery mechanism that is sustainable and aligned to the 4IR strategic and operational objectives.

I take this opportunity to thank the new Accounting Authority for providing guidance during these stressful times.

Each member's contribution was at the highest level and they placed the economy at the forefront in the fight against the pandemic.

That the organisation is up to the game is demonstrated by the fact that the merSETA was recertified by the International Organization for Standardization: ISO 9001:2015.

The merSETA holds dear to sustained economic growth and skills development in our country. And the Economic Reconstruction and Recovery Plan lays a firm foundation for ending the endemic structural constraints that have blighted our nation. We are proud to be an integral part of economic growth.

Kate Moloto Digitally signed by Kate Moloto Date: 2021.07.30 20:47:52 +02'00'

Kate Moloto
Chairperson

"It was business unusual in South Africa as the merSETA stakeholders scrambled to face the plunge in production and demand due to the COVID-19 national lockdowns."

4. Chief Executive Officer's Overview

It was business unusual in South Africa as the merSETA stakeholders scrambled to face the plunge in production and demand due to the COVID-19 national lockdowns.

Due to lockdown regulations under levels 5 and 4, the merSETA's on-site programme activities were halted as industry, education and training ground to a halt.

Lockdown levels 5 and 4 saw companies, training centres, quality assurance sites, TVET colleges and universities shut down, drastically dropping the numbers of artisans, learners and students in the learning and training pipeline.

A hybrid mode of learning was implemented by service providers when the severe lockdown was reduced in quarters three and four.

The overall effect on education and training saw the merSETA-funded interventions fall due to the shutdowns and lockdowns.

Faced with these challenges, the merSETA nonetheless adopted innovative thinking and implementation for an economic rebound.

The lockdown came during the period when the merSETA had opened a funding window (1 February 2020 – 30 April 2020). To cope with this new scenario, the window for Mandatory Grants and Discretionary Grants was extended to 31 August 2020.

The merSETA created support packages, which included financial resources for the Retrenchment Assistance Programme (RAP) and the Temporary Employer/Employee Relief Scheme (TERS). More than R24-million was committed to RAP and TERS qualifying entities.

For apprentices/trainees, a special stipend support was established to mitigate the impact of funded learners' retrenchments. This amounted to more than R22-mllion at the end of the 2020/21 financial year.

The merSETA also entered into lockdown training agreements with the National Association of Automotive Component and Allied Manufacturers, PLASFED and the National Union of Metalworkers of SA. The training is aimed at extended RAP and small, medium and micro enterprise developments in the mer-sector.

A unique project arising out of the pandemic was a partnership to develop local technology for ventilators. The endgame is to provide students and industry partners with essential skills for quick technology innovation in the design, prototyping, testing and certification of Bi-level positive airway pressure ventilators.

This project involves the University of Johannesburg, the Tshwane University of Technology, the Central University of Technology, the Vaal University of Technology (VUT) and North-West University (NWU).

Although training came to a halt in the first two quarters, the merSETA still maintained 14 active government partnerships, which included six agreements with the various offices of the Premier as well as with eight universities and 45 TVET colleges. This training took into account the abnormal conditions.

The merSETA has 20 active cooperatives under one umbrella agreement with the Chris Hani Cooperative Development Centre.

The organisation is still a leading SETA in the Centre of Specialisation (CoS) project under the Department of Higher Education and Training. In the year under review, the merSETA had 230 participating apprentices in the CoS Phase 1 and Phase 2.

Internally, the hardship of the lockdown regulations saw the merSETA introduce cutting edge systems and processes to continue operations while complying with the restrictions.

The merSETA targeted more than **41 000** learners We processed just above **24 000** for the financial year 2020/21 of which **6 066** learners were from the prior year after evidence was received in the period under review.

The circumstances that impacted our lower outputs were:

- Delays in companies restarting after the lockdown;
- Industry was unable to complete its planned on-site training in terms of Workplace Skills Plans drawn up before COVID-19;
- Training was suspended, thus many learners/ apprentices could not complete their courses and practicals;
- The inability to perform external moderation due to companies, if they were not closed, only having essential staff on board;
- Learner agreements were suspended for the period of the lockdown; and
- Most on-site post-school institutions extended their academic year, thus delaying throughput rates for the academic year.

COVID-19 testing of staff was conducted prior to the lockdown. Positive cases were instructed to quarantine while social distancing, sanitation stations, personal protective equipment and communication campaigns were mounted.

Our IT system migrated to the Cloud, while staff were provided with the necessary tools to allow effective work off-site. All offices returned to normal on 3rd March 2021.

As stated in the Chair's Foreword, the minister appointed a new merSETA Accounting Authority on 1st April 2020 for a five-year term with Ms Kate Moloto being Chairperson of the governing board.

FINANCE

Yet again, the merSETA has received an unqualified audit – proof that the organisation's financial controls are excellent.

Our audit findings indicate that the organisation has strengthened its internal controls in recent years, but performance information controls require improvement. These are generally as a result of the new system – the NSDMS. However, management is giving priority to monitoring and strengthening internal controls in this area.

Of the 4 269 mandatory grant applications received, 3 757 companies were successfully approved for mandatory grants. In the previous year, 3 612 were successfully approved.

Mandatory grant payments were made throughout the year and amounted to R168 million, dropping from R250 million in the previous year. This decrease was a result of the drop in mandatory levy income due to the four-month levy holiday.

The mandatory grant claims ratio increased marginally from 71% in 2019/20 to 72% in 2020/21. The mandatory grant claims ratio measures the mandatory grants paid as a percentage of mandatory levies received.

The merSETA allocates 49.5% of levy income to discretionary grants. The discretionary grant supports the training of employed and unemployed learners and apprentices and also caters for special projects that address critical sector needs and strategic priorities as outlined in the merSETA Strategic Plan and the Annual Performance Plan.

Disbursements of discretionary grants and projects amounted to R789 million, increasing by 4% from the previous year.

Disbursements of discretionary grants and projects are 34% below budget. Companies were hard-hit by the lockdown and training in the sector was significantly curtailed, resulting in reductions or cancellations of contracts. Reductions in MOA contracts in the current financial year amounted to R284 million.

Our internal supply chain process is still largely conducted manually. Plans are afoot to acquire an electronic supply chain management system for seamless processes.

The National Skills Development Management System (NSDMS) is being reshaped to deal with compatibility issues with other systems affecting grant applications and learner registrations.

There have been systemic glitches in this technology

WAY FORWARD

New jobs and occupations are expected to emerge in the economy and this will be driven by localisation, economic patriotism, a strengthened informal sector and infrastructure development and maintenance.

The COVID-19 pandemic has more than ever accelerated the need for advanced technologies and business models that will allow the sector to thrive in a digital-driven economy.

To remain competitive in this new economy, South Africa needs to build its innovation, research and development (IRD) and skills capability around emerging technologies.

These include Artificial Intelligence (AI), robotics, data science and machine learning.

In line with this, the merSETA is using a 4IR paradigm to re-imagine and develop a new, high-quality apprenticeship skills development process that is more efficient, accessible and scalable and that prepares apprentices for the new world of work.

The Post-School Education and Training (PSET) CLOUD project is yet another initiative in promoting technology adoption in the PSET sector. This project advocates a data-centric approach through interoperability among institutions and systems.

We have an oversupply of data but inadequate ability to harvest this data across IT eco-systems. This data eco-system aims to provide wider choices for South African citizens to make informed decisions that lead to employment.

In the mer-sector, the adoption of technologies, such as extended reality and simulated training, will dramatically address challenges such as the shortage of work spaces for workplace-based learning.

The pace of technological change is astounding, given the COVID-19 pandemic and its effect on onsite production.

It has been an unprecedented year, but the country's mer-sector has emerged safer, more innovative and robust.

I thank the Ministry, the department, the Accounting Authority, staff and stakeholders for their contribution to the merSETA.

Wayne Adams
Chief Executive Officer

5. Statement of Responsibility and Confirmation of Accuracy for the Annual Report

To the best of my knowledge and belief, I confirm the following: All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General.

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

The Annual Financial Statements (Part E) have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.

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

The Accounting Authority is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.
The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2021.

W Adams
Chief Executive Officer
31 March 2021

Kate Moloto Digitally signed by Kate Moloto Date: 2021.07.30 20:47:52 +02'00'

K Moloto
Accounting Authority Chairperson
31 March 2021

6. Strategic Overview

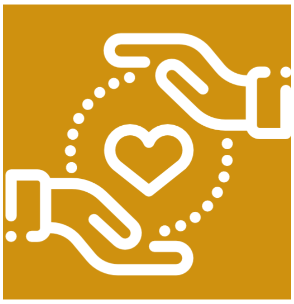
VISION

Leaders in closing the skills gap.

MISSION

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

VALUES



We care.

We belong.

We serve.

7. Legislative and Other Mandates

The merSETA mandate is derived from the Skills Development Act No 97 of 1998 and the National Skills Development Plan (NSDP) gazetted by the DHET on 7 March 2019.

The NSDP and aligned merSETA strategic priorities require the merSETA to do the following:

Develop the sector labour market intelligence system

- Promote and develop an institutional base for providing robust and reliable sector data by aligning internal information and communications technology (ICT), administration functions and monitoring and evaluation with the requirements of credible research and sector skills planning; implement systematic development of research partnerships with higher education institutions (HEIs); and develop knowledge management in the organisation.

Continue and increase focus on artisan development

- Create pathways to artisan status from learner progression, career guidance, and sector and company perspective; involve stakeholders in the planning and governance of qualifications, curriculum development and assessment as well as provider-employer cooperation and scalable work-place learning; facilitate programmes and projects for strengthened relationships among TVET colleges, industry training centres and industry; promote artisan recognition of prior learning, and enhance capacity of small and medium enterprises (SMEs) to offer artisan training.

Establish and facilitate strategic partnerships

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

Increase flow of newly skilled workers into the sector

- Address skills shortages currently experienced, whilst accommodating planned growth, impact of technological changes and replacement demand; provide access to work experience opportunities; address transformation imperatives of race, gender, class, geography, disability, and age; and increase career guidance and development in rural areas.

Develop the skills of the existing workforce

- Create lifelong learning and career pathways consistent with decent work, equity and sector economic growth; identify occupational pathways for existing workers and those at risk of retrenchment, thus implementing upskilling, reskilling and trans-skilling; and provide continuing education, post-qualification programmes, continuous professional development and management development.

7.1 Legislative Mandate

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

- The Constitution of the Republic of South Africa Act No 108 of 1996;
- Skills Development Act No 97 of 1998 (as amended) and the Regulations thereof; there are two types of regulations, ie, Grant regulations and Standard Constitution of SETA Regulations;
- Public Finance Management Act No 1 of 1999 (as amended) and the Regulations thereof;
- Skills Development Levies Act No 9 of 1999 and the Regulations thereof; The merSETA Constitution;
- Promotion of Access to Information Act No 2 of 2000;
- Promotion of Administrative Justice Act No 3 of 2000; and
- Labour market legislation.

7.2 Policy Mandate

The merSETA subscribes to the following policy imperatives:

- National Skills Development Plan (NSDP);
- Human Resource Development Strategy for South Africa, 2015;
- New Growth Path, 2011;
- National Development Plan (NDP), 2011; and
- Industrial Policy Action Plan (IPAP).

8. Organisational Structure

Ms Kate Moloto
Chairperson

Dr Alex Mashilo

Dr Lesley Lee

Mr Elias Kubeka

Mr Jacobus de Beer

Mr Johan van Niekerk

Mr Louis van Huyssteen

Organisational Structure

Mr Renai Moothilal

Mr Siboniso Mdletshe

Mr Thapelo Molapo

Ms Jeanne Esterhuizen

Ms Ruth Ntlokotse

Ms Kirtida Bhana

Ms Thandeka Phiri

Management Committee

Wayne Adams
Chief Executive Officer

Disa Mjikeliso
Chief Financial Officer

Sebolelo Nomvete
Strategy and Research Executive

Rajesh Jock
Corporate Services Executive

PART B:
PERFORMANCE INFORMATION

1. Auditor-General's Report: Predetermined Objectives

Reference is made to the Auditor-General's Report in Part E of this annual report on pages 56 to 108.

2. Situational Analysis

Service delivery environment

The global COVID-19 pandemic is a historic event that crudely shook the world's economic trajectory in the year under review.

The pandemic also reshaped the political, social, technological and legal landscape.

Political conditions play a significant role in the growth of the manufacturing sector, and of the economy in general. Political stability is conducive for developing and implementing development-oriented policy that stimulates economic growth and addresses socio-economic challenges such as poverty, unemployment and inequality.

The COVID-19 pandemic has tested the ability of government and political leadership to work with various stakeholders in dealing with this crisis, which is predicted to last for several years.

Despite criticism in some areas, such as the restriction of trade, the government and political leadership did well in managing the crisis which, if mishandled, could have had enormous social, political and economic ramifications.

Corruption remains a significant barrier that has slowed economic growth and social development in the country. Allegations of corruption levelled against government officials and politically exposed people in the handling of the COVID-19 crisis have once again drawn attention to the extent of this scourge. The sixth administration also made some headway in dealing with corruption, poor governance and maladministration within the ranks of government.

There is, however, a call to strengthen government's efforts in this fight as this is key to restoring confidence and credibility. Civil society, government and business jointly have a role to play in fighting corruption which is rooted not just in the public sector but also in the private sector.

SETAs, as schedule 3A public entities, play a critical role in helping government implement its policy agenda, particularly around efforts to fight poverty, inequality and unemployment through skills development.

Key to that is the ability of SETAs to leverage their role as intermediary bodies to partner with other social partners in advancing the economic transformation agenda.

South Africa is facing what has been termed the worst economic crisis in a century. The South African economy has experienced sluggish growth since the global 2008/2009 recession.

Despite the development of policies aimed at stimulating economic growth, implementation has been blighted by a complexity of factors, including poor coordination, lack of political will, poor stakeholder participation and mixed support for some policies.

The increasing fiscal deficit and debt burden as the government tries to save the economy from the effects of the recession mean that economic recovery may take longer than anticipated. Current negative growth rates, increased debt-servicing costs and a declining tax base calls for urgent intervention and policy change to stimulate economic growth.

The Business Confidence Index is a key economic indicator as it highlights the satisfaction of business in prevailing economic conditions. There is no doubt that the economic lockdown triggered by the COVID-19 pandemic has impacted business conditions. As the lockdown is eased, there is hope that business conditions will improve.

South Africa's SACCI business confidence index, for example, rose to 82,8 in July of 2020 from 81,4 in June 2020. According to Trading Economics (2020), this was the highest reading since March, helped by improved global economic activity. However, it remained well below average due to rising local infections and the slow pace of the economy's reopening in the 2020/21 financial year.

The COVID-19 crisis has highlighted the importance of a sound local manufacturing base, which is vital for sustaining the domestic market while creating opportunities for the export of crucial products.

In April, government launched a National Ventilator Project aimed at building more local machines due to the global shortage of ventilators. De-industrialisation and increased competition in the global manufacturing sector demand that the South African economy increases its complexity to remain competitive. The need to industrialise through the growth and diversification of the manufacturing sector features prominently in South Africa's economic policy framework (DPRU, 2020).

In the wake of the COVID-19 pandemic, the sector will struggle to regain its presence in the domestic and international markets but building economic complexity offers opportunities to diversify and create employment.

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

On 15 October 2020, the President announced South Africa's Economic Reconstruction and Recovery Plan. The plan focuses on the extraordinary measures needed to stimulate the economy and create inclusive growth. It is designed to mitigate the social devastation caused by COVID-19.

The COVID-19 pandemic has thrown South Africa into a deep social crisis with increasing unemployment, inequality, and poverty. Unemployment in SA has reached alarming levels while the South African economy continues to shed jobs in critical sectors such as mining and manufacturing.

Government has effected measures through its social grant system to assist the swelling ranks of the unemployed during the COVID-19 crisis. These measures were, however, temporary. A concerted effort is needed to find a sustainable solution to the growing ranks of unemployed. SETAs have a big stake in supporting government's efforts through skills development for self-employment, entrepreneurship, cooperatives, empowering the informal sector and small business.

According to Statistics SA (2020), the unemployment rate has increased to 30,1%, which is the highest unemployment rate since 2003. Increasing unemployment has resulted in a shrinking tax revenue base, which has constrained the national fiscus and increased the number of people relying on social grants.

Youth unemployment remains high. The lack of skills among the youth in SA is partly responsible for the escalating unemployment rate as the country transitions to the digitisation of the manufacturing, engineering and related industries through Industry 4.0.

In the manufacturing sector, this has been made worse by advances in manufacturing technology that are increasingly demanding high-level skills. A poor basic education system remains one of the weakest links to the socio-economic transformation agenda.

Coupled with the high cost of higher education, this has resulted in a systematic hindrance to young people from obtaining skills that are pertinent to access the world of work or to become entrepreneurs.

The merSETA has a critical role to play in launching initiatives to address mounting challenges such as unemployment. Interventions must also cater for mer-sector workers who might lack the relevant skills as a result of the digitisation of manufacturing and engineering industries.

As South Africa battles increasing unemployment, unlocking the social economy remains key in fighting poverty and increasing socio-economic equality.

SETAs have a role to play in supporting the creation of economic opportunities and sustainable livelihood for the youth, women, people living with disabilities, township, rural and marginalised communities.

The manufacturing, engineering and related services sector is experiencing disruptions as a result of the rapid technological advances and the digitisation of the sector.

With the intensification of the technological revolution, a competitive manufacturing and engineering sector depends on the capacity of firms to master advanced technology domains, to innovate and to meet the precise needs of customers.

Whilst advanced manufacturing systems offer the greatest advantage for economic growth, this requires firms and the post-school system to keep abreast of these advancing manufacturing technologies, data analytics, robotics, digital platforms and high-level skills development.

The COVID-19 pandemic has, more than ever, accelerated the need for adoption of advanced technologies and business models that will allow the sector to thrive in the new digital-driven economy. To remain competitive in the digital-driven economy, South Africa needs to build its innovation, research and development (IRD) and skills capability around new and emerging technologies such as Artificial Intelligence (AI), robotics, data science and machine learning.

