

merSETA

MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA



LEADERS IN CLOSING THE SKILLS GAP

ANNUAL REPORT

2023|2024

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HONOURABLE MINISTER



DR NOBUHLE PAMELA NKABANE – DHET Minister

With great pleasure and honor, I extend to you the Annual Report of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA), for the duration spanning from 1 April 2023 to 31 March 2024.

I express my sincere gratitude to you and your esteemed department for the unwavering support extended throughout this fiscal year. It is my fervent hope that upon perusal, you will find the report meticulously compiled and reflective of our collective commitment towards advancing the pivotal objective of fostering substantive skills development within South Africa.

Yours faithfully,

A handwritten signature in black ink, reading "Naphtaly Mokgotsane".

Naphtaly Mokgotsane
Acting Chief Executive Officer





PART A

GENERAL INFORMATION



PUBLIC ENTITY'S GENERAL INFORMATION

Registered name:	Manufacturing Engineering and Related Services Sector Education and Training Authority (merSETA)
Registration number:	17/MERSETA/1/04/20
Registered office address:	Metropolitan Park, Block C, 8 Hillside Road, Parktown, Johannesburg, 2193
Postal address:	PO Box 61826, Marshalltown, Johannesburg, 2107
Contact telephone number:	010 219 3000
Website address:	www.merseta.org.za
External auditors:	Auditor-General South Africa
Bankers:	Standard Bank Ltd
Company Secretary (Acting):	Stacey James

LIST OF ABBREVIATIONS AND ACRONYMS

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

3.

CHAIRPERSON'S FOREWORD



Kate Moloto – Chairperson

It is with immense pride and optimism that I present the 2023/2024 Annual Report for the Manufacturing, Engineering, and Related Services Sector Education and Training Authority (merSETA). This year has been pivotal for our organisation, advancing skills development across South Africa and aligning our strategies with the nation's economic reconstruction and growth imperatives.

Our Annual Performance Plan for 2023/2024 outlined ambitious goals, focusing on enhancing skills development programmes tailored to the engineering and manufacturing sectors. We are particularly proud of our initiatives in green technologies, digital skills, and industry-specific competencies. These efforts address current industry needs and prepare our workforce for the future, emphasising sustainable and digital economies.

KEY ACHIEVEMENTS

AUTOMOTIVE INDUSTRY MILESTONE

South Africa has solidified its standing as a global player in the automotive manufacturing sector with the establishment of a home-grown automotive components supplier. Batyi Automotive Component Supply (BACS) inaugurated its new facility in Pretoria last year, marking a significant milestone. BACS specialises in manufacturing vehicle components for the Ford Motor Company, originating from an incubation centre dedicated to empowering black suppliers. The facility currently employs 60 individuals and plans to incorporate young trainees, further enhancing their skill sets and contributing to sector growth.

ADAPTING TO TECHNOLOGICAL CHANGES

The proliferation of the Fourth Industrial Revolution (4IR), artificial intelligence (AI), and machine learning has revolutionised the skills landscape. The merSETA's role is to keep up with trends and skills requirements while looking ahead to the impact of globalisation. Our priority remains ensuring that our stakeholders are supported with innovative and relevant skills development programmes.

STAKEHOLDER ENGAGEMENT

In the last quarter of 2023/2024, we commenced a series of Stakeholder Engagement Sessions designed to integrate stakeholders' interests and responsibilities into our organisation. Our aim is to foster open engagement on our strategy, plans, performance, and governance while ensuring stakeholders have timely access to relevant information. These sessions provide multiple platforms for meaningful engagement and feedback, allowing us to consider stakeholders' views and concerns in both strategic and operational decision-making.

RESEARCH AND INNOVATION

The merSETA Chambers outlined several proposed research and innovation assignments that hold significant promise for advancing the sector. One key initiative involves conducting comprehensive investigations into the implications of the impending electric vehicle era. This research will focus on identifying new occupations and developing qualifications to meet the evolving skills demands within the motor industry, with particular attention to the aftermarket sales, maintenance, refurbishment, and repair sub-sectors.

To support this transition, the merSETA aims to enhance industry partnership arrangements among Original Equipment Manufacturing companies (OEMs), TVET colleges, and universities. This collaboration will emphasise curriculum and lecturer development and facilitate the placement of learners for Work-Integrated Learning (WIL) opportunities.