This also calls for the need for industry and the PSET sector to work together in strengthening South Africa's IRD and skills capability.

South Africa's universities are highly recognised for their IRD capability and the quality of training, but challenges remain in the TVET college sector as these have often been criticised for their poor capability.

TVET colleges are vital for delivering skills aligned to the digital-driven economy. As intermediary bodies, SETAs have a crucial role in strengthening the capability of TVET colleges by working with other stakeholders such as industry, civil society and government.

Technology has also disrupted education and training. Micro-learning, big data analytics, immersive learning, gamification, data-driven learning and insights and adaptive and personalised learning are some of the technological trends that are impacting education and training.

Data is also at the core of these technologies, and the adoption calls for institutions to embrace a data-centric approach. These technological trends present the PSET sector with opportunities to some of the challenges.

For example, immersive learning technologies such as extended reality (XR) technologies, which incorporate various technologies such as augmented reality (AR), virtual reality (VR) and mixed reality (MR), promote immersive learning experiences. Advances in these technologies have led to increased adoption of simulated training as a means to increase training efficiency through reducing costs and risks where the physical environment may be unsafe, especially in the mer-sector.

The extent of the adoption of these learning technologies in South Africa remains unclear. There are, however, several initiatives being implemented by civil society organisations, higher education institutions, government, industry, and private training providers to promote the adoption of these technologies.

The merSETA, for example, is using a 4IR paradigm to re-imagine and develop a new high-quality apprenticeship skills development process that is more efficient, accessible and scalable and that prepares apprentices for Industry 4.0.

The PSET CLOUD project is a key initiative in promoting technology adoption in the PSET sector by, among other things, advocating for a data-centric approach through interoperability.

In the mer-sector, the adoption of technologies such as extended reality technologies and simulated training can assist in addressing challenges such as the shortage of workspaces for workplace-based learning.

The COVID-19 pandemic has once again highlighted the urgent need for the adoption of digital technologies. With the imposition of the lockdown, most education and training institutions adopted blended learning models, made possible through technology.

There are, however, concerns over the risk of excluding those learners who come from disadvantaged backgrounds, who lack access to reliable internet, data and equipment such as laptops which are essential for blended learning. These concerns call on government, civil society and industry to work together in ensuring no learners are left behind as the country settles into the new normal.

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

Concerns around climate change, food shortages, the depletion of natural resources and health issues have contributed to growing pressure for national and international policies to support sustainable development.

Sustainable development is economic development that meets the needs of the current generation without depleting natural resources for future generations. This has placed pressure on the manufacturing sector which is one of the major contributors to environmental waste, climate change, and the depletion of natural resources.

The green, blue and circular economies have been identified as sustainable development imperatives with the potential for job creation, new business and manufacturing opportunities.

Some of the merSETA industries are already supporting a low carbon economy through innovative forms of environmental management and proactive clean manufacturing processes. In various merSETA sub-sectors, waste management is both a risk mitigation factor as well as a driver of repurposing and re-using materials to manufacture alternative products.

Developments in policy and growing global advocacy around sustainable manufacturing activities have caught the attention of the merSETA over the years.

The merSETA commissioned a study to understand green skills within the mer-sector in order to foster the merSETA's understanding of its sub-sectors regarding the green economy and its related skills progress and requirements. Initial findings indicate that in order to transition the mer-sector to a green economy, there was a need to raise understanding of what a green economy is and what drives it. Initial findings also indicate that, although there was recognition for the need to introduce new green jobs and activities within the mer-sector, there is a pressing need for upskilling and transforming current jobs to become greener.

The legal framework in SA is pivotal in achieving government's priorities, such as ending poverty and unemployment, and promoting equity. Moreover, in SA's maturing democracy, the notions of social cohesion, social justice and active citizenry underpin the transformation agenda as a whole and have become deeply infused in skills development.

Transformative intent and participation in various fora remain essential in ensuring fair and equitable implementation processes. Participation of all role players in legislative processes of this nature remains critical. Technological developments have also cast a spotlight on issues of privacy and security in the digital environment. The sector also operates within a social and economic legislative framework that significantly impacts on the sector.

Organisational environment

The new Accounting Authority took office on 1 April 2020 and was pivotal in guiding management in implementing priorities identified in the five-year strategy. The merSETA management, under the guidance of the newly appointed CEO, continued to develop systems and structures to support the implementation of the strategy.

Some of the key areas management strengthened included: strengthening monitoring and evaluation systems; digital eco-systems; innovation; research and labour market intelligence systems; and governance, risk management and compliance systems.

Key policy developments and legislative changes

The NSDP is the key policy that informs the work of the merSETA until 2030 and has been crafted in the context of the National Development Plan.

3. Progress towards Achievement of Institutional Impacts and Outcomes

Strategic outcomes

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

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

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

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

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

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

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

Outcome 4: Skills for transformed SA merSETA sector engineering and manufacturing industries, to support EE demographics transformation, changing business models of production and technology, and transformation for the diversification of ownership, control and management.

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

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

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

3.1 Sector Profile

The Manufacturing, Engineering and Related Services Education and Training Authority (MerSETA) is one of 21 SETAs established through the Skills Development Act (no. 97 of 1998). It covers a range of manufacturing activities and a few related service and retail activities. It facilitates skills development in the following six sub-sectors:

1. Metals and engineering;
2. Auto manufacturing;
3. Motor retail;
4. Tyre manufacturing;
5. Plastics manufacturing; and
6. Automotive components manufacturing.

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

MERSETA OF COVERAGE BY CHAMBER

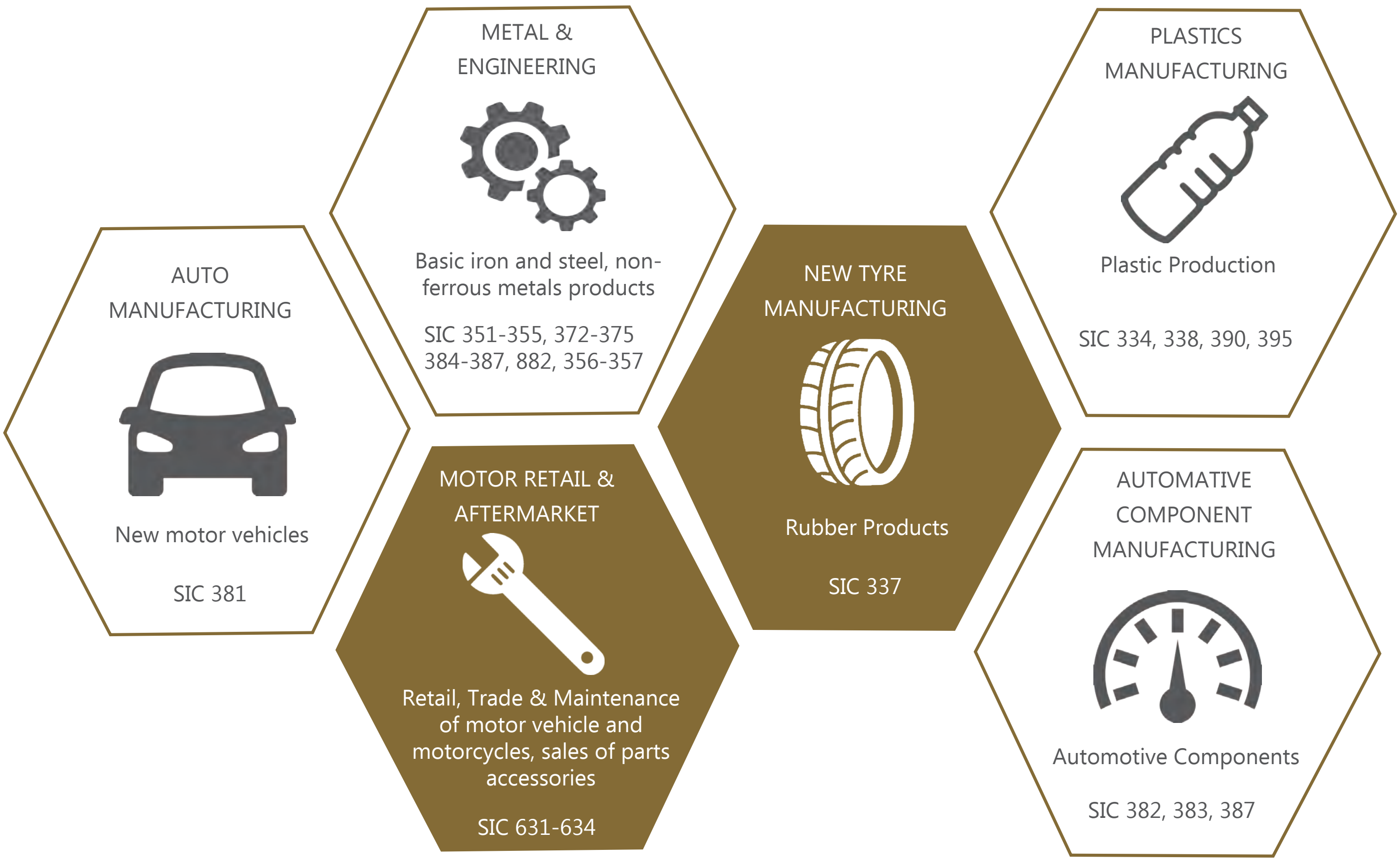


Figure 1: merSETA Scope of Coverage by SIC Code and Chamber.

The industry is shaped primarily by government, business, organised labour and civil society. The key role players within the mer-sector include industry bodies, employer associations, labour unions, government departments and education and training institutions that provide policy direction or play a regulatory role.

In its role as an intermediary for skills development, the merSETA also recognises the importance of civil society.

All these role players have a critical role in building an integrated PSET system that is responsive to the needs of employees, employers and national priorities. This is core to the implementation of the NSDP.

Analysis of Workplace Skills Plans data collected up to the end of July 2020 yielded 6 566 respondent enterprises. These include levy-exempt companies, entities that operate as training providers, non-profit organisations, universities, TVET colleges and other training providers as well as entities that do not belong to the mer-sector. Entities that are either unknown or operate outside of the mer-sector have been removed from the analysis.

The final sample includes 5070 companies and 536 164 employees. The sample represents a majority of levy-paying employers. Where possible, companies have been manually assigned into the appropriate chamber based on their main business activity.

The mer-sector comprises a majority of small enterprises with 3243 small enterprises that employ 71 727 employees. The majority of employees (363 838) are employed by 650 large enterprises and 1177 medium enterprises that employ 100 604 employees.

In terms of the chamber breakdown of enterprises and employees, the figure below shows that the Auto Chamber comprises 11 large companies made up of the seven auto manufacturing original equipment manufacturers (OEMs) as well as bus and truck OEMs.

Typically, the New Tyre Chamber comprises the four large tyre manufacturers. In the sample this financial year, there were many rubber products manufacturers and therefore the chamber accounts for 64 companies.

The Metals Chamber is the largest employer in the mer-sector and accounts for more than 50% of all large companies across all the chambers. It also accounts for the majority of small and medium enterprises.

After the Metals Chamber, the Motor Retail and Aftermarket Chamber accounts for 117 large, 315 medium and 1137 small companies. They are the second largest employer.

The Automotive Components Manufacturing Chamber is a newly-established chamber and accounts for 497 companies and about 55 000 employees.

The period under review has been challenging and unusual due to the unprecedented COVID-19 pandemic. Most chamber committees extended the duration of their research projects as a result of lags resulting from the government's lockdown regulations.

To ensure individual chamber responsibilities and targets, all chamber meetings were conducted virtually, while the merSETA staff used remote work resources. This resulted in successful committees in line with the annual calendar.

Chamber research and innovation projects continue to be strategically significant in guiding and supporting chambers to advance local and global socio-economic demands in the sector.

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

- Auto Chamber: "Investigating the cause of the skills mismatch in the automotive sector where the sector is unable to meet supply and demand, and if there is a shortage/surplus of artisans in the automotive industry, establish the extent of the surplus and shortage per trades";
- Combined merSETA affiliated Trade Unions: "Digital – Virtual communication and liaison capacity building innovation project";
- Metal Chamber: "Metal Industry-Led Skills Development Plan";
- Motor Chamber: "Investigation of the relevancy of occupations and skills required for the Motor Industry with specific reference to the aftermarket sales, maintenance, refurbishment and repairs sub-sectors";
- New Tyre Chamber: "Industry-based virtual-digital learning academy innovation pilot project for the delivery of the Rubber Production Technology Certificate"; and
- Plastics Chamber: "Improving the Competitiveness of the Plastics Pipe Sector in South Africa".

4. Institutional Programme Performance Information

Table 1 below captures annual performance achievements on all the four programmes as per the APP; outlining the performance indicators, targets, achievements, deviation reasons and reasons for revision of targets (where applicable). The COVID-19 pandemic led to a decrease in skills development levies due to the four-month skills levy holiday granted to employers. The SETA experienced budget shrinkages which led to adjustment of APP targets pertaining mainly to programme 3: Learning programmes and Projects and programme 4: Quality assurance.

Table 1: Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

PROGRAMME 1: ADMINISTRATION									
Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/ indicators/ annual target
Outcome 1: Ethical governance and resourced, capable merSETA operations established to equitably provide skills development related services, goods and products responsive to occupations and skills growth demand of the merSETA sector industries, and labour market.	Strategic Output 1: Effective and efficient governance and leadership practice implemented.	Percentage of compliance with Corporate Governance Compliance report:	N/A	100%	100%	100%	0%	Annual target achieved	N/A
	Strategic Output 2: Improved financial and corporate management.	Percentage reduction of internal control deficiencies reported in previous external and internal audit reports:	74%	85%	100%	68%	-32%	There were delays in the implementation of systems for strengthening internal controls. The SETA was in the process of implementing supporting systems such as the Leaner management system and the risk management system. Processes, procedures and guidelines had also been developed to strengthen internal controls.	N/A
		Percentage achievement of annual Employment Equity (EE) targets:	N/A	N/A	100%	85%	-15%	HR could not fill all vacant positions at this stage, but more has been done to achieve our targets.	N/A

PROGRAMME 2: SKILLS PLANNING									
Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector engineering and industry value chains. Outcome 3: PSET education, training and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries and related labour market. Outcome 4: Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management. Outcome 5: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector engineering and manufacturing industries and related labour market.	Strategic Output 3: Establishment of credible and effective systems and strategies for research, planning, monitoring and evaluation.	Number of WSPs and ATRs approved for small firms (49 or less employees):	1750	2148	2242	2338	96	Target was overachieved as a result of receipt of outstanding SDF information, leading to a higher approval rate.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of WSPs and ATRs approved for medium firms (50-149 employees):	860	919	875	883	8	Target was overachieved as a result of receipt of outstanding SDF information, leading to a higher approval rate.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of WSPs and ATRs approved for large firms (150 + employees):	528	545	525	536	11	Target was overachieved as a result of receipt of outstanding SDF information, leading to a higher approval rate.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of strategic innovation programmes piloted:	N/A	N/A	2	3	1	Annual target was achieved. The additional program was initiated as a response to COVID - i.e., Viro-vent Innovation Project, through 3 HEI consortia.	N/A
		Researched Sector Skills Plan (SSP) approved by the Executive Authority.	SSP was accepted and approved by the Minister.	SSP was accepted and approved by Executive Authority.	SSP that is recorded as accepted and approved by the Executive Authority	SSP was accepted and approved by Executive Authority	N/A	Annual target was achieved.	N/A
		Number of sector research agreements signed for TVET growth occupationally directed programmes:	N/A	N/A	2	0	-2	Research was not commissioned due to limited access to TVET colleges during lockdown.	N/A

PROGRAMME 3: PROGRAMMES AND PROJECTS									
Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector engineering and industry value chains. Outcome 3: PSET education, training and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries and related labour market. Outcome 4: Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management. Outcome 5: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector engineering and manufacturing industries and related labour market.	Strategic output 4: Facilitation of skills development interventions to enable increased access to employment opportunities and support to economic growth opportunities.	Percentage of discretionary grant (DG) budget allocated to programmes or projects aimed at developing high level skills e.g. managers, professionals and technicians and associate professionals:	N/A	N/A	17%	21%	4%	The over achievement in this indicator was as a result of high application responses.	N/A
		Percentage of discretionary grant (DG) budget allocated to programmes or projects aimed at developing mid-level skills e.g. clerical, sales and service, skilled craft and trade workers:	N/A	N/A	59%	57%	-2%	This indicator relies on applications for funding received which is influenced by priorities of the sector. Although the performance was 2% below target, the allocation to development of high-level skills points to an overachievement which had an impact on this indicator.	N/A
		Percentage of discretionary grant (DG) budget allocated to programmes or projects aimed at developing elementary skills e.g. machine operators and elementary workers:	N/A	N/A	24%	22%	-2%	The uncertainty of the last financial year has affected many potential applicants. This indicator was marginally affected.	N/A
		Number of learners in employment (unemployed learners completing internships, skills programmes, bursaries and learnerships):	N/A	N/A	6959	2369	-4590	Delays in organisations returning from the lockdown had impacted on the target not being met. In addition, industry had not implemented the training as planned.	N/A
		Number of unemployed learners registered for WIL programmes from TVET:	1746	291	2440	724	-1716	The Technical Indicator was revised to focus on TVET learners that will be placed at workplaces to obtain the relevant on the job exposure to be awarded the N Diploma.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.

PROGRAMME 3: PROGRAMMES AND PROJECTS (CONTINUED)									
Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
		Number of unemployed learners completing WIL programmes from TVET:	934	428	600	9	-591	The Technical Indicator was revised to focus on TVET learners that will be placed at workplaces to obtain the relevant on the job exposure to be awarded the N Diploma.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of unemployed learners registered for WIL programmes from HEIs:	427	659	300	78	-222	Organisations had challenges in registering their learners as many learners had not commenced training due to the impact of the pandemic and the system challenges.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of unemployed learners completing WIL programmes from HEIs:	378	4	280	147	-133	Due to the COVID-19 pandemic, training had been suspended and many learners were not able to complete their training.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of unemployed learners registered for workplace experience/ internships:	419	170	300	191	-109	Delays in organisations returning from the lockdown had impacted the achievement of this target. In addition, industry had not implemented the training as planned.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of unemployed learners completing workplace experience/ internships:	247	251	184	93	-91	Due to the pandemic, training has been suspended and many learners have not been able to complete their training.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.

PROGRAMME 3: PROGRAMMES AND PROJECTS (CONTINUED)									
Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
		Number of unemployed learners registered for skills programmes:	3309	277	3200	2608	-592	Delays in organisations returning from the lockdown had impacted the achievement of the target. In addition, industry has not implemented the training as planned	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of unemployed learners completing skills programmes:	2631	915	2560	1130	-1430	The inability to perform external moderation as organisations, if not closed, only had essential staff on board hindered the ability to meet this target. A further impact was due to learner agreements being suspended for the period of lockdown.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of unemployed learners registered for learnership programmes:	4016	2363	2400	2300	-100	The overall impact of training being put on hold, a number of applications for registration had been submitted late and could therefore not be reported on.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of unemployed learners completing learnership programmes:	2800	1821	2571	1137	-1434	The inability to perform external moderation as organisations, if not closed, only had essential staff on board hindered the ability to meet this target. A further impact was due to learner agreements being suspended for the period of lockdown.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of unemployed engineering graduates registered for candidacy programmes:	22	20	16	70	54	Target was overachieved due to increased intakes from project awards.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.

PROGRAMME 3: PROGRAMMES AND PROJECTS (CONTINUED)

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
		Number of unemployed engineering graduates completing candidacy programmes:	4	29	2	0	-2	The lockdown delayed the progress of learning.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of unemployed learners granted bursaries (new entries):	194	279	100	31	-69	Due to extended academic year, the funding of new cohort was delayed.	N/A
		Number of unemployed learners granted bursaries (continuing):	N/A	N/A	309	277	-32	The underperformance was due to extended academic year and delays in getting evidence for reporting.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of unemployed learners completing bursary programmes:	120	53	193	9	-184	This indicator was newly defined for reporting of learners that have attained the qualification and the learners in the cohort of funded learners were due to complete this financial year.	N/A
		Number of employed learners registered for Learnership programmes:	2023	1550	1600	678	-922	The overall impact of training being put on hold, several applications for registration were submitted late and could therefore not be reported on.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of employed learners completing learnership programmes:	1448	894	1314	381	-933	The inability to perform external moderation as organisations, if not closed, only had essential staff on board hindered the ability to meet this target. A further impact was due to learner agreements being suspended for the period of lockdown.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.

PROGRAMME 3: PROGRAMMES AND PROJECTS (CONTINUED)									
Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
		Number of employed learners registered for bursary programmes (new entries):	133	323	115	19	-96	With limited access to institutions, the registration of students was delayed.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of employed learners registered for bursary programmes (continuing):	N/A	N/A	80	5	-75	Many learners had put their studies on hold which had impacted on the achievement of this target.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of employed learners completing bursary programmes:	25	13	40	30	-10	This indicator was newly defined for reporting of learners that have attained the qualification and the learners are due to complete the 2021/22 financial year.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of employed learners registered for skills programmes:	5487	2287	3350	1096	-2254	Organisations returning from the lockdown and the system challenges had impacted on the target not being met. In addition, industry had not implemented the training as planned.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of employed learners completing skills programmes:	3182	412	2094	417	-1677	The inability to perform external moderation as organisations, if not closed, only had essential staff on board hindered the ability to meet this target. A further impact was due to learner agreements being suspended for the period of lockdown.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.

PROGRAMME 3: PROGRAMMES AND PROJECTS (CONTINUED)									
Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
		Number of employed or unemployed learners registered for AET programmes:	498	485	380	485	105	Annual target achieved, however, there was an extension of learner registrations to assist entities to close out learner non-registrations as a result COVID 19.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of employed or unemployed learners completing AET programmes:	388	446	1600	7	-1593	There was an extension of the registration process which resulted in delays in completions.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of learners registered for trade/ artisan qualifications (new registrations):	4217	644	3290	1665	-1625	There was an extension of learner registration for DGYR21 from 31 March 2021 to 30 September 2021 in order to mitigate the impact of COVID.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of learners completing trade/artisan qualifications:	3315	2763	3570	1828	-1742	Trade test centres being closed had an impact on the number of learners being trade tested which caused a backlog in testing.	N/A
		Number of candidates undergoing Recognition of Prior Learning (RPL) or Artisan Recognition of Prior Learning (ARPL):	2057	1387	1257	374	-883	Trade test centres being closed had an impact on the number of learners being trade tested which caused a backlog in testing.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.

PROGRAMME 3: PROGRAMMES AND PROJECTS (CONTINUED)									
Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
Outcome 3: PSET education, training and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries and related labour market. Outcome 4: Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management. A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector engineering and manufacturing industries and related labour market.	Strategic Output 5: Strategic skills development related collaborations and partnerships to respond to national, provincial, local and sector strategic priorities.	Number of active TVET college partnerships established:	12	16	9	23	14	Target was overachieved because some of these partnerships were structured over more than one year leading to an accumulation of active partnerships.	N/A
		Number of active SETA-HEI partnerships established:	24	5	7	14	7	Target was overachieved because new partnerships were added to existing partnerships.	N/A
		Number of active CET partnerships established:	N/A	N/A	2	2	0	Annual target was achieved	N/A
		Number of new SETA-Employer partnerships established:	1569	1413	1680	1570	-110	There were a number of withdrawals of grant awards post allocation which resulted with target underachievement.	N/A

PROGRAMME 3: PROGRAMMES AND PROJECTS (CONTINUED)

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/indicators/ annual target
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector engineering and industry value chains	Strategic Output 6: Facilitation of skills development interventions to support the development and establishment of sustainable SMEs, cooperatives, and local or community based employment and income generation activities aligned to merSETA engineering and manufacturing value chain.	Number of co-operatives supported through skills development	11	20	10	0	-10	merSETA did not receive any applications for co-operative support.	N/A
		Number of small businesses supported through skills development	545	1503	2060	1440	-620	A number of SME companies were closed during the shutdown period which resulted in a lack of advocacy, assistance and guidance being carried out by merSETA staff. There was also a decline in the number of SME requesting discretionary grant support due to uncertainty within the sector.	N/A
		Number of Non-Profit Organisations (NPOs) supported through skills development:	26	20	13	42	29	Annual target was achieved, however, there were multiple calls for applications in response to COVID 19 pandemic impact, hence target overachievements.	N/A
		Number of trade unions supported through skills development:	4	6	4	4	0	Annual was target achieved	N/A
		Number of rural development projects supported through skills development:	4	6	4	4	0	Annual was target achieved	N/A
		Number of people trained on entrepreneurial skills to support establishment of own business:	N/A	N/A	480	0	-480	The intake of learners on this target was delayed due to COVID restrictions.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.

PROGRAMME 4: QUALITY ASSURANCE									
Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/ indicators/ annual target
Outcome 3: PSET education, training and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries and related labour market.	Strategic output 7: Support to the growth and quality improvement of technical and vocational education and training (TVET) colleges.	Number of TVET Centres of Specialisation (CoS) Supported:	N/A	N/A	2	2	0	Annual was target achieved	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of TVET colleges funded for merSETA occupational programmes, equipment and workshop infrastructure:.	N/A	N/A	4	3	-1	TVET colleges had not applied for the funding of this indicator.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of TVET college lecturers awarded bursaries:	N/A	N/A	20	0	-20	TVET colleges had not applied for the funding of this indicator.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of TVET college managers receiving training on curriculum related studies:	N/A	N/A	40	0	-40	TVET colleges had not applied for the funding of this indicator.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of TVET college lecturers exposed to industry through skills programmes:	N/A	N/A	10	0	-10	TVET colleges had not applied for the funding of this indicator.	N/A
		Number of SETA offices maintained in TVET colleges:	N/A	N/A	3	3	0	Annual target was achieved.	N/A

PROGRAMME 4: QUALITY ASSURANCE (CONTINUED)									
Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations	Reason for revisions to outputs/ indicators/annual target
	Strategic Objective 8: Support to the growth and quality Improvement of community education and training (CET) colleges.	Number of CET college lecturers awarded skills development programmes:	N/A	N/A	20	0	-20	CET colleges had not applied for the funding of this indicator.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of CET college managers receiving training on curriculum related studies:	N/A	N/A	5	0	-5	CET colleges had not applied for the funding of this indicator.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of CET colleges funded for merSETA occupational programmes, equipment and workshop infrastructure:	N/A	N/A	2	0	-2	CET colleges had not applied for the funding of this indicator.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
		Number of CET learners accessing AET programmes:	N/A	N/A	70	0	-70	CET colleges had not applied for the funding of this indicator.	The SETA revised its targets due to the impact of COVID-19 national lockdown which delayed the implementation of learning and reduced the levy income.
Outcome 5: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector engineering and manufacturing industries and related labour market.	Strategic Output 9: Support career development services.	Number of career development events in urban areas on occupations in high demand:	48	50	10	12	2	Received more invitations than expected and merSETA was able to participate in most of those events.	N/A
		Number of career development events in rural areas on occupations in high demand:	N/A	N/A	10	22	12	Received more invitations than expected and merSETA was able to participate in most of those events.	N/A
		Number of career development practitioners trained:	N/A	N/A	30	31	1	The training provider made provision for extra learner over and above planned learner beneficiaries.	N/A
		Number of capacity building workshops on career development services initiated:	N/A	N/A	5	5	0	Annual target was achieved	N/A

Table 2 highlights interventions that were implemented by the merSETA in response to the COVID-19 pandemic.

Table 2: Progress on Institutional Response to the COVID-19 Pandemic 1

Programme /Sub-Programme	Intervention	Geographic location (province/ district/local municipality) (where possible)	No. of beneficiaries (where possible)	Disaggregation of beneficiaries (where possible)	Total budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the outputs in the APP (where applicable)	Immediate outcomes
TERS/RAP	Skills Programmes	National	1659		R 24 315 905,90	R7 075 484,63		To prevent the retrenchment of employees and also reskilling of retrenched employees
Learner Special Stipend support	Apprenticeships & Learnerships	National	1913		R22 000 000	R16 283 361		To prevent the retrenchment of learners

Table 3 below is an additional section which captures performance achievements which were processed by the merSETA in the current year under review even though the actual learning had either commenced and/or was completed in the previous financial year. These achievements were recorded as allowable by the reporting guidelines which suggests that organisations may report or disclose important additional information in their annual performance reporting. This additional information serves to demonstrate progress of the flow of skills into the mer-sector labour market in accordance to the merSETA Strategic Plan which captures the five (5) year performance targets. The challenges that impacted the timeous reporting of performance achievements include:

- The National Lockdown in March 2020 resulted in the delays in the merSETA receiving evidence such as moderation reports to close out learners on time. This resulted in the completions of the previous financial year being captured in the financial year under review.
- A concerning trend over the years of delays by some employers and training providers to submit evidence of learner registrations and completions.

Table 3: Programme 3: Prior Year achievements

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Prior year achievement
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector engineering and industry value chains. Outcome 3: PSET education, training and skills development public institutions responsive to the changing occupations and skills demand required for the merSETA sector engineering and manufacturing industries and related labour market. Outcome 4: Skills for transformed SA merSETA sector engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management. Outcome 5: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector engineering and manufacturing industries and related labour market.	Strategic output 4: Facilitation of skills development interventions to enable increased access to employment opportunities and support to economic growth opportunities.	Number of learners in employment (unemployed learners completing internships, skills programmes, bursaries and learnerships):	N/A	N/A	6959	2369	42
		Number of unemployed learners registered for WIL programmes from TVET:	1746	291	2440	724	219
		Number of unemployed learners registered for WIL programmes from HEIs:	427	659	300	78	53
		Number of unemployed learners completing WIL programmes from HEIs:	378	4	280	147	60
		Number of unemployed learners registered for workplace experience/ internships:	419	170	300	191	88
		Number of unemployed learners completing workplace experience/ internships:	247	251	184	93	19
		Number of unemployed learners registered for skills programmes:	3309	277	3200	2608	1220
		Number of unemployed learners completing skills programmes:	2631	915	2560	1130	5
		Number of unemployed learners registered for learnership programmes:	4016	2363	2400	2300	2456
		Number of unemployed learners completing learnership programmes:	2800	1821	2571	1137	7
		Number of unemployed engineering graduates registered for candidacy programmes:	22	20	16	70	9
		Number of unemployed learners granted bursaries (new entries):	194	279	100	31	56
		Number of unemployed learners granted bursaries (continuing):	N/A	N/A	309	277	2
		Number of employed learners registered for Learnership programmes:	2023	1550	1600	678	7
		Number of employed learners completing learnership programmes:	1448	894	1314	381	5
		Number of employed learners registered for bursary programmes (new entries):	133	323	115	19	87
		Number of employed learners completing bursary programmes:	25	13	40	30	6
		Number of employed learners registered for skills programmes:	5487	2287	3350	1096	1025
		Number of employed or unemployed learners registered for AET programmes:	498	485	380	485	23
		Number of employed or unemployed learners completing AET programmes:	388	446	1600	7	12
		Number of learners registered for trade / artisan qualifications (new registrations):	4217	644	3290	1665	530
		Number of learners completing trade/artisan qualifications:	3315	2763	3570	1828	38
		Number of candidates undergoing Recognition of Prior Learning (RPL) or Artisan Recognition of Prior Learning (ARPL):	2057	1387	1257	374	97

Linking performance with budgets

The table below shows the programme/activity/objective against the budget/actual expenditure/over or under expenditure compared to the prior year.

PROGRAMME EXPENDITURE VS BUDGET 2021						
Programme/activity/objective	2020/2021			2019/2020		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	242 231	218 079	24 152	262 376	213 653	48 723
Skills Planning	64 494	43 596	20 898	132 281	51 340	80 941
Learning Programmes & Projects	1 226 733	897 371	329 362	1 147 988	919 794	228 194
Quality Assurance	625	291	334	6 160	1557	4 603
Total	1 534 083	1 159 337	374 746	1 548 805	1 186 344	362 461

5. Revenue

The table below reflects sources of revenue for the merSETA in 2020/21 compared to 2019/20.

Revenue Sources	2020/2021			2019/2020		
	Estimate R'000	Actual Amount Collected	(Over)/Under Collection	Estimate R'000	Actual Amount Collected	(Over)/Under Collection
Skills Development Levy Income	709 816	923 716	(213 910)	1 469 518	1 466 870	2 728
Skills Development Penalties and Interest	22 057	22 257	(200)	19 347	19 620	(246)
Net gains from financial instruments	372 000	265 924	106 076	310 000	311 876	(1 867)
Other	128	12	116	122	66	56
Total	1 104 001	1 211 919	(107 918)	1 799 094	1 798 423	671

6. Capital Investment

The table below reflects the merSETA's Capital Investment in 2020/21 compared to 2019/20. In neither financial years were such investments made.

Infrastructure projects	2020/2021			2019/2020		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	-	-	-	-	-	-
Total	NA	NA	NA	NA	NA	NA

PART C:
GOVERNANCE

1. Introduction

The merSETA Accounting Authority is appointed by the Minister of Higher Education, Science and Innovation in consultation with the National Skills Authority in terms of section 11 of the Skills Development Act 97 of 1998. In terms of the Act, the Chairperson and 14 members of the Accounting Authority are appointed on a five-year term.

2. Portfolio Committee

The merSETA is a schedule 3A public entity and reports to the Minister of Higher Education, Science and Innovation. The merSETA reports to Parliament through the Minister.

3. Executive Authority

The Minister of Higher Education, Science and Innovation is the merSETA's Executive Authority and the Minister is accountable to Parliament for the merSETA activities. The merSETA has made all the required submissions to the Executive Authority, National Treasury and Parliament, which includes Quarterly Reports (financial and performance), the Annual Report, the Annual Performance Plan, Sector Skills Plan and the Service Level Agreement during the period under review.

4. The Accounting Authority

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

ATTENDANCE AT THE ACCOUNTING AUTHORITY AND COMMITTEE MEETINGS

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

NAME	ACCOUNTING AUTHORITY	AUDIT & RISK COMMITTEE	EXECUTIVE COMMITTEE	HRRC	FINANCE & GRANTS COMMITTEE	GOVERNANCE & STRATEGY	OTHER MEETINGS
Kate Moloto (Chairperson)	11/11		6/6				16
Ruth Ntlokotse (Deputy Chairperson)	11/11		6/6		4/4		11
Jeanne Esterhuizen (Deputy Chairperson)	9/11		5/6		3/4		10
Dr Alex Mashilo	11/11					4/4	2
Dr Lesley Lee	8/11		6/6	5/6			13
Johan Van Nierkerk	10/11	4/4					4
Kirtida Bhana	11/11					4/4	4
Siboniso Mdletshe	9/11					4/4	3
Mokgatle (Thapelo) Molapo	11/11			6/6	4/4		9
Louis van Huyssteen	11/11					4/4	0
Thandeka Phiri	11/11		6/6				12
Renai Moothilal	11/11	4/4			3/4		4
Japhta (Elias) Kubeka	10/11				3/4	4/4	4
Jacobus (Koos)							
de Beer	9/11			6/6		4/4	8
Juliana Makapan	2/2			6/6			1
Lindelwa Ndziba	2/2			5/6			1
Mochele Noge	1/2				4/4		0
Siyabonga Msweli	2/3					4/4	0
Dr Siziwe Zuma	2/2				4/4		0
Khumo Mzozoyana	3/3	4/4					2
Collin Nciki	2/2	4/4					0
Margaret Phiri	2/2	3/4					0

Remuneration of the Account Authority

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

Name	Remuneration (R)	Other Allowances (R)	Other Re-Imbursements (R)	Total (R)
Kate Moloto (Accounting Authority and EXCO Chairperson)	310 744			310 744
Ruth Ntlokotse (Accounting Authority Deputy Chairperson)	279 811			279 811
Jeanne Esterhuizen (Accounting Authority Deputy Chairperson)	244 491			244 491
Dr Alex Mashilo (GSC Chairperson)	136 281			136 281
Dr Lesley Lee (HRRC Chairperson)	294 000			294 000
Johan Van Nierkerk**	165 268			165 268
Kirtida Bhana*	147 000			147 000
Siboniso Mdletshe	129 510			129 510
Mokgatle (Thapelo) Molapo (FGC Chairperson)	283 660			283 660
Louis van Huyssteen*	130 000			130 000
Thandeka Phiri	267 000			267 000
Renai Moothilal	208 438			208 438
Japhta (Elias) Kubeka	171 438			171 438
Jacobus (Koos) de Beer	244 216			244 216
Juliana Makapan	77 706			77 706
Lindelwa Ndziba	69 072			69 072
Mochele Noge	43 170			43 170
Siyabonga Msweli	51 804			51 804
Dr Siziwe Zuma	51 804		1 497	53 301
Khumo Mzozoyana (ARC Chairperson)	173 145			173 145
Collin Nciki**	114 168			114 168
Margaret Phiri	76 000			76 000
Total	3 668 726		1 497	3 670 223

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

** These members have resigned or are deceased

5. Risk Management

The Accounting Authority manages the merSETA risks in a way that supports the organisation in setting and achieving its strategic objectives. Through the Audit and Risk Committee, the Accounting Authority considers the organisation's risk profile, appetite, mitigation and strategic interventions.