Another noteworthy project explored by the Chambers is the “Youth Driving Industry Future” initiative, which aims to reduce carbon emissions. Additionally, the GBV Toolkit project is designed to uplift women socially and economically in the workplace. The “Digital Divide” project will focus on positioning South Africa within the Fourth Industrial Revolution (4IR).

SUPPORTING WORKFORCE DEVELOPMENT

For employees facing job insecurity, the Retrenchment Assistance Programme (RAP) will offer retrenchment prevention support where necessary. The proposed investigation into the advantages of Powerships will be linked to the Just transition, while the Innovation Hub will serve as an incubator for small enterprises. Finally, the Workplace Ethics initiative will promote workplace harmony through targeted training.

These ambitious projects underscore the merSETA’s commitment to fostering innovation, supporting workforce development, and addressing critical industry challenges in the years ahead.

STRATEGIC PARTNERSHIPS

The merSETA’s strategic initiatives are underpinned by robust partnerships with provincial governments and other organisations, addressing local skills shortages and advancing regional economic development. We have committed substantial funding and resources to support comprehensive skills development projects across various provinces.

Northern Cape

A three-year project valued at R210 million was launched, targeting various departments. The Office of the Premier received funding for bursaries for 50 learners annually over three years. The Department of Social Development received funding for equipment for seven Youth Service Centres, bursaries for 50 learners annually, and skills programmes for 420 learners. The Department of Education received funding for equipment at ten (10) technical schools. The Department of Roads and Public Works received funding for learnerships and skills programmes for 950 learners. The Department of Health received funding for clinical engineering and artisan training for 20 learners. The Northern Cape Economic Development Agency (NCEDA) received funding for skills programmes and learnerships for 850 learners.

Free State

A R245.68 million project focuses on skilling and reskilling 5,000 unemployed youth across the province’s five districts. The Department of Education received funding for training 150 apprentices and providing equipment for ten (10) technical schools. The Department of Economic, Small Business Development, Tourism, and Environmental Affairs (DESTEA) will facilitate 264 skills programmes for artisans. Community Safety, Roads, and Transport received funding for skills programmes for 460 learners and ARPL for 300 learners. Motheo TVET College was funded to train 165 apprentices, TVET lecturers, and Work-Integrated Learning (WIL) programmes.

Gauteng

The merSETA supports two key projects valued at R227.5 million. The Gauteng City Region Academy (GCRA) received funding for training 5,000 learners in solar photovoltaic microgrid and business skills. The Gauteng Department of Education (GDE) received funding for tools and equipment for 11 technical schools.

Limpopo

A R134.5 million partnership supports apprenticeships, learnerships, skills programmes, and SMMEs, benefiting 960 learners. An agreement with Cooperative Governance and Traditional Affairs (COGTA) in the North West funds training for 44 graduates in electrical and mechanical candidacy programmes, valued at R12.7 million.

KwaZulu-Natal

A R210.35 million partnership with the Department of Economic Development, Tourism, and Environmental Affairs (through the Moses Kotane Institute) will train 3,550 learners, support four Higher Education Institutions (HEIs), and provide infrastructure for smart labs and robotics.

Eastern Cape

A R216.27 million initiative targets 2,420 learners through skills programmes, apprenticeships, TVET WIL, and bursaries at four (4) HEIs.

MANUFACTURING INDUSTRY TRENDS

Despite supply headwinds, labour shortages, and economic uncertainty, the manufacturing industry continues to surpass expectations. Industry leaders are leveraging digital technologies, adopting strategies for the future of work, and driving supply chain resiliency. Optimism around revenue growth is tempered by ongoing risks, with workforce shortages and supply chain instability reducing operational efficiency and margins.

Manufacturers are pursuing approaches to strengthen their talent retention strategy, addressing tight labour markets and workforce churn. Persistent load shedding creates ongoing supply chain disruptions, with manufacturers mitigating these risks through solar technology and alternative energy sources.

SMART FACTORY TRANSFORMATIONS

Manufacturers are progressing towards smart factory transformations, driving future competitiveness. Investments in advanced manufacturing technologies help develop the required agility, and many are experimenting with underlying solutions or developing a metaverse platform for their products and services.

PERFORMANCE HIGHLIGHTS

The merSETA achieved 35 of its 57 performance indicators, ending the year with a score of 61% against its annual performance plan (APP). This performance reflects our positive contribution to government programmes like the Human Resource Development Strategy (HRDS-SA), National Development Plan (NDP), Industrial Policy Action Plan (IPAP), and Medium-Term Strategic Framework (MTSF).