6. Internal Audit and Audit Committee

The merSETA's internal audit function is outsourced to an independent audit firm that carries out its function on an approved three-year internal audit plan. Shumba Inc. were appointed as the merSETA's Internal Auditors during the year under review. The independent internal auditors perform and report in terms of an approved Internal Audit Charter and Plan. Furthermore, the Audit and Risk Committee reviews the performance of internal auditors on behalf of the Accounting Authority.

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

THE AUDIT AND RISK COMMITTEE (ARC)

Composition

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

Roles and Responsibilities

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

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

7. Compliance with Laws and Regulations

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

8. Fraud and Corruption

The merSETA has a Fraud Prevention Plan in place, which is regularly reviewed to ensure effectiveness. The entity has a fraud and corruption hotline, which is fully operational and a register of all reported cases is maintained and reported through the governance structures periodically. All cases are investigated to determine validity and appropriate action is taken when allegations are found to be true. The fraud and corruption report is a standing item on the Audit and Risk Committee.

9. Minimising Conflict of Interest

Members of the Accounting Authority as well as Senior Management are required to avoid situations where they have or may have a direct or indirect interest that conflicts, or possibly may conflict, with the merSETA's interests. A Conflict of Interest Policy was approved by the Accounting Authority in March 2020. It outlines policy imperatives for disclosure by the Accounting Authority and staff. Members and staff also have an obligation to declare their interests on an annual basis in order for the organisation to avoid issuing contracts to employees and/or their related parties.

10. Code of Conduct

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

11. Health, Safety and Environmental Issues

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

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

12. Company Secretary

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

13. Social Responsibility

All the merSETA programmes are aligned to the national policy framework that aims to contribute and assess the impact on social transformation, environmental preservation and economic upliftment.

Initiatives during the period under review were linked to the National Skills Development Plan (NSDP).

14. Audit Committee Report

MANDATE AND TERMS OF REFERENCE:

The audit and risk committee (the committee) presents its report in terms of the requirements of the PFMA and in accordance with the King IV Report on Corporate Governance for South Africa for the financial year ended 31 March 2021. The role of the committee is defined in its mandate as outlined in its charter. It covers, among others:

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

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

Oversight of financial and disclosure

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

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

The committee focused on specific control issues, in particular, the controls relating to the PFMA reporting. The committee concluded that the internal control environment has room to improve, particularly with regard to review of supporting schedules and reconciliations and appreciates managements' concerted efforts to detect irregular expenses even though improvement is necessary in the prevention of irregular expenses.
The committee notes with concern the issues in relation to performance information that continue to plague the organisation. Commitment by management to improve and take corrective measures with regards to performance information has been noted by the committee.

The committee further notes the impact of COVID-19 on the functioning of the finance department and the organisation at large.

The committee considered the following:

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

OPINION:

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

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

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

RECOMMENDATION:

The committee has evaluated the Annual Financial Statements of the merSETA for the year ended 31 March 2021 and, based on the information provided to it, considers that they comply, in all material respects, with the requirements of the PFMA and GRAP. The committee concurs that the adoption of the going-concern premise in the preparation of the Annual Financial Statements is appropriate. The committee has, therefore, recommended the adoption of the financial statements by the Accounting Authority.

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

The merSETA is proud to have once again produced an Unqualified Audit Opinion for the 2020/21 financial year.

15. B-BBEE Compliance Performance Information

The merSETA strives to comply with the Broad Based Black Economic Empowerment Act 53 of 2003 as amended by Act no 46 of 2013. In line with this, the organisation has submitted itself to a B-BBEE audit in the year 2020. The merSETA was issued with a non-compliant scorecard for the year under review. In light of the non-compliant finding, the merSETA is in the process of developing a B-BBEE strategy and implementation plan to improve its B-BBEE compliance.

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

A gap analysis has been conducted and areas of concern have been identified and it is the intention of the merSETA to put measures in place to address the gaps during the upcoming financial year.

PART D:

HUMAN RESOURCE MANAGEMENT

1. Introduction

Overview of Human Resources (HR) matters at the public entity

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

Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

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

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

HR priorities for the year under review and the impact of these priorities

During the 2020/2021 financial year, HR began a process of organisational development with the intention of transforming the organisation in line with the modern economy in the face of the Fourth Industrial Revolution.

Employee performance management framework

Biannual performance reviews contained clear performance indicators and evidence requirements linked to the merSETA strategic objectives and values. These were conducted within the required timeframe. Shortly before the national lockdown, employees signed remote work agreements and plans which informed their performance monitoring and review.

Employee wellness programmes

Wellness webinars were successfully implemented to assist employees during the pandemic. Outsourced wellness services were procured to assist employees with managing anxiety, loss, grief, etc. Compulsory checks and social distancing were enforced at the merSETA's head office and regional sites, and these remain in force. Normal office work hours resumed on 3 March 2021.

Policy development

The HR policies were developed, approved, implemented and rolled out on different communication platforms to ensure that employees have a better understanding of these approved policies and procedures.

Highlight achievements

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

The merSETA successfully implemented all COVID-19 precautionary measures to mitigate the spread of the virus at the merSETA head office and the seven regional offices. These measures were in accordance with the following regulations:

- Occupational Health and Safety Act (No. 85 of 1993); and
- Disaster Management Act, 2002 (Act No. 57 of 2002).

Challenges faced by the public entity

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

Future HR plans/goals

The merSETA envisions itself as a professional and capable organisation grounded in ethical leadership, best practice, governance and management, appropriate competencies, good employee experience supported by policies, systems, processes and fair remuneration, performance-based delivery of products and services and best practice consequence management.

The merSETA goal is to implement the organisational development transformation successfully and achieve the desired outcome. This is to align the organisation with the modern economy in the face of the Fourth Industrial Revolution.

The HR Unit is also engaged with the Information and Communication Technology Unit to boost technological advances for seamless HR interaction across the organisation.

2. Human Resource Oversight Statistics

2.1 Personnel Cost by programme/activity/objective

Programme/activity/ objective	Total expenditure (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. employees interns	Average personnel cost per employee PA
Prog 1	218 324	138 724	64%	223	622
Prog 2	43 596	6 627	15%	9	736
Prog 3	897 126	2 609	0,3%	34	77
Prog 4	291	-	0%	-	-
Total	1 159 337	147 960	13%	266	556

2.2 Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top management	1 925	1,53%	1	1 925
Senior management	6 509	5,17%	3	2 169
Professional qualified	39 586	31,46%	38	1041
Skilled	47 085	37,42%	96	490
Semi-skilled	27 509	21,86%	80	343
Unskilled	3 224	2,56%	12	268
Total	125 838	100%	230	8 742

2.3 Performance rewards

Programme/activity/objective	Performance rewards	Personnel expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top management	231	1 925	8%
Senior management	601	5 013	8%
Professional qualified	2 510	39 586	16%
Skilled	3 744	47 085	13%
Semi-skilled	1 642	27 509	17%
Unskilled	169	3224	19%
Total	8 899	124 342	14%

2.4 Training costs

Programme/activity/ objective	Personnel expenditure R'000	Training expenditure R'000	Training expenditure as % of personnel cost	Number of permanent employees	Average annual training cost per employee
Staff training	147 960	1 360	0,92%	232	5 862

2.5 Employment and vacancies

Programme/activity/ objective	2019/20 No. of employees	2019/20 Approved posts	2020/21 No. of employees	2020/21 Vacancies	% of vacancies
Recruitment	229	0	230	10	3,03

Programme/activity/ objective	2019/20 No. of employees	2019/20 Approved posts	2020/21 No. of employees	2020/21 Vacancies	% of vacancies
Top management	0	0	1	0	0%
Senior management	4	0	3	2	20%
Professional qualified	38	0	38	3	30%
Skilled	97	0	96	4	40%
Semi-skilled	77	0	80	1	10%
Unskilled	12	0	12	0	0%
Total	228	0	230	10	100%

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

2.6 Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	0	1	0	1
Senior management	3	0	1	3
Professional qualified	39	4	5	38
Skilled	98	0	2	96
Semi-skilled	79	4	2	80
Unskilled	11	1	0	12
Total	230	10	10	230

2.7 Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	1	10%
Resignation	4	40%
Dismissal	2	20%
Retirement	3	30%
Ill-health	0	0%
Other – contract ended	0	0%
Total	10	100%

2.8 Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	8
Final written warning	0
Dismissal	2

2.9 Equity target and employment equity status

	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	0	1	1	0	0	0	0
Senior management	0	0	0	0	0	0	0	0
Professional qualified	14	11	2	4	0	1	4	3
Skilled	36	29	10	14	4	3	6	7
Semi-skilled	25	27	1	1	0	0	0	2
Unskilled	1	1	0	0	0	0	0	1
Total	76	68	14	20	4	4	10	13

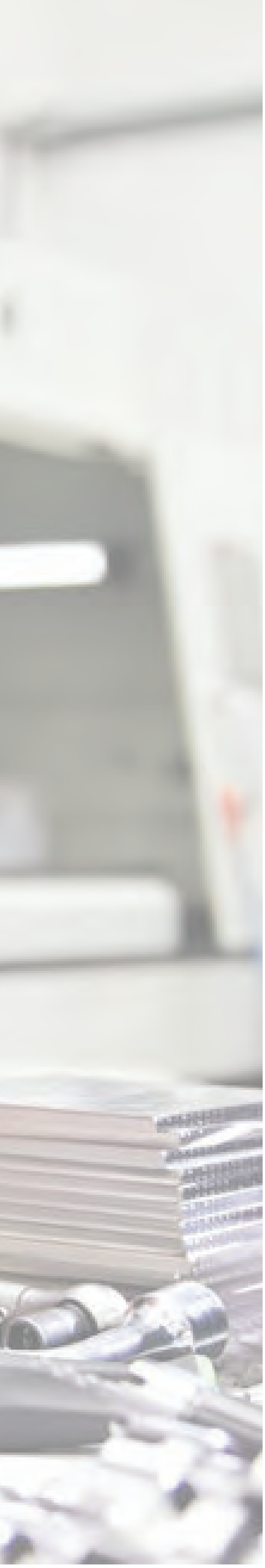
	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	0	0	0	0	0	0	0
Senior management	2	2	0	0	0	0	1	1
Professional qualified	8	10	4	4	2	2	4	5
Skilled	31	32	6	4	1	1	2	2
Semi-skilled	45	40	5	8	0	1	4	4
Unskilled	9	9	2	1	0	0	0	1
Total	95	94	17	17	3	4	11	13

2.10 Staff with disabilities

	Male		Female	
	Current	Target	Current	Target
Top management	0	1	0	1
Senior management	0	1	0	1
Professional qualified	1	1	0	1
Skilled	4	1	4	1
Semi-skilled	1	1	2	1
Unskilled	0	1	1	1
Total	6	6	7	6

PART E:

FINANCIAL INFORMATION



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The audited Annual Financial Statements for the year ended 31 March 2021, set out on pages 63 to 108, 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 27 July 2021, and are signed on their behalf by:

Kate Moloto Digitally signed by Kate Moloto Date: 2021.07.30 20:47:52 +02'00'

K Moloto
(Chairperson)

W Adams
(Chief Executive Officer)

1. Auditor-General's Report

Opinion

1. I have audited the financial statements of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (MerSETA) set out on pages 63 to 108, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of actual and budget amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Manufacturing, Engineering and Related Services Sector Education and Training Authority and as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Skills Development Act 97 of 1998 (SDA).

Basis for opinion

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

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

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

Responsibilities of the accounting authority for the financial statements

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

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

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

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the annual performance report
Programme 3 - Learning programmes and projects	30 – 37

13. 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.

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

Programme 3 - learning programmes and projects

Number of learners in employment (unemployed learners completing WIL, internships, skills programmes, learnerships, candidacy)

15. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined method of collection or that related systems and processes were established to enable consistent measurement and reliable reporting of the actual achievement for the indicator. This was due to a lack of measurement definitions and processes. I was unable to test whether the indicator was well-defined and verifiable by alternative means. As a result, I was unable to audit the reliability of the achievement of number of learners in employment (unemployed learners completing WIL, internships, skills programmes, learnerships, candidacy) for the employment confirmation reported against target 2369 in the annual performance report.

Various Indicators

16. The following planned indicators as per the approved initial annual performance plan and the performance against these planned targets were not reported in the annual performance report:

Indicator description	Planned target
Percentage of Discretionary Grants (DO) budget allocated for bursaries	8%
Number of active partnerships with public sector departments and institutions	4
Number of Non-Levy Paying Employers (NLPEs) Supported through skills development.	210

Various indicators

17. The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided materially differed from the reported achievement, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to these reported achievements.

Performance indicator description	Reported Achievement
Number of unemployed learners registered for WIL programmes from TVET	724
Number of unemployed learners completing WIL programmes from TVET	9
Number of unemployed learners registered for WIL programmes from HEIs	78
Number of unemployed learners completing WIL programmes from HEIs	147
Number of unemployed learners registered for workplace experience/internships	191
Number of unemployed learners completing workplace experience/internships	93
Number of unemployed learners registered for skills programmes	2608
Number of unemployed learners completing skills programmes	1130
Number of unemployed learners completing learnership programmes	1137
Number of employed learners registered for Learnership programmes	678
Number of employed learners registered for skills programmes	1096
Number of employed or unemployed learners registered for AET programmes	485
Number of employed or unemployed learners completing for AET programmes	7
Number of learners registered for trade/artisan qualifications (new registrations)	1665
Number of learners undergoing Artisan Recognition of Prior Learning (ARPL) program	374
Number of new SETA-Employer partnerships established	1570
Number of small businesses supported through skills development skills.	1440

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 28 to 41 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 15 to 17 of this report.

Adjustment of material misstatements

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

Report on the audit of compliance with legislation

Introduction and scope

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

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

Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R6 088 000 as disclosed in the note 25 to the annual financial statements, as required by section 51 (1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with Treasury Regulations.

Annual financial statements

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

25. Material misstatements of receivables from non-exchange transactions and commitments identified by the auditors in the submitted financial statement were corrected subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Other information

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

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

28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

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

Internal control deficiencies

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

31. The public entity has documented policies and procedures to guide the understanding and execution of internal control objectives, processes, and responsibilities with regards to areas of responsibility, instances of non-compliance with the policies and procedures were identified. These deficiencies resulted in multiple findings on the annual performance report and non-compliance with legislation. This was mainly as a result of insufficient monitoring controls.

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

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

Other reports

34. I draw attention to the following engagements conducted by various parties which 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. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

35. The accounting authority of the public entity commissioned a detailed forensic investigation into the extent and liability of identified irregularities and the extent of prejudice suffered by the public entity. The detailed investigation and a determination of the extent of the irregularities had not yet been finalised at the date of this report.

Auditor-General

Pretoria

31 July 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure — Auditor-general's responsibility for the audit

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

Financial statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
- Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the MerSETA to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

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

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2021

	Note	2021			2020		
		Actual R'000	Budget R'000	Variance R'000	Actual R'000	Budget R'000	Variance R'000
REVENUE							
Non-exchange revenue							
Skills development levy income	2	923 726	709 816	213 910	1 466 870	1 469 598	(2 728)
Skills development levy penalties and interest	3	22 257	22 057	200	19 620	19 374	246
Total non-exchange revenue		945 983	731 873	214 110	1 486 490	1 488 972	(2 482)
Exchange revenue							
Net gains from financial instruments	4	265 924	372 000	(106 076)	311 867	310 000	1 867
Other income	5	12	128	(116)	66	122	(56)
Total exchange revenue		265 936	372 128	(106 192)	311 933	310 122	1 811
Total revenue		1 211 919	1 104 001	107 918	1 798 423	1 799 094	(671)
EXPENSES							
Employer grant and project expenses	6	(984 420)	(1 341 863)	357 443	(1 014 780)	(1 346 309)	331 529
Administration expenses	7	(174 917)	(192 220)	17 303	(171 564)	(202 496)	30 932
Total expenses		(1 159 337)	(1 534 083)	374 746	(1 186 344)	(1 548 805)	362 461
Net surplus for the year	1	52 582	(430 082)	482 664	612 079	250 289	361 790

* Accounting Authority approval for the year 2020/21 budgets as well as National Treasury approval for the retention of surplus funds for the year ended 31 March 2020 was obtained as per the requirements of section 53 of the PFMA.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2021

	Note	2021			2020		
		Actual R'000	Budget R'000	Variance R'000	Actual R'000	Budget R'000	Variance R'000
ASSETS							
Current assets							
Cash and cash equivalents	8	4 456 949	3 707 049	749 900	4 267 369	3 781 711	485 658
Receivables from exchange transactions	9	31 807	196 500	(164 693)	81 262	171 430	(90 168)
Receivables from non-exchange transactions	10	8 446	31 320	(22 874)	18 485	29 000	(10 515)
Prepayments	11	-	150	(150)	191	142	49
Consumables	12	413	650	(237)	601	600	1
		4 497 615	3 935 669	561 946	4 367 908	3 982 883	385 025
Non-current assets							
Property and equipment	13	13 215	16 119	(2 904)	12 425	18 973	(6 548)
Intangible assets	14	1 229	4 916	(3 687)	354	5 305	(4 951)
		14 444	21 035	(6 591)	12 779	24 278	(11 499)
Total Assets		4 512 059	3 956 704	555 355	4 380 687	4 007 161	373 526
LIABILITIES							
Current liabilities							
Payables from exchange transactions	15	5 516	11 000	(5 484)	4 670	10 000	(5 330)
Grants and transfers payable	16	256 363	181 700	74 663	183 231	156 650	26 581
Other payables	17	1 315	1 400	(85)	1 296	1 350	(54)
Provisions	18	39 732	36 135	3 597	34 939	44 400	(9 461)
		302 926	230 235	72 691	224 136	212 400	11 736
Net assets		4 209 133	3 726 469	482 664	4 156 551	3 794 761	361 790
Administration reserve		14 444	21 035	(6 591)	12 779	24 278	(11 499)
Employer grant reserve		1 248	1 369	(121)	1 304	819	485
Discretionary reserve		4 193 441	3 704 065	489 376	4 142 468	3 769 664	372 804
Total net assets		4 209 133	3 726 469	482 664	4 156 551	3 794 761	361 790

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2021

	Note	Administration reserve R'000	Employer grant reserve R'000	Discretionary grant reserve R'000	Unappropriated surplus R'000	Total R'000
Balance at 31 March 2019		12 902	758	3 530 812	-	3 544 472
Net surplus for the year per statement of financial performance		-	-		612 079	612 079
Allocation of unappropriated surplus for the year	1	20 901	114 178	477 000	(612 079)	-
Excess reserves transferred to discretionary reserve		(21 024)	(113 632)	134 656	-	-
Balance at 31 March 2020		12 779	1 304	4 142 468	-	4 156 551
Net surplus for the year per statement of financial performance		-	-	-	52 582	52 582
Allocation of unappropriated surplus for the year	1	(53 681)	62 551	43 712	(52 582)	-
Excess reserves transferred to discretionary reserve		55 346	(62 607)	7 261	-	-
Balance at 31 March 2021		14 444	1 248	4 193 441	-	4 209 133
		*	**			

* The amount retained in the administration reserve is equal to the net book value of the non-current assets.

** The amount retained in the employer grant reserve is a mandatory grant provision for newly registered companies participating after the legislative cut-off date. This is noted under contingencies in note 20.1.2.

CASH FLOW STATEMENT
for the year ended 31 March 2021

	Note	2021			2020		
		Actual R'000	Budget R'000	Variance R'000	Actual R'000	Budget R'000	Variance R'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Operating activities							
Cash receipts from stakeholders and others		945 452	734 442	211 010	1 484 620	1 488 644	(4 024)
Levies, interest and penalties received		945 440	734 314	211 126	1 484 554	1 488 522	(3 968)
Other income	5	12	128	(116)	66	122	(56)
Cash paid for grants and projects		(898 560)	(1 352 801)	454 241	(1 064 494)	(1 419 791)	355 297
Employment costs		(38 324)	(39 970)	1 646	(37 285)	(39 620)	2 335
Grant and project payments		(860 236)	(1 312 831)	452 595	(1 027 209)	(1 380 171)	352 962
Cash paid for administration		(167 299)	(190 438)	23 139	(167 807)	(196 998)	29 191
Employment costs		(103 586)	(110 460)	6 874	(101 559)	(116 060)	14 501
Payments to suppliers		(63 713)	(79 978)	16 265	(66 248)	(80 938)	14 690
Cash (utilised in) generated from operations	19	(120 407)	(808 797)	688 390	252 319	(128 145)	380 464
Interest received		314 909	256 594	58 315	380 578	288 305	92 273
Net cash inflow from operating activities		194 502	(552 203)	746 705	632 897	160 160	472 737
CASH FLOW FROM INVESTING ACTIVITIES							
Purchase of property and equipment	13	(2 258)	(3 217)	959	(3 058)	(10 849)	7 791
Purchase of intangible assets	14	(2 664)	(4 900)	2 236	(367)	(5 482)	5 115
Proceeds from disposal of property and equipment		-	-	-	15	-	15
Net cash outflow from investing activities		(4 922)	(8 117)	3 195	(3 410)	(16 331)	12 921
Net increase in cash and cash equivalents		189 580	(560 320)	749 900	629 487	143 829	485 658
Cash and cash equivalents at beginning of year		4 267 369	4 267 369	-	3 637 882	3 637 882	-
Cash and cash equivalents at end of year	8	4 456 949	3 707 049	749 900	4 267 369	3 781 711	485 658

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2021

	Original budget R'000	Revisions R'000	Final approved budget R'000	Actual R'000	Variance R'000
REVENUE					
Skills development levy income	1 521 034	(811 218)	709 816	923 726	213 910
Skills development penalties and interest	20 052	2 005	22 057	22 257	200
Total non-exchange revenue	1 541 086	(809 213)	731 873	945 983	214 110
Net gains from financial instruments	372 000	-	372 000	265 924	(106 076)
Other income	128	-	128	12	(116)
Total exchange revenue	372 128	-	372 128	265 936	(106 192)
Total revenue	1 913 214	(809 213)	1 104 001	1 211 919	107 918
EXPENSES					
Employer grant and project expenses	(1 485 859)	143 996	(1 341 863)	(984 420)	357 443
Administration expenses	(202 455)	10 235	(192 220)	(174 917)	17 303
Total expenses	(1 688 314)	154 231	(1 534 083)	(1 159 337)	374 746
Net surplus for the year	224 900	(654 982)	(430 082)	52 582	482 664

REVISIONS TO THE ORIGINAL BUDGET

After the announcement of the skills development levy holiday, which ran for four months from May 2020 to August 2020, the Minister requested SETAs to revise their budgets for the 2020/21 financial year.

Skills development levy income was reduced by R811 million. This was to account for the skills development holiday as well as anticipating a reduction in levy income as a result of shrinkages and layoffs in the sector due to COVID.

Skills development penalties and interest income was increased by R2 million, anticipating potential pressures on the sector as a result of the lockdown.

Employer grant and project expenses were reduced by R144 million. This reduction was to take into account a potential slow down in training in the sector due to the lockdown. It also took into account the impact on mandatory grant expenses as a result of the reduction in levy income.

Administration expenses were reduced by R10 million. This was mainly the result of a drastic reduction in travel, conferences and meeting expenses.

Notwithstanding these adjustments, the revised budget showed that administration would still exceed the legislated administration limit of 10,5% by R108 million. Application was made to the Minister, to approve administration expenditure exceeding the 10,5% administration limit.

The revised budget for the 2020/21 financial year was approved by the Minister, including the approval to budget for a deficit. The deficit was primarily the result of significantly reduced levy income. Approval was also given to exceed the administration limit by R93 million. The final calculation for the year showed that the administration limit was exceeded by just under R60 million which was well within the amount allowed by the Minister.

COMPARISON OF BUDGET VERSUS ACTUAL

Levy income is 30% above budget. Levies were expected to drop significantly due to the impact of COVID and the budget was adjusted to 80% of the norm. Surprisingly levies received were only 5% below the previous year, month on month. Income from skills development levies penalties and interest is 1% above budget.

Net gains from financial instruments represent interest received from cash and cash equivalents. Most of the cash is held in fixed notice deposits. Interest received was 29% below budget. This was due to the drop in interest rates during the year. The weighted average rate of return dropped by 2% from the previous year.

Disbursements of employer grants and projects is 27% below budget. Although it was anticipated that training would be severally impacted by COVID-19, it was also necessary not to cut the budget to the extent that merSETA could not meet its contractual obligations. As expected companies were hard hit by the lockdown and training was significantly curtailed. The pace of training slowed down, which impacted tranche payments and a large number of reductions on contracts took place. Reductions for the 2020/21 financial year amounted to R285 million. On the positive side, disbursements of mandatory grants was above budget due to levy income being higher than expected.

Administration expenses are 9% below budget and 2% above the expenditure of the previous year. There were savings across the board, but particularly in travel, conferences and meeting expenses. The QCTO admin cost is 252% above budget due to the imperative to use the amount stipulated by the Minister, as opposed to the 0,5% legislated for QCTO. Legislation allows the Minister, to stipulate the amount required to be paid by SETAs for QCTO administration costs.

The surplus for the year is R53 million against a budgeted deficit of R430 million. The main contributor was the lower than budgeted disbursement of grant and project expenses.

ACCOUNTING POLICIES

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The Financial Statements fairly present the entity's financial position, financial performance and cash flows as per the requirements of GRAP 1.

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

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

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

The merSETA 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.

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

3.2 Interest and penalties

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

3.3 Net gains from financial instruments

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

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

3.4 Other income

Other income is recognised when it is received.

4 GRANT AND PROJECT EXPENSES

4.1 Mandatory grants

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

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

4.2 Discretionary project expenses

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

Discretionary project expenses are:

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

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

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

4.3 Operational administration expenses reapportioned to project administration expenses

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

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

4.4 Administration expenses

The Skills Development Levies Act (Act No. 9 of 1999 as amended) (SDLA) stipulates that a maximum of ten percent (10%) of levy income may be used for operational administration expenses. A maximum of half a percent (0.5%) of levy income is used for administration expenses of the Quality Council for Trades and Occupations (QCTO). Operational expenditure includes employee costs, operating lease rental, consulting costs and operational travel and subsistence costs, amongst others.

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

5 FINANCIAL INSTRUMENTS

Recognition

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

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

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

5.1 Financial assets

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

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

Cash and cash equivalents

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

Receivables from exchange transactions

merSETA assesses its deposits and receivables for impairment at the end of each financial reporting period. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Receivables from exchange transactions are measured at amortised cost with interest calculated by using the effective interest method.

5.2 Financial Liabilities

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

Payables from exchange transactions

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

Derecognition

A financial asset or a portion thereof is derecognised when:

- The merSETA realises the contractual rights to the benefits specified in the contract;
- The rights expire;
- The merSETA waives those rights or otherwise loses control of the contractual rights that comprise the financial asset and transfers to another party substantially all the risks and rewards of ownership of the financial asset.

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

Offsetting

Financial assets and financial liabilities are offset if there is any intention to realise the asset and settle the liability simultaneously and a legally enforceable right to set off exists.

6 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Refunds are made to employers in the form of mandatory grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected this may result in grants that have been paid to affected employers being in excess of the amount that would have been granted to those employers had all information been available at the time of paying those grants.

Contracts are entered into with employers for the payment of discretionary grants. Where an employer withdraws from a contract or the contract value is reduced, a receivable will be raised to the extent that payments made under the contract exceed the revised total contract value.

A receivable relating to such overpayments of mandatory or discretionary grants is recognised at the amount of the grant overpayment, net of bad debts and allowance for irrecoverable amounts.

Other receivables from non exchange transactions relate to transactions with the UIF and other SETAs.

7 STATUTORY RECEIVABLES

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

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

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

The merSETA recognises statutory receivables as follows:

- If the transaction is an exchange transaction, using the policy on revenue from exchange transactions;
- If the transaction is a non-exchange transaction, using the policy on revenue from non-exchange transactions (taxes and transfers); or
- If the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the SETA and the transaction amount can be measured reliably.

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

8 PREPAYMENTS

Prepayments constitute advance payments for insurance. An asset is recognised when the payment is made and then expensed on a systematic basis over the period of the contract.

9 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.

10 PROPERTY AND EQUIPMENT

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

Asset class	Depreciation period current year	Depreciation period prior year
Computer equipment	3 - 7 years	3 - 7 years
Office furniture and fittings	5 - 14 years	5 - 14 years
Office equipment	5 - 8 years	5 - 8 years
Motor vehicles	4 - 8 years	4 - 8 years
Other assets	2 - 5 years	2 - 5 years

The useful life of assets were assessed by class, after consideration of the average life of disposed or retired assets. Expectations about the useful lives of property and equipment has remained unchanged 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.

11 INTANGIBLE ASSETS

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

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

Asset class	Amortisation period
Computer software	1 - 3 years

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

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

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

12 OTHER PAYABLES

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

13 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.

13.1 Provision for SARS refunds

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

13.2 Provision for mandatory grants

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

13.3 Provision for employee related entitlements

The cost of other employee benefits (not recognised as retirement benefits - see policy note 16) are recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date. Provisions included in the statement of financial position are provisions for Workman's Compensation, leave pay and performance bonuses.

Leave Pay

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

Performance bonuses

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

14 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:

	2020 %	2019 %
Administration costs of the merSETA	10	10
QCTO Administration costs	0,5	0,5
Mandatory Workplace Skills Planning Grant	20	20
Discretionary projects	49,5	49,5
Received by the merSETA	80	80
Contribution to NSF	20	20
	100	100

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

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

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

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

15 LEASING

Operating leases

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

16 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%

17 CONTINGENCIES

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

Section 53 (3) of the PFMA a public states that an entity may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained. At the end of 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 work place skills plans.

18 RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

19 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the financial statements, is also recorded appropriately in the irregular expenditure register. Irregular expenditure that was incurred and identified during the current financial year and for which condonement by the Accounting Authority is obtained at year-end, is recorded in the irregular expenditure register. Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements is updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the irregular expenditure register.

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

Fruitless and wasteful expenditure means expenses that were incurred in vain and would have been avoided had reasonable care been exercised. When identified, all material irregular, fruitless and wasteful expenditure is recognised against the specific class of expense to which it relates and disclosed in a note to the financial statements when it has been identified. When recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred.

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

- Treasury Instruction Note No.3 of 2019/2020: Fruitless and wasteful expenditure.
- Treasury Instruction Note No.2 of 2019/2020: Irregular expenditure

20 COMPARATIVE FIGURES

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

21 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Useful lives of property and equipment

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

Provision for below threshold levies received

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

Provision for doubtful debts: receivables from non exchange transactions

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES

	Total per Statement of Financial Performance R'000	Administration reserve R'000	Employer grants reserve R'000	Discretionary grants R'000
Year ended 31 March 2021				
Total revenue	1 211 919	121 236	231 079	859 604
Skills development levy income				
Admin levy income (10,5%)	121 236	121 236	-	-
Grant levy income (69,5%)	802 490	-	231 079	571 411
Skills development levy: penalties and interest	22 257	-	-	22 257
Investment income	265 924	-	-	265 924
Other income	12	-	-	12
Total expenses	1 159 337	174 917	168 528	815 892
Employer grants and project expenses	984 420	-	168 528	815 892
Administration expenses	174 917	174 917	-	-
Net surplus per the statement of financial performance allocated	52 582	(53 681)	62 551	43 712
Year ended 31 March 2020				
Total revenue	1 798 423	192 465	365 711	1 240 247
Skills development levy income				
Admin levy income (10,5%)	192 430	192 430	-	-
Grant levy income (69,5%)	1 274 440	-	365 711	908 729
Skills development levy penalties and interest	19 620	-	-	19 620
Investment income	311 867	-	-	311 867
Other income	66	35	-	31
Total expenses	1 186 344	171 564	251 533	763 247
Employer grants and project expenses	1 014 780	-	251 533	763 247
Administration expenses	171 564	171 564	-	-
Net surplus per the statement of financial performance allocated	612 079	20 901	114 178	477 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

	Note	2021 R'000	2020 R'000

2. SKILLS DEVELOPMENT LEVY INCOME

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

	Note	2021 R'000	2020 R'000
Levy income: Administration		121 236	192 430
Levies received from SARS		121 170	192 576
InterSETA transfers - Admin		70	45
Provision for refund SARS		(4)	(191)
Levy income: Employer Grants		231 079	365 711
Levies received from SARS		230 954	365 861
InterSETA transfers - Mandatory		133	15
Provision for refund SARS		(8)	(165)
		571 411	908 729
Levy income: Discretionary Grants		571 102	908 819
Levies received from SARS		330	214
InterSETA transfers - Discretionary		(21)	(304)
Provision for refund SARS		923 726	1 466 870

3. SKILLS DEVELOPMENT LEVY PENALTIES AND INTEREST

	2021 R'000	2020 R'000
Penalties	10 985	10 676
Interest	11 272	8 944
	22 257	19 620

4. NET GAINS FROM FINANCIAL INSTRUMENTS

	2021 R'000	2020 R'000
Interest income from cash and cash equivalents	265 924	311 867

5. OTHER INCOME

	2021 R'000	2020 R'000
Income from re-certification	12	31
Management fee income	-	35
	12	66

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

6. EMPLOYER GRANT AND PROJECT EXPENSES

	Note	2021 R'000	2020 R'000
Mandatory grants		168 528	251 533
Mandatory grants		167 733	250 309
Bad debts written off		-	1 083
Movement in allowance for doubtful debts		795	141
Discretionary projects		815 892	763 247
Discretionary projects	6.1, 21.1	789 299	758 868
Bad debts written off		-	1 324
Movement in allowance for doubtful debts - discretionary		26 593	3 055
		984 420	1 014 780

6.1. Discretionary project expenses consists of:

Direct project costs	748 759	720 777
Indirect project administration costs	40 540	38 091
	789 299	758 868

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

7. ADMINISTRATION EXPENSES

	Note	2021 R'000	2020 R'000
Advertising, marketing and promotions, communication		2 250	3 463
Amortisation - intangible assets		1 789	747
Audit costs - internal audit		1 159	685
Audit costs - external audit		3 501	4 218
Audit costs - other audits		58	79
Bank charges		428	452
Accounting Authority and sub-committee costs		4 251	3 041
Remuneration to members of the audit committee		226	493
Accounting Authority and sub-committee members' fees		3 434	2 181
Secretarial services		591	367
Cleaning and groceries		248	710
Depreciation		2 277	2 281
Depreciation - adjustment due to change in useful lives of assets		(1 381)	-
Employment costs		136 660	133 067
Recruitment costs		173	233
Salaries, wages and benefits	7.1	134 090	129 077
Staff training, development and welfare		2 397	3 757
Entertainment expenses		-	5
Gifts, donations and sponsorships paid		1	6
Insurance and licence fees		1 885	1 699
Investigations and forensic costs		735	108
Legal fees		1 813	1 048
Loss on disposal of property and equipment	19	208	142
Operating lease rentals		13 173	13 102
Rental Buildings		11 453	11 450
Rental Parking		1 720	1 652
Printing, stationery and postages		1 557	2 106
QCTO administration cost		11 195	9 171
Rates, water and electricity		4 381	4 445
Rental - computer equipment		395	-
Repairs, maintenance and running costs		3 327	3 150
R&M Buildings		1 954	2 708
R&M COVID 19 expenditure		822	-
R&M Property and equipment		551	442
Security		1 305	1 321

7. ADMINISTRATION EXPENSES (continued)

	Note	2021 R'000	2020 R'000
Service provider administration fees		6 682	4 215
Special functions		11	921
Storage		312	387
Telecommunication expenses		13 633	7 454
Travel, conferences and meeting expenses		3 604	11 632
Project expenses - administration indirect		215 457	209 655
Less: amounts allocated to project expenses	6.1	(40 540)	(38 091)
Net administration cost		174 917	171 564

7.1 Salaries and wages

	2021	2020
	117 367	112 297
Basic salaries	103 121	100 182
Performance awards	5 900	8 373
Arbitration award	239	-
Other non-pensionable allowance	3 120	2 949
Temporary staff	711	743
Leave pay	4 276	50
Social contributions	16 723	16 780
Medical aid contributions	4 618	4 447
Pension contributions: defined contribution fund	10 968	10 631
UIF	390	394
Insurance COIDA	115	175
Other salary related costs	632	1 133
	134 090	129 077

NUMBER OF EMPLOYEES		
Average number of employees during the year	266	271
Permanent staff	232	231
Interns	34	40
Number of employees at the end of the year	272	272
Permanent staff	231	231
Interns	41	41

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

8. CASH AND EQUIVALENTS

	Note	31 March 2021 R'000	31 March 2020 R'000
Cash on hand		30	30
Cash at bank		17 871	16 902
Call accounts		89 048	850 437
Fixed notice deposits		4 350 000	3 400 000
		4 456 949	4 267 369

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 5,89% (2020: 7,89%).