CHAIRPERSON'S FOREWORD

continued

DISCIPLINARY CHALLENGES

The merSETA faced significant executive misconduct and disciplinary challenges, since the 2022/2023 financial year. A series of whistle-blower reports surfaced, levelling allegations against senior executives. Upon investigation, the merSETA took swift action, initiating disciplinary proceedings in cases where misconduct was confirmed.

Following the COO's dismissal in May 2024, the employee challenged the decision through the Commission for Conciliation, Mediation and Arbitration (CCMA). After the first hearing, additional sessions are scheduled for November 2024 to continue the dispute resolution process.

Meanwhile, the CEO's disciplinary hearing is ongoing, with additional dates set for November 2024. The merSETA has also conducted thorough legal reviews and forensic investigations into these and other matters under scrutiny. Where improper contractual agreements were identified, steps were taken to review and set them aside.

In accordance with the Prevention and Combating of Corrupt Activities Act (PRECCA), the merSETA reported relevant concerns to the South African Police Services whenever suspicions of transgression by merSETA officials arose. This demonstrates the organisation's commitment to transparency, accountability, and compliance with regulatory requirements.

AUDIT OUTCOMES

The 2023/2024 audit of merSETA yielded mixed results. While receiving a qualified opinion, the organization's financial statements were found to fundamentally reflect its true financial position. The audit highlighted specific improvement areas - internal controls require strengthening, data accuracy needs enhancement, and reporting must become more timely. merSETA has already initiated corrective measures to address these findings, demonstrating its commitment to elevating accountability and compliance standards.

The Accounting Authority recognises a prior deficiency in its procedures for accurately capturing the opening balances as of 1 April 2023. However, we have since implemented the necessary improvements, and our unqualified closing balances for the same accounts confirm the effectiveness of these changes.

LOOKING AHEAD

As we move forward, the merSETA remains committed to its mission of advancing skills development and supporting South Africa's economic growth. We will continue to focus on:

- **Digital Transformation:** Expanding our digital skills programmes to prepare the workforce for future technological advancements.
- **Sustainability:** Promoting green technologies and sustainable practices within the industry.
- **Stakeholder Engagement:** Strengthening our relationships with stakeholders to ensure their needs and concerns are addressed effectively.

- **Innovation:** Investing in research and development to keep pace with industry changes and emerging trends.
- **Equity and Inclusion:** Ensuring that our programmes are accessible to all, with a particular focus on empowering women and marginalised groups in the workplace.

CORPORATE GOVERNANCE

The Accounting Authority (AA) and committees played a critical role in the oversight function. The performance achievements of the year under review were delivered against the approved strategic direction set out by the AA. The AA continued to support management to comply with the relevant legislation, policies and procedures. Furthermore, the organisation's risk management framework was also elevated to turn the audit outcome of the organisation.

ACKNOWLEDGEMENTS

As the Chairperson of the Accounting Authority, I continue to appreciate the input and support from the Minister, for his valued guidance and feedback that has kept the merSETA on course.

My sincerest thanks and gratitude to the Accounting Authority and all sub-committees for their expert guidance and contributions in finding solutions and forging a way forward. I extend my profound gratitude to the merSETA Executive team for their invaluable role during tumultuous times, especially in the face of extreme human resource disruptions, including the suspension of senior officials. Your resilience and dedication were pivotal in navigating these challenges.

Thank you for keeping our focus on the goal, the vision in our minds, and giving us all cause to celebrate our successes when achieved and to tackle our challenges head-on. To all the staff at merSETA who rose to this challenge, I commend you on your commitment and dedication, your unwavering determination to see us through this trying time. Last, but by no means least, I acknowledge and thank all our sector stakeholders who partnered with, remained patient, and worked closely with the merSETA during this period under review.

I look forward to working with all stakeholders as merSETA seeks to achieve its strategic goals in both the medium and long term.

I would like to extend my gratitude to our stakeholders, partners, and the merSETA team for their dedication and hard work. Together, we are making a meaningful impact on South Africa's manufacturing and engineering sectors, driving economic growth, and creating opportunities for all.



Ms Kate Moloto
Chairperson

merSETA Accounting Authority



CHIEF EXECUTIVE OFFICER'S OVERVIEW



Naphtaly Mokgotsane –
Acting Chief Executive Officer

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

Our strategic initiatives have focused on aligning programmes with industry needs, promoting inclusivity and diversity, and leveraging partnerships to enhance the quality and reach of our training efforts. We have achieved notable success in our apprenticeship programmes, skills development initiatives and the implementation of cutting-edge training methodologies. These efforts have not only benefited our stakeholders but have also contributed to the broader economic and social development of our communities.