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.

	Note	31 March 2021 R'000	31 March 2020 R'000

9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Note	2021 R'000	2020 R'000
Deposits		1 198	1 268
Sundry receivables		-	400
Interest receivable		30 609	79 594
		31 807	81 262

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Note	2021 R'000	2020 R'000
Employer receivable	10.1	5 332	5 892
Receivable - discretionary projects (UIF)	10.2	2 581	11 743
Receivable - QCTO	10.3	-	850
InterSETA receivable	23.1	533	-
		8 446	18 485

10.1 Employer receivable

	Note	2021 R'000	2020 R'000
Employer receivable	10.1.1	29 976	19 641
Allowance for doubtful debts	10.1.2	(24 644)	(13 749)
Net receivable from employers	10	5 332	5 892

The employer receivable of R30 million (March 2020: R19,6 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 R24,6 million (March 2020: R13,7 million) was provided against such employer receivables

10.1.1 Ageing of receivables:

	2021		2020	
	Gross	Impairment	Gross	Impairment
Current	7 630	(6 103)	1 799	(1 259)
30 days	4 107	(3 292)	1 000	(700)
60 days	2 710	(2 168)	320	(224)
90 days	24	(19)	242	(169)
91 days to 6 months	265	(212)	3 379	(2 365)
6 months - 1 year	1 118	(894)	1 153	(807)
1 year plus	14 122	(11 956)	11 748	(8 225)
Total	29 976	(24 644)	19 641	(13 749)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

10.1.2 Allowance for doubtful debts:

	Note	31 March 2021 R'000	31 March 2020 R'000
Opening carrying amount		(13 749)	(10 554)
Amount utilised		-	4 860
Additional provision during the period		(10 895)	(8 055)
Closing carrying amount	10.1	(24 644)	(13 749)

10.2 Receivable - UIF

Receivable - discretionary projects (UIF)	10.2.1	19 074	11 743
Allowance for doubtful debts	10.2.2	(16 493)	-
Net receivable from UIF	10	2 581	11 743

The receivable of R19,1 million (March 2020: R11,7 million) represents recoverable amounts from the UIF for the training layoff project.

An amount of R6,5 million (March 2020: Rnil) was provided against the receivable from the UIF.

10.2.1 Ageing of receivables:

Current		-	75
30 days		-	-
60 days		-	225
90 days		1 181	468
91 days - 6 months		6 150	3 263
6 months - 1 year		-	-
1 year plus		11 743	7 712
Total	10	19 074	11 743

10.2.2 Allowance for doubtful debts:

Opening carrying amount		-	-
Amount utilised		-	-
Additional provision during the period		(16 493)	-
Closing carrying amount	10.2	(16 493)	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

10.3 Receivable - QCTO

The QCTO receivable in the 2019/20 financial year represents the shortfall of the 0,5% levy income received against the amount stipulated by the Minister for the 2019/20 financial year. The regulations stipulate that the QCTO administration fee is to represent 0,5% of levy income and that the amount shall be determined by the Minister. This matter came under debate in the 2020/21 financial year where a decision was reached that the amount stipulated by the Minister should take precedent over actual QCTO levy income. The receivable was thus reversed and charged to QCTO administration expenses in the current financial year.

11. PREPAYMENTS

Prepayments - Insurance	-	191

12. CONSUMABLES

Opening carrying value	601	612
Consumables purchased	198	1 006
Consumables issued and adjustments	(386)	(1 017)
Closing carrying value	413	601

13. PROPERTY AND EQUIPMENT

	Cost R'000	Accumulated depreciation impairments R'000	Closing carrying amount R'000
Year ended 31 March 2021			
Owned assets			
Computer equipment	14 099	(7 229)	6 870
Office furniture and fittings	7 913	(5 009)	2 904
Office equipment	4 024	(2 370)	1 654
Motor vehicles	4 794	(3 007)	1 787
Total owned assets	30 830	(17 615)	13 215
Year ended 31 March 2020			
Owned assets			
Computer equipment	13 021	(7 171)	5 850
Office furniture and fittings	7 601	(4 916)	2 685
Office equipment	4 156	(2 475)	1 681
Motor vehicles	4 794	(2 585)	2 209
Balance at end of year	29 572	(17 147)	12 425

	Opening carrying amount R'000	Additions R'000	Disposals cost R'000	Depreciation charge R'000	Accumulated depreciation on disposals R'000	Reclassification of assets R'000	Closing carrying amount R'000
Movement summary 2021							
Owned assets							
Computer equipment	5 850	1 812	(735)	(637)	580	-	6 870
Office furniture & fittings	2 685	342	(31)	(117)	25	-	2 904
Office equipment	1 681	104	(236)	(84)	189	-	1 654
Motor vehicles	2 209	-	-	(422)	-	-	1 787
Total owned assets	12 425	2 258	(1 002)	(1 260)	794	-	13 215
Movement summary 2020							
Owned assets							
Computer equipment	4 926	2 600	(723)	(1 478)	589	(64)	5 850
Office furniture & fittings	2 995	51	(16)	(360)	15	-	2 685
Office equipment	1 613	407	(85)	(381)	63	64	1 681
Motor vehicles	2 634	-	-	(425)	-	-	2 209
Balance at end of year	12 168	3 058	(824)	(2 644)	667	-	12 425

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

In the current year the assets were tested for impairment.

14. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Cost R'000	Accumulated amortisation R'000	Closing carrying amoun R'000
Year ended 31 March 2021			
Intangible assets	2 379	(1 150)	1 229
Year ended 31 March 2020			
Intangible assets	648	(294)	354

	Opening carrying amount R'000	Additions R'000	Disposals cost R'000	Amortisation charge R'000	Accumulated amortisation on disposals R'000	Closing carrying amount R'000
Movement summary 2021						
Intangible assets	354	2 664	(934)	(1 789)	934	1 229
Movement summary 2020						
Intangible assets	734	367	(754)	(747)	754	354

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

	Note	31 March 2021 R'000	31 March 2020 R'000

15. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables from exchange transactions		5 516	4 670

16. GRANTS AND TRANSFERS PAYABLE

Grants payable		253 782	175 753
Payable - Training Layoff Scheme (UIF)		2 581	7 478
		256 363	183 231

17.OTHER PAYABLES

Accruals salaries and wages		1 315	1 296

18. PROVISIONS

Provision for SARS refund	18.1	18 254	18 264
Provision for mandatory grants	18.2	1 662	352
Provision for leave pay	18.3	10 499	6 943
Provision for Workman's Compensation	18.3	418	287
Provision for performance bonuses	18.3	8 899	9 093
		39 732	34 939

18.1 Provision for SARS refund

Opening carrying amount		18 264	17 646
Amount utilised		(3 594)	(3 517)
Additional provision during the period		3 584	4 135
Closing carrying amount	18	18 254	18 264

Companies with annual payrolls below R500,000 are exempted from paying skills development levies. SARS will be refunded where levies have been paid by such exempt companies.

18.2 Provision for mandatory grants

Opening carrying amount		352	9 405
Amount utilised		(352)	(4 222)
Provision reversal/additional provision during the period		1 662	(4 831)
Closing carrying amount	18	1 662	352

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

18.3 Payroll related provisions

	Leave pay R'000	Workman's compensation R'000	performance bonuses R'000
Opening carrying amount 2020	7 379	276	8 012
Amounts utilised 2020	(7 011)	(301)	(7 892)
Additional provision during the period	6 575	312	8 973
Closing carrying amount 2020	6 943	287	9 093
Amounts utilised 2021	(4 553)	-	(6 603)
Additional provision during the period	8 109	131	6 409
Closing carrying amount 2021	10 499	418	8 899

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

19. RECONCILIATION OF NET SURPLUS TO CASH UTILISED IN OPERATIONS

	Note	2021 R'000 Actual	2021 R'000 Budget	2020 R'000 Actual	2020 R'000 Budget
Net surplus per the statement of financial performance	1	52 582	(430 082)	612 079	250 289
Adjusted for non-cash items:					
Depreciation property and equipment	13	1 260	(477)	2 644	4 044
Amortisation of intangible assets	14	1 789	338	747	911
Loss on disposal of property and equipment	7	208	-	142	-
Movements in provisions	18	4 793	1 196	(7 779)	1 682
Adjusted for items separately disclosed					
Net gains from financial instruments		(314 909)	(256 594)	(380 578)	(288 305)
Adjusted for working capital changes:					
Decrease/ (increase) in receivables from exchange transactions	9	49 455	(115 238)	68 308	(21 860)
(Increase)/ decrease in receivables from non-exchange transactions	10	10 039	(12 835)	6 970	(3 545)
Decrease/ (increase) in prepayments	11	191	41	(59)	(10)
Decrease/ (increase) in consumables	12	188	(49)	11	12
Increase/ (decrease) in payables from exchange transactions	15	846	6 330	(5 043)	287
(Decrease)/ increase in grants and transfers payable	16	73 132	(1 531)	(45 142)	(71 723)
Increase in other payables	17	19	104	19	73
Cash utilised in operations		(120 407)	(808 797)	252 319	(128 145)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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20. CONTINGENCIES

20.1 Contingent Liabilities

20.1.1 Refunds to National Treasury

In terms of the PFMA, public entities may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained. Approval for the retention of surpluses as at 31 March 2021 has been requested from National Treasury.

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

	Note	31 March 2021 R'000	31 March 2020 R'000
Cash and cash equivalents at the end of the year	8	4 456 949	4 267 369
Add: Receivables from exchange transactions	9	31 807	81 262
Add: Receivables from non-exchange transactions	10	8 446	18 485
Less: Current Liabilities		(302 926)	(224 136)
Total surplus		4 194 276	4 142 980

The discretionary reserves of merSETA amount to R4,193 billion. Commitments at the end of the financial year amounted to R3,819 billion. MerSETA is 91% committed in terms of its discretionary reserves.

20.1.2 Mandatory grants for newly registered companies

Contingent liabilities comprise an Employer Grant Reserve of R1 248 000 (2020: R1 304 000) for newly registered member companies participating after the legislative cut-off date.

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

20.1.3 Pending Litigations

Pending litigations in the year under review are as follows:
A dispute arose between the merSETA and a service provider in 2020. The matter is being resolved by way of court proceedings.

The merSETA is further party to a dispute with two former employee which arose in 2020. The matters proceeded through the internal disciplinary processes and is now referred for arbitration with the CCMA.

A former employee was dismissed and the CCMA upheld his dismissal. He has referred the matter to the Labour court for a review application. The matter began in 2016 and was dormant up until 2020. The matter has since gone dormant again and we await feedback from the applicant's attorneys.

The union and the merSETA are in dispute over the retrospective implementation of Pay Progression. The union has referred the dispute to the CCMA for conciliation. A certificate of non-resolution was issued and we currently await a notice of set down for arbitration from the CCMA.

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

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

In December 2012, the Minister promulgated Regulation 4(4) of the 2012 Grant Regulations which reduced the mandatory grant payable to employers from 50% to 20%. This led to BUSA challenging the reduction of grants at the Labour Court. The litigation between the parties began in 2015 and was finally settled by the Labour Appeals Court (LAC) in October 2020, which held that Regulation 4(4) was "irrational and lacking in any legal justification" and was consequently set aside. Despite the said regulation being set aside, the LAC ruling is silent on the percentage quantum that must be paid back to employers, which creates uncertainty as to what percentage of mandatory grants should be paid or accrued by the SETA during the reported year. There have been no further developments on this matter in the 2020/21 financial year which may have a material impact on this.

The effect of the ruling is that the Minister in consultation with employers and BUSA, would have to decide on the percentage for mandatory grants in consultation with the sector. To date, no communication has been received from the Minister regarding the approved mandatory grant percentage that SETAs should pay. Consequently, the merSETA continued to pay and accrue mandatory grants at 20% in the 2020/21 financial year which is aligned to the approved annual performance plan. The mandatory grant expenditure in Note 6 as well as the mandatory grant liability included in the grants payable amount in note 16 were calculated at a rate of 20%. This may give rise to a potential

dispute by employers disputing the basis of the 20% mandatory grant payments made by the SETA post the ruling. Pending the final agreement between the Minister and the employers (through BUSA) on the approved rate, there is therefore a possible liability due to additional grant payments over the amounts already paid and accrued in the current year based on a payment rate of 20%. Due to the uncertainty of the approved rate and effective date application of the approved rate, the amount of the possible liability cannot be reliably estimated.

21. COMMITMENTS

21.1 Discretionary reserve commitments - Contractual

Of the balance of R4,193 billion available in the discretionary reserve on 31 March 2021 an amount of R3,819 billion has been approved for future discretionary projects as set out below. This represents a commitment ratio of 91%. 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 2020 R'000	Administration expenses/ other adjustments 2020 R'000	Approved contractual expenses & reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Opening balance 2021 R'000	Administration expenses/ other adjustments 2021 R'000	Approved contractual expenses & reductions 2021 R'000	Charged to statement of financial performance 2021 R'000	Closing balance 2021 R'000
PROG 1: ADMINISTRATION									
Discretionary grant Administration expenses	-	31 872	-	(31 872)	-	34 301	-	(34 301)	-
Project administration expenses	-	5 414	-	(5 414)	-	6 239	-	(6 239)	-
Media symposiums	-	2 140	-	(2 140)	-	507	-	(507)	-
ETQA committee	-	38	-	(38)	-	-	-	-	-
Stakeholder capacity building	-	-	-	-	-	-	2 088	-	2 088
Knowledge Management Project	-	1 964	-	(1 964)	-	2 113	437	(2 113)	437
	-	**41 428**	**-**	**(41 428)**	**-**	**43 160**	**2 525**	**(43 160)**	**2 525**
PROG 2: SKILLS PLANNING									
SSP Strategy & Research	691	1 930	-	(2 220)	401	1 544	2 789	(2 797)	1 937
Chamber Development Programme	750	3 771	2 158	(5 179)	1 500	1 407	500	(2 907)	500
Monitoring & Evaluation Project	2 255	901	462	(2 872)	746	586	1 903	(1 522)	1 713
Dual System Apprenticeship Pilot	3 856	3 511	(3 856)	(3 511)	-	3 376	-	(3 376)	-
Walter Sisulu University	8 422	-	(1 534)	(6 888)	-	-	39 000	(4 098)	34 902
Univers. of Johannesburg - Multi Year Project	774	73	(423)	(424)	-	-	-	-	-
Research Project - Skills 4.0	24 184	-	-	(5 553)	18 631	-	-	(6 370)	12 261
Career Development Framework	9 068	-	-	(2 261)	6 807	-	(2 917)	(3 890)	-
CIPSET Student Association	6 812	-	-	(699)	6 113	-	-	(2 281)	3 832
Atlas of Occupations	2 000	-	-	(1 400)	600	-	-	(600)	-
Post School Educ (PSET Cloud)	3 032	-	47 352	(15 831)	34 553	-	60 017	(13 000)	81 570
Black Industrialists	4 000	-	-	(1 750)	2 250	-	-	(1 000)	1 250
UWC Professional TVET Lecturer	-	-	3 856	(1 185)	2 671	-	1 500	(630)	3 541
Skills for Entrepreneurs	-	-	6 676	(1 003)	5 673	-	-	(668)	5 005
NUMSA Research Project	-	-	1 755	(850)	905	-	-	(905)	-
DHET WBL Tracer Study	-	-	1 084	(899)	185	-	-	(185)	-
	65 844	**10 186**	**57 530**	**(52 525)**	**81 035**	**6 913**	**102 792**	**(44 229)**	**146 511**

Project/ discretionary grant programmes	Opening balance 2020 R'000	Administration expenses/ other adjustments 2020 R'000	Approved contractual expenses & reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Opening balance 2021 R'000	Administration expenses/ other adjustments 2021 R'000	Approved contractual expenses & reductions 2021 R'000	Charged to statement of financial performance 2021 R'000	Closing balance 2021 R'000
PROG 3: LEARNING PROGRAMMES & PROJECTS									
Partnership WITS University	8 945	-	(4 745)	(4 200)	-	-	-	-	-
Institute of Motor Industry	-	-	-	-	-	-	-	-	
University of Western Cape	1 323	-	-	(1 323)	-	-	-	-	-
Durban University of Technology	5 281	-	-	-	5 281	-	-	(2 359)	2 922
Dept. of Basic Education -Technology	8 737	-	(1 709)	(2 950)	4 078	-	(658)	(145)	3 275
Innovation, Research & Support - Uni. FS	2 181	-	(24)	(2 157)	-	-	-	-	-
Innovation, Research & Sup - U.Venda	5 285	-	-	(395)	4 890	-	-	(390)	4 500
Resolution Circle - P1, P2 & Intern Development	10 130	-	(633)	(9 497)	-	-	-	-	-
Mangosuthu University Of Technology	7 013	-	4 620	(1 155)	10 478	-	7 040	(7 235)	10 283
Bursaries	14 559	-	(1 228)	(8 872)	4 459	964	(4 459)	(964)	-
UIF/MerSETA Artisan Development	36 100	(4 730)	(4 800)	(4 515)	22 055	(7 407)	(5 067)	(7 331)	2 250
KZN - Office of Premier Project	57 973	-	18 151	(14 093)	62 031	-	-	-	62 031
Eastern Cape - Office of Premier	11 641	-	-	(5 709)	5 932	(4 174)	15 510	(6 873)	10 395
MOA Project DG4 (Year 2012)	145	124	(269)	-	-	-	-	-	-
MOA Project DG5 (Year 2013)	-	-	-	-	-	-	-	-	-
MOA Project DG6 (Year 2014)	-	132	(146)	14	-	-	-	-	-
MOA Project DG7 (Year 2015)	106 081	(462)	(65 333)	(40 286)	-	-	-	-	
MOA Project DG8 (Year 2016)	216 398	287	(39 448)	(46 605)	130 632	198	(104 538)	(20 937)	5 355
MOA Project DG9 (Year 2017)	325 001	447	(29 912)	(18 594)	276 942	336	(34 927)	(37 007)	205 344
MOA Project DG10 (Year 2018)	355 168	628	(20 309)	(36 219)	299 268	(507)	(25 768)	(16 465)	256 528
MOA Project DG11 (Year 2019)	546 185	315	(9 149)	(41 621)	495 730	(46)	(36 090)	(27 432)	432 162
MOA Project DG12 (Year 2020)	-	(38)	697 895	(174 370)	523 487	(365)	28 521	(46 299)	505 344
MOA Project DG13 (Year 2021)	-	-	-	-	-	-	656 965	(149 538)	507 427
School Support	3 336	-	(3 092)	(244)	-	-	-	-	-
Limpopo Department of Public Works	3 368	-	-	(825)	2 543	-	(29)	(578)	1 936
& Trade	11 888	-	-	(1 022)	10 866	-	35 074	(10 800)	35 140
Correctional Services Kimberly	250	-	-	-	250	-	-	-	250
National Department of Public Works (NDPW)	15 755	(483)	(3 337)	(3 722)	8 213	-	(488)	(2 025)	5 700
NMMU Marine Engineering	18 589	-	(12 488)	(5 325)	776	-	-	(776)	-
North West Office of Premier	14 428	-	-	-	14 428	-	-	-	14 428

Project/ discretionary grant programmes	Opening balance 2020 R'000	Administration expenses/ other adjustments 2020 R'000	Approved contractual expenses & reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Opening balance 2021 R'000	Administration expenses/ other adjustments 2021 R'000	Approved contractual expenses & reductions 2021 R'000	Charged to statement of financial performance 2021 R'000	Closing balance 2021 R'000
PROG 3: LEARNING PROGRAMMES & PROJECTS (continued)									
Gauteng Dept of Education (GDE)	70 386	-	6 525	(7 223)	69 688	(23 562)	(150)	(8 761)	37 215
Matric Support Programme	6 665	24	(5 471)	(1 218)	-	-	-	-	-
Free State Office of Premier	19 685	-	-	(1 902)	17 783	-	28 135	(10 555)	35 363
Chinese Cultural Training Centre	70 108	98	-	(12 455)	57 751	-	3 563	(17 780)	43 534
Offenders Awaiting Parole (FS)	2 000	-	-	(1 500)	500	-	-	(487)	13
Offenders Awaiting Parole (KZN)	2 198	-	-	-	2 198	-	-	(700)	1 498
Offenders Awaiting Parole (GAU)	9 072	-	(9 072)	-	-	-	-	-	-
Office of Premier - Limpopo	14 925	-	-	-	14 925	-	-	(4 037)	10 888
False Bay Public FET College	1 420	-	-	(343)	1 077	-	(1 077)	-	-
SOEs	2 348	-	(598)	-	1 750	-	-	-	1 750
TVET Lecturer Development	314	-	(244)	(70)	-	-	-	-	-
TVET NCV Learners	157 113	-	71 565	(33 346)	195 332	(8 110)	91 904	(67 124)	212 002
The British Council	1 080	-	-	(1 080)	-	-	-	-	-
Central University of Technology	4 016	-	7 369	(4 790)	6 595	-	14 722	(4 943)	16 374
Co-operatives and TVETs	-	-	-	-	-	-	-	-	-
NC(V) learners to Artisan - TVET	-	-	-	-	-	-	-	-	-
Spray painting Simulator - TVET	12 750	-	(3 000)	-	9 750	-	-	(2 963)	6 787
Offenders Awaiting Parole - E/ Cape	1 344	-	(1 344)	-	-	-	-	-	-
Innovation, Research & Support - University of North West	9 649	-	14 778	(6 871)	17 556	-	-	(4 093)	13 463
Programme Impl-work integrated	-	-	-	-	-	-	-	-	
Cape Peninsula Univ Technology	4 556	-	-	-	4 556	(1 442)	3 975	(3 551)	3 538
Maths and Science Student Project	-	-	-	-	-	-	-		
ABET Project - Phase 3 & 4	78	-	(58)	-	20	-	(20)	-	-
Tshwane University of Technology - Institute for Advanced Tooling	3 200	-	(35)	(418)	2 747	-	2 429	(2 305)	2 871
Internships	-	2 285	-	(2 285)	-	2 609	-	(2 609)	-
Retrenchment Assistance Programme	18 727	-	8 458	(10 466)	16 719	-	20 054	(9 116)	27 657

Project/ discretionary grant programmes	Opening balance 2020 R'000	Administration expenses/ other adjustments 2020 R'000	Approved contractual expenses & reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Opening balance 2021 R'000	Administration expenses/ other adjustments 2021 R'000	Approved contractual expenses & reductions 2021 R'000	Charged to statement of financial performance 2021 R'000	Closing balance 2021 R'000
PROG 3: LEARNING PROGRAMMES & PROJECTS (continued)									
People with Disabilities	2 005	-	1 174	(194)	2 985	-	11 113	(3 402)	1 0696
Saldhana Bay - Industrial Development Zone	7 993	-	-	(1 999)	5 994	-	-	(2 677)	3 317
Black Female Management Project	1 245	37	-	(452)	830	-	-	(830)	-
Non Levy Paying NGOs and CBOs	12 472	-	58 044	(17 739)	52 777	-	186 013	(54 566)	18 4224
Mpumalanga Education Depart.	19 449	-	(244)	(10 374)	8 831	(2)	16 500	(125)	25 204
Green Skills	5 662	-	-	(2 774)	2 888	-	-	(2 888)	-
Department of Small Business Develop.	2 831	-	6 771	(879)	8 723	-	50 000	(3 067)	55 656
Worker Initiated Project	17 160	-	1 020	(10 356)	7 824	-	56 031	(13 761)	50 094
Skills Conferences & Competitions	2 143	1971	(2 143)	(1 971)	-	247	-	(247)	-
Career Path & Development	-	1314	-	(1 314)	-	574	-	(574)	-
Mobile Skills Development	-	528	-	(528)	-	264	-	(364)	-
National Students Financial Aid scheme (NSFAS)	75 143	-	127 500	-	2 02 500	-	-	-	2 02 500
Corporate Social Investment	-	898	-	(898)	-	-	-	-	-
ISFAP Bursaries	147 311	-	-	(48 611)	98 700	-	54 371	(37 800)	1 15 271
Centre of Specialisations	11 426	-	9 570	(2 681)	18 315	-	5 940	(3 754)	20 501
TVET Quality Prog Skills 4.0	22 057	-	33 000	(3 684)	51 373	-	-	(5 443)	45 930
East Cape Mid College 4.0	108 000	-	-	-	1 08 000	-	-	-	108 000
Univ FS Chair in Engin. 4.0	32 995	-	-	(10 821)	22 174	-	-	(11 031)	27 436
False Bay C Swartklip Artisan.	26 929	-	-	-	26 929	-	16 293	-	26 929
Univ WC IDC Hub	18 000	-	-	(5 800)	12 200	-	-	(6 000)	6 200
CUT Chair in Innovation	6 000	-	-	(250)	5 750	-	-	(3 050)	2 700
Work Integrated Learn. (UNISA)	5 280	-	(5 280)	-	-	-	-	(1 056)	4 224
College CT Welding Centre	3 992	-	-	(399)	3 593	-	5 280	(2 880)	713
Learning factories (CSIR)	62 088	-	-	(13 415)	48 673	-	-	-	48 673
Chair on Intelligent Man. (TUT	26 233	-	-	(8 153)	18 080	-	-	(8 111)	9 969
Labour rep. trn legisl -Rhodes	2 033	-	-	-	2 033	-	-	(340)	1 693
Ind 4.0 Dev. Cen. Supp (NMU)	10 949	-	-	(3 775)	7 174	-	-	(1 728)	5 446
Trn & mentor small bus (RMI)	1 738	-	-	(682)	1 056	-	-	(201)	855
Robotics trn high School-FSDOE	15 571	-	-	-	15 571	-	-	(6 370)	9 201
Prog Raspberry PI (DUT)	7 060	-	-	(2 469)	4 591	-	-	(1 794)	2 797
NMU Chair in Engineer.	-	-	12 488	(5 489)	6 999	-	-	(3 230)	3 769

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	Opening balance 2020 R'000	Administration expenses/ other adjustments 2020 R'000	Approved contractual expenses & reductions 2020 R'000	Charged to statement of financial performance 2020 R'000	Opening balance 2021 R'000	Administration expenses/ other adjustments 2021 R'000	Approved contractual expenses & reductions 2021 R'000	Charged to statement of financial performance 2021 R'000	Closing balance 2021 R'000
Engineering Development	-	-	26 695	-	26 695	-	-	(2 670)	24 025
TUT TVET Skills Development	-	-	-	-	-	-	47 344	(4 734)	42 610
COVID Relief - Special Stipend	-	-	-	-	-	15 382	-	(15 382)	-
Viro- Vent COVID Response	-	-	-	-	-	-	48 914	(21 648)	27 266
CUT Advanced Rubber Technology	-	-	-	-	-	-	-	-	-
TVET Occupational Support	-	-	-	-	-	-	1 02 673	-	1 02 673
UJ CET Support & Incubation	-	-	-	-	-	-	5 666	-	5 666
Private Skils Devel. Providers	-	-	-	-	-	-	22 638	(5 719)	16 919
	2 851 016	**3 375**	**881 512**	**(663 359)**	**3 072 544**	**(24 941)**	**1 323 397**	**(701 620)**	**3 669 380**
PROG 4: QUALITY ASSURANCE									
Courseware & Curriculum Development	941	85	7	(1 033)	-	-	-	-	-
QCTO CEP Pilot Project	364	269	128	(369)	392	-	-	(283)	109
Assessment Quality Partner	-	154	-	(154)	-	7	-	(7)	-
	1 305	508	135	(1 556)	392	7	-	(290)	109
TOTAL CONTRACTUAL COMMITMENTS	**2 918 165**	**55 497**	**939 177**	**(758 868)**	**3 153 971**	**25 139**	**1 428 714**	**(789 299)**	**3 818 525**
21.2 FUNDING AGREEMENTS									
UIF - Project 2	39 897	-	(2 175)	-	37 722	-	(37 722)	-	-
National Dept. Public Works	5 748	-	(5 748)	-	-	-	-	-	-
TOTAL	**45 645**	**-**	**(7 923)**	**-**	**37 722**	**-**	**(37 722)**	**-**	**-**

Funding agreements represent contracts with public institutions, where the agreement is that payments will be made to the company or organisation that undertakes the training. The amounts reflected represent that portion of the funding agreement that has not yet translated into contracts with these companies or organisations. These amounts can not be disclosed as commitments but the funds have been set aside for the public institutions listed. UIF didn't sign an addendum to complete the partnership agreement. The merSETA then took a 100% ownership of the project as there were still companies in the agreement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

21.3 Operational Commitments

	2021		2020	
	Not later than one year	Later than one year but not later than 5 years	Not later than one year	Later than one year but not later than 5 years
Maintenance of NSDMS system	-	-	684	-
NSDMS system hosting	21	-	227	38
Support & Maintenance of Microsoft active directory	138	-	-	
Quality management system	-	-	41	36
Annual report	-	-	400	-
BBBEE Strategy & Implementation	334	-	-	-
Internal audit services	1 264	-	-	-
Organisational design	3 423	-	-	-
Sundry facilities	125	-	28	-
	5 305	-	1 380	74

FINANCIAL INSTRUMENTS

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

MARKET RISK

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. merSETAs exposure to market risk is in the area of interest rate risk.

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

Interest rate risk

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

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

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

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

	Floating rate		Fixed Rate			Non-interest bearing		
Financial instrument	Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount R'000	Weighted average period until maturity in years	TOTAL R'000
Year ended 31 March 2021								
Cash and cash equivalents	17 901	3,69%	4 439 048	6,05%	12 months	-	-	4 456 949
Receivables from exchange transactions	-	-	-	-	-	31 807	12 months	31 807
Total financial assets	17 901		4 439 048			31 807		4 488 756
Trade Payables	-	-	-	-	-	(5 516)	30 days	(5 516)
Net financial assets		17 901			4 439 048	26 291		4 483 240

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

Year ended 31 March 2020

	Floating rate		Fixed Rate			Non-interest bearing		
Financial instrument	Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount R'000	Weighted average period until maturity in years	TOTAL R'000
Cash and cash equivalents	16 932	6,32%	4 250 437	7,95%	12 months	-	-	4 267 369
Receivables from exchange transactions	-	-	-	-	-	81 262	12 months	81 262
Total financial assets	16 932		4 250 437			81 262		4 348 631
Trade payables	-	-	-	-	-	(4 670)	30 days	(4 670)
Net financial assets	16 932		4 250 437			76 592		4 343 961

SENSITIVITY ANALYSIS

The year 2021 was a generally difficult one for South Africa's economy and it was equally difficult for the mer sector. The impact of the COVID-19 pandemic is long term and the declining manufacturing production shows signs that the economy is in for a rough ride to recovery. Despite the cluster of industries in the mer sector being able to weather economic difficulties, and remain resilient and expand in 2017, 2018 and 2019 this was not the case in 2020. The data suggests worsening trends. More efforts need to be made with policy interventions to revive the weak manufacturing sector. Challenges facing the sector include high volatility in production, lack of investment and job losses. Inequality and high unemployment also remain major challenges the economy is facing. Inflation has remained within the Reserve Bank's target range of 3% to 6% decreasing to 3.2% in March 2021 from 2.9% in the previous month.

Due to the pandemic, most economic forecasts had anticipated an interest rate decrease of 50 basis points during the year, therefore management determines that a fluctuation interest rate of 50 basis points is reasonable for sensitivity analysis. At 31 March 2021, if the weighted average interest rate was 50 basis point higher with all other variables held constant, then the surplus would have been R22 million higher from R53 million to R75 million, arising from the increase in net gains on financial instruments. If the weighted average interest rate was 50 basis point lower with all other variables held constant, then the surplus would have been R31 million, arising from the decreased net gains in financial instruments.

Levy income declined by 37.3% over prior year when compared to 0.8% growth in 2020. This was due to the skills levy income holiday from May 2020 to August 2020. The levy income holiday was one of the measures used to assist employers affected negatively by the COVID-19 pandemic. Management determines that a variant of 1% to 5% fluctuation in levy income is reasonable for the sensitivity analysis. At 31 March 2021, if skills development levy income grew by 2% from the previous financial year, instead of the 37.3% decline and all other variables held constant, then a surplus of R635 million would have been earned. If the skills development levy income declined by 2% and all other variables held constant, then a surplus of R576 million would have been earned.

Levy income growth in 2021 was 0,8% over prior year when compared to 4% growth in 2020. This is an indication of the challenges facing the mer-sector. Management determines that a variant of 1% to 5% fluctuation in levy income is reasonable for the sensitivity analysis. At 31 March 2021, if skills development levy income grew by 2% from the previous financial year, instead of the 0,8% growth and all other variables held constant, then a surplus of R630 million would have been earned. If the skills development levy income declined by 2% and all other variables held constant, then a surplus of R572 million would have been earned.