INDUSTRY TRANSFORMATIONAL PROJECTS

The merSETA has been involved in various Fourth Industrial Revolution (4IR) projects to address the impact of technological advancements on the manufacturing, engineering and related services sectors. One key initiative is the establishment of 4IR Centres at various TVET colleges nationwide, providing staff and students with cutting-edge skills pertinent to 4IR.

To date, we have managed to establish and launch 4IR Centres at Maluti TVET College in Phuthaditjhaba in the Free State Province, Ekurhuleni East TVET College in Springs in Gauteng Province, and Waterberg TVET College in Thabazimbi, Limpopo Province. We are yet to complete and launch 4IR Centres at Vhembe TVET College in Limpopo Province, Lephalale TVET College in Limpopo province, West Coast TVET College in the Western Cape Province and Taletso TVET College in the North West Province. Engagements are still to be finalised to secure partnerships with other TVET colleges, such as Majuba TVET College in

KwaZulu-Natal, Gert Sibande TVET College in Mpumalanga, College of Cape Town in the Western Cape, and Ehlanzeni TVET College in Mpumalanga.

In partnership with the South African Renewable Energy Technology Centre (SARETEC), the TVET 4.0 Project focuses on developing TVET lecturers to meet 4IR demands. This initiative includes the Advanced Diploma TVET Lecturer programme at Nelson Mandela University (NMU) and various other lecturer development programmes. Since its inception in 2019, the partnership with NMU has seen 109 graduates and currently supports 20 students. The University of the Western Cape (UWC) also contributes through the Post Graduate Diploma (PG DIP TVET) programme, which has graduated 29 lecturers and supports five PhD candidates.

These initiatives highlight the merSETA's commitment to advancing skills development in South Africa, addressing current skills shortages, and positioning the country for success in a digital and technologically driven global economy.

FINANCE

For the financial year under review, the merSETA has allocated substantial resources towards employer grants and project expenses, reflecting its commitment to strategic objectives. In 2023, actual expenditures rose by 26% compared to the previous year, with R1 418 479 000 spent, representing 86% of the budget. In 2024, actual expenditures increased by 5% to R1 492 851 000. Although only 75% of the significantly higher budget of R1 990 777 000 was utilised, the trend



CHIEF EXECUTIVE OFFICER'S OVERVIEW

continued

of increased spending underscores the merSETA's focus on investing in key projects and grants, while highlighting the need for careful management to ensure optimal budget utilisation.

RETENTION OF SURPLUS FUNDS

The Executive Authority has approved the utilisation of surplus funds from the 2022/2023 Financial Year to address commitments from Discretionary Grants reserves and other priority areas within the sector. For the 2023/2024 Financial Year, a submission for the retention of R552 million has been submitted to the National Treasury for consideration.

FINANCIAL CHALLENGES AND MITIGATION PLANS

The merSETA did not face significant financial challenges during the year under review, but slow implementation of long-term, high-value projects remains an issue. To address this, the merSETA is closely monitoring current contracts to ensure timely milestone achievement. Another challenge is the low absorption rate of learners after completing learning programmes. The merSETA requires funded organisations to submit plans for post-programme employment and continuously engages employers to encourage learner absorption.

ORGANISATIONAL TRANSFORMATION

The 2023/2024 period marked significant change and transformation for the merSETA. A new organisational structure was implemented, realigning people practices to foster a thriving workforce. This involved "on-the-job" training initiatives to align employee actions with revised job profile requirements. The introduction of a new target operating model necessitated a comprehensive review of role profiles to ensure alignment with the merSETA's strategy and mandate. "New Ways of Work workshops" rejuvenated individuals, bolstered working relationships and enabled employees and management to define behaviours needed for a high-performance culture.

Despite challenges in capacity within the Operations environment, the merSETA remains committed to addressing these issues. Challenges related to discipline and accountability were also faced, with necessary consequence management measures implemented. Looking forward to 2024/2025, the merSETA aims to optimise the efficiencies and effectiveness of its Human Capital Operations and People Development function, guided by an innovative Human Capital Strategy.

PERFORMANCE

The 2023/2024 year marked the penultimate year of implementing the Strategic Plan 2020-2025. Despite challenging socio-economic conditions, the merSETA remained committed to its mission of skilling the nation.

Sector growth varied, with the Auto sector performing well while other areas faced potential job losses. The new energy vehicle space presents significant