CREDIT RISK

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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The entity's maximum exposure to credit risk is as follows:

	Note	2021 R'000	2020 R'000
Employer receivable	10	5 332	5 892
		5 865	5 892

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 :

2021	Carrying Amount	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years years	More than 2
Trade payables from exchange transactions	5 516	5 516	5 516	-	-	-

2020	Carrying Amount	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years years	More than 2
Trade payables from exchange transactions	4 670	4 670	4 670	-	-	-

Fair values

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

Cash and cash equivalents

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

Receivables from exchange transactions

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

23. RELATED PARTY TRANSACTIONS

23.1 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:

	Note	2021 R'000		2020 R'000	
		Net transfers in/(out) during the year	Amount receivable/ (payable)	Transfers in/(out) during the year	Amount receivable/ (payable)
Receivables	10	533	533	-	-
HWSETA		26	26	-	
W&R SETA		507	507	-	
Payables	16	-	-	274	-
PSETA		-	-	61	-
W&R SETA		-	-	213	-
Total		533	533	274	-

23.2 Accounting Authority and independent committee members fees

Accounting Authority and independent committee members	2021 R'000 Net transfers in/(out) during the year	2021 R'000 Amount receivable/ (payable)	2020 R'000 Net transfers in/(out) during the year	2020 R'000 Amount receivable/ (payable)
L Letsoalo (Chairperson, AA and EXCO) **	9	-	(178)	-
X Tshayana (Deputy Chair, AA / Chairperson, Auto Chamber) **	(9)	-	(292)	(9)
J Esterhuizen (Deputy Chair, AA / Chairperson, Motor Chamber)	(244)	-	(199)	(11)
T Molapo (Chair, FGC)	(284)	(17)	-	-
K Bhana *	(147)	(17)	(152)	(9)
P Bezuidenhout **	-	-	(69)	-
L Coetzee (Chairperson, FGC and Plastics Chamber)**	-	-	(88)	-
N Chirwa **	-	-	(104)	-
J A De Beer	(244)	(17)	-	-
L Konar (Independent) **	-	-	(60)	-
J S Kubeka	(171)	(20)	-	-
L Lee (Chair, HRRC)	(294)	(9)	(114)	(9)
J Makapan (Independent)	(78)	-	(69)	-
K Moloto (Chairperson, Accounting Authority & EXCO)	(311)	(55)	-	-
A Mashilo (Chairperson, Governance and Strategy)	(136)	(8)	(166)	(9)
B Masinga (Independent) **	-	-	(35)	-
S C Mdletshe	(130)	-	-	-
R Moothilal	(208)	(9)	(134)	(17)
K Mzozoyana (Chair, ARC)	(173)	-	(176)	(19)
C Nciki (Independent)**	(114)	-	(133)	(19)
L Ndziba	(69)	-	-	
M Noge (Independent)	(43)	-	(52)	-
R Ntlokotse	(280)	(9)	-	-
T Phiri (Chairperson, Motor Chamber)	(267)	(20)	(190)	(9)
M Phiri	(76)	-	-	-
N Rademan **	8	-	(168)	(17)
M Swafo (Independent) **	-	-	(69)	-
S Msweli (Independent)	(52)	-	(43)	-
L Van Huyssteen*	(130)	(9)	-	-
J Van Niekerk**	(165)	(20)	-	-
S Zuma (Independent)	(52)	-	(183)	(20)
	(3 660)	**(210)**	**(2 674)**	**(148)**

These transactions and balances relate to Accounting Authority (AA) fees and Independent Committee Members' fees. These were for AA meetings, chamber meetings, in committee meetings, AGM's, strategy sessions, and other special matters the AA was required to attend to.

* AA Fees for these members were paid to the employer body or representative union
** These members have resigned or are deceased

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RELATED PARTY TRANSACTIONS

23.3 Key management personnel costs

Key Personnel	Basic salary R000's	Travel Allowance R000's	Medical Aid R000's	Pension Fund R000's	Bonus R000's	Acting Allowance R000's	Total 2021 R000's	Total 2020 R000's	Notes
Chief Executive Officer	693	40	-	69	-	-	802	-	Vacant Apr 2020 to Oct 2020
Chief Financial Officer	1 535	60	36	154	214	-	1 999	1 960	
Chief Operating Officer	975	56	-	94	231	227	1 583	2 443	Vacant Nov 2020 to Mar 2021
Executive: Corporate Services	1 325	72	-	133	188	-	1 718	1 679	
Executive: Strategy and Research	1 476	-	29	159	200	138	2 002	1 785	
TOTAL	6 004	228	65	609	833	365	8 104	7 867	

* 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 2021.

23.4 Educational institutions

		2021 R'000			2020 R'000		
		Net transfers in/(out) during the year	Amount receivable/ (payable)	Commitment value at end of year	Net transfers in/(out) during the year	Amount receivable/ (payable)	Commitment value at end of year
Type of entity	**Nature of transaction**						
Colleges	Bursaries & Training	(50 514)	(74 748)	485 960	(37 364)	(12 790)	346 359
CSIR	Research	(15 891)	-	59 154	(16 703)	-	12 957
Department of Education	Training interventions	-	-	-	(9 038)	(9 037)	45 245
NSFAS/ISFAP Bursaries & training		(37 800)	-	60 900	(45 750)	-	301 200
QCTO	Administration fees	(11 195)	-	900	(10 020)	850	1 000
Schools	Student exposure	-	(75)	3 934	(581)	-	-
Universities	Bursaries & training	(101 961)	(27 330)	287 422	(93 156)	(25 971)	197 134
Total		**(217 361)**	**(102 153)**	**898 270**	**(212 612)**	**(46 948)**	**903 895**

24. GOING CONCERN

The merSETA was set up in terms of the Skills Development Act No 97 of 1998. In terms of the Government Gazette No. 42589 issued 22 July 2019 the merSETA has been established up to 31 March 2030. Accordingly, the merSETA has drawn up and presented these financial statements on a going concern basis.

As a result of the COVID-19 pandemic the State President announced the economic stimulus package which included a four month Skills Development Levy contribution holiday for employers effective 1 May 2020 to 31 August 2020. Following the announcement of the four month contribution holiday the merSETA assessed its impact in particular on the administration budget as well as the annual performance plan and prepared an adjustment budget and annual performance plan for the 2021/21 financial year. The adjusted budget indicated that the four month contribution holiday would severely affect the merSETA's ability to meet administration expenditure in line with its original budget and in line with legislated spending on administration. The Minister subsequently granted the merSETA approval to exceed the legislated administration limit of 10,5%. The deficit in administration reserves has been funded out of available discretionary reserves.

There has been a slight drop in levies but the impact of COVID-19 was not as much as expected. Month on month levies have only been about 5% below the level of 2019/20. Current trends seem to indicate that levy income for the 2021/22 financial year should be close to R1.4 billion. There thus no evidence at this time to suggest that the merSETA would not be able to continue as a going concern in the foreseeable future.

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

CRIMINAL CONDUCT

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

IRREGULAR EXPENSES

	2021	2020
Opening balance	36 677	40 141
Add: Irregular expenses identified in current year relating to:	6 088	17 640
Current year	2 382	5 343
Prior years	3 706	12 297
Less: expenses where condonation obtained	(11 394)	(21 104)
Irregular expenses awaiting condonation	31 371	36 677
Analysis of expenses awaiting condonation per age classification		
Current year	2 382	5 343
Prior years	28 989	31 334
Total	31 371	36 677

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IRREGULAR EXPENSES continued

Year ended 31 March 2021

Incident	Nature of transaction	Disciplinary steps taken/criminal proceedings	Remedial actions taken	Amount R000's
A service provider was appointed by way of a request for quotation (RFQ) process for data storage and archiving. The contract expired resulting in irregular expenditure.	Data storage	Yes	Disciplinary process taken and application for condonation will be submitted to National Treasury.	1 381
Service provider was appointed in March 2020 by way of a request for quotation (RFQ) for a once-off bulk archiving exercise/project. More work was performed without following proper procurement processes. The cost for the additional work done is therefore deemed irregular expenditure.	Data storage	Yes	Disciplinary process taken and application for condonation will be submitted to National Treasury.	109
Hygiene services company was procured by way of a request for quotation process (RFQ) in 2013. The initial contract ended in 2015 and continues to date. SCM is unable to activate the procurement process for a new service provider until the office accommodation tenders have been finalised.	Hygiene services	Yes	Disciplinary process taken and application for condonation will be submitted to National Treasury.	1 168
Security services company was procured by way of a request for quotation process (RFQ) in 2008. The initial contract ended in 2015 and continues to date. SCM is unable to activate the procurement process for a new service provider until the office accommodation tenders have been finalised.	Security services	Yes	Disciplinary process taken and application for condonation will be submitted to National Treasury.	78
Security services company was procured by way of a request for quotation process (RFQ) in 2014 with no end date, and continues to date. SCM is unable to activate the procurement process for a new service provider until the office accommodation tenders have been finalised.	Security services	No	Awaiting the procurement process of a service provider for office accomodation to be finalised.	34
The service provider was appointed by way of a tender process in 2016. The maintenance contract was due to expire 31 March 2020. The request for extension was to allow merSETA enough time to build internal capacity by filling vacant post and enabling the service provider to do skills transfer to all critical staff members. An application to deviate from following a procurement process and appoint the service provider for Implementation Services was lodged with the National treasury In December 2019 and the said application was declined by National Treasury.	System maintenance	No	An application for condonation was submitted to National Treasury but this was not supported by National Treasury.	256
Placement of a full-page advertisement in the magazine February 2020 edition was confirmed before obtaining the relevant approval. A disciplinary processs is underway.	Advertising services	Yes	The condonation application will be submitted to National Treasury.	31
Placement of a full-page advertisement in the magazine February 2020 edition was confirmed before obtaining the relevant approval. A disciplinary processs is underway.	Advertising services	Yes	The condonation application will be submitted to National Treasury.	9

Incident	Nature of transaction	Disciplinary steps taken/criminal proceedings	Remedial actions taken	Amount R000's
The service provider was appointed for monthly hygiene services for the merSETA Head Office building by way of an open tender process in 2017. The contract was due to expire 31 March 2020. The procurement of the this service beyond 31 March 2020 was impacted by a number of factors, viz. (i) All office accommodation leases expired 31 March 2020. The merSETA accordingly obtained approval from the National Treasury to extend all office accommodation leases for a period of 6 months from 1 April 2020, whilst the tender process to procure new suitable premises was underway. (ii) The National State of Disaster due to the COVID-19 pandemic announced by the President of South Africa on 15 March 2020, followed by a National lockdown on 26 March 2020. Requests for quotation was sent several times but no positive responses were received. During the RFQ process, prospective providers indicated that they were reluctant to quote for short-term periods.	Hygiene services	No	The condonation application will be submitted to National Treasury.	155
Security services company was procured by way of a request for quotation process (RFQ) in 2010, and continues to date. Additional Services of 2 extra guards were acquired without following merSETA internal processes. A procurement process for a new service provider will only commence once the office accommodation tenders have been finalised.	Security services	No	Disciplinary process taken and application for condonation will be submitted to National Treasury.	1 248
Forensic services to investigate a procurement process that was not followed to appoint service providers who managed merSETA investments. These services were requested by the AA in 2019/20 to be procured. These service providers were appointed by way of an RFQ process as the services were expected to be below R500k at the time, however, the scope of the services was increased in March 2020 resulting in irregular expenditure.	Forensic audit	No	Application for condonation was declined by National Treasury. This was submitted together with the application for the legal service providers involved in the same investigation. The legal service providers were condoned, the accountants were not condoned.	823
The irregular expenditure relates to fees paid to three Accounting Authority members who were appointed by the Executive Authority (DHET). The appointments were found to have contravened amongst others, with sections 11A, 11C(1), 11(4), 11(5) of the Skills Development Act, No.97 of 1998 (SDA) as amended: which relate to validation (of documents: qualifications, nationality/ citizenship and criminal records). The appointees complied by submitting certified copies of their documents as was required. However, on 16 November 2020 the DHET requested the merSETA to conduct validation and checks on its behalf. The merSETA contacted the appointees who once more complied by submitting their newly certified copies of their documents as was required and merSETA conducted the validation and checks on behalf on the DHET as requested.	Board fees	No	The determination test as outlined in the Irregular Expenditure Framework will be conducted by the Department. The implementation of the outcome and recommendations subsequent to conclusion of the determination test will also be managed by the Department. Any subsequent actions which are to be implemented by the merSETA will be communicated by the Department.	731

Incident	Nature of transaction	Disciplinary steps taken/ criminal proceedings	Remedial actions taken	Amount R000's
Security services company was procured by way of a request for quotation process (RFQ) in 2007. The initial contract ended in 2009 and continues to date. SCM is unable to activate the procurement process for a new service provider until the office accommodation tenders have been finalized.	Security services	Yes	Disciplinary process taken and application for condonation will be submitted to National Treasury.	65
A telecommunications service provider was appointed by way of RFQ procurement process. The initial contract commenced in April 2016 and expired in March 2018. The merSETA continued use of services on a month-to-month basis from 1 April 2018 to date. On 1 October 2018 disciplinary action was taken against the Manager. The required internet services has now been sourced via the RT15 Transversal contract with National Treasury.	Telecommuni-cations and ICT support	Disciplinary	This was not condoned by National Treasury. This will be taken to the Accounting Authority for condonation in May 2021. No further irregular expenditure has been incurred	507
Internal audit services were appointed by way of an open tender process. The contract expired 31 May 2020. The merSETA continued to use the internal audit services whist the tender process was underway. The tender was advertised in October 2020. The bid evaluation process is still in progress. All bid meetings were delayed due to the COVID-19 lockdown.	Internal audit	No disciplinary steps were taken	To be taken to the Accounting Authority for condonation	893
An SCM process was not followed to appoint a service provider relating to transactions from 2013 to 2017. Auditors were appointed to quantify the amount of the irregularity. In the 2018/19 financial year this was reporte as R17 million. As at March 2021 the amount has been revised to R22 million. Quantification is still underway.	Finance	No disciplinary actions have been taken but an investigation is underway.	The amount stated is an estimated quantification of commission earned and interest lost.	21 959
A security service company was procured by way of a tender process and appointed in May 2012. The initial contract expired in 2015 and continued on a month to month basis until 2017. Tender process initiated but was halted until tender for office accommodation is finalised.	Security services	No disciplinary steps were taken	This was not condoned by National Treasury. The response was received in September 2020. This will be taken to the Accounting Authority for condonation in May 2021. No further irregular expenditure has been incurred.	1 924
TOTAL				31 371

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IRREGULAR EXPENSES continued

Year ended 31 March 2020

Incident	Nature of transaction	Disciplinary steps taken/ criminal proceedings	Remedial actions taken	Amount R000's
A security service company was procured by way of a tender process and appointed in May 2012. The initial contract expired in 2015 and continued on a month to month basis until 2017. Tender process initiated but was halted until the tender for office accommodation is finalised.	Security services	No disciplinary steps were taken	Awaiting National Treasury approval of condonation application.	1 924
A telecommunications service provider was appointed by way of RFQ procurement process. The initial contract commenced in April 2016 and expired in March 2018. The merSETA continued use of services on a month-to-month basis from 1 April 2018 to date. On 1 October 2018 disciplinary action was taken against the Manager. The required internet services has now been sourced via the RT15 Transversal contract with National Treasury.	Telecommuni-cations and ICT support	Disciplinary steps have been taken	Awaiting National Treasury approval of condonation application.	507
A service provider was appointed via the RFQ process in August 2018, on a month-to-month basis not exceeding R500 000, while the tender process was underway. This threshold was exceeded. Disciplinary action was taken against the Manager for not monitoring the contract spend, that resulted to overrun the cost thereof. The tender will be re-advertised in the 2021/21 financial period.	merSETA Career Bus	Disciplinary steps have been taken	Awaiting National Treasury approval of condonation application.	202
A telecommunications company was appointed by way of RFQ process. The initial contract commenced on in 2012 and expired in 2015. The merSETA continued use of these services on a month-to-month basis. On 01 October 2018, disciplinary action was taken against Manager for extending the Vodacom contract without following a proper procurement process.	Telecommuni-cations and ICT support	Disciplinary steps have been taken	Awaiting National Treasury approval of condonation application.	11 192
Internal audit services were appointed by way of an open tender process. The contract expired 31 May 2020. The merSETA continued to use the internal audit services whist the tender process was underway. The tender was advertised in October 2020. The bid evaluation process is still in progress. All bid meetings were delayed due to the COVID-19 lockdown.	Internal Audit	No disciplinary steps were taken	To be taken to the Accounting Authority for condonation	893
An SCM process was not followed to appoint a service provider relating to transactions from 2013 to 2017. Auditors were appointed to quantify the amount of the irregularity. In 2018/19 financial year this was reported as R17 million. As at March 2021 the amount has been revised to R22 million. Quantification is still underway.	Finance	No disciplinary actions have been taken but an investigation is underway.	The amount stated is an estimated quantification of commission earned and interest lost.	21 959
TOTAL				36 677

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENSES (continued)

FRUITLESS AND WASTEFUL EXPENSES

	2021	2020
Opening balance	535	306
Add: Fruitless and wasteful expenses identified in current year relating to:	-	229
Current year	-	229
Prior years	-	-
less: expenses where condonation obtained	-	-
Fruitless and wasteful expenses awaiting condonation	535	535
Analysis of expenses awaiting condonation per age classification		
Current year	-	229
Prior years	535	306
Total	535	535

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

IRREGULAR EXPENSES continued

Year ended 31 March 2021

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

There was no fruitless and wasteful expenditure incurred in the current year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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26. TAXATION

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

27. EVENTS AFTER THE REPORTING DATE

Application to National Treasury to seek approval for the retention of accumulated surpluses as at 31 March 2021 has been made.

On 27 May 2021 the Accounting Authority condoned irregular expenditure relating to security services amounting to R1,924 million and internal audit services amounting to R893 000. It also condoned fruitless and wasteful expenditure relating to the virtual stand amounting to R114 000 and bank charges amounting to R3 000.

28.NEW ACCOUNTING PRONOUNCEMENTS

Standards and interpretations effective and adopted in the current year

Statement	Description	Impact on merSETA
GRAP 34	Separate financial statements	This has no impact on merSETA reporting.
GRAP 35	Consolidated financial statements	This has no impact on merSETA reporting as merSETA has no subsidiaries or associates.
GRAP 36	Investment in Associates and Joint ventures	Venturemer SETA has no transactions falling under this standard.
GRAP 37	Joint Arrangements	SETA has joint arrangements being co-funding arrangements with stakeholders NSFAS, NSF or UIF.
GRAP 38	Disclosure of Interests in Other Entities	merSETA has no transactions falling under this standard
GRAP 110	Living and non-living resources	merSETA has no transactions falling under this standard
IGRAP 20	Accounting for Adjustments to revenue	This Interpretation clarifies the accounting for adjustments to: (a) exchange and non-exchange revenue charged in terms of legislation or similar means; and (b) interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process.

merSETA

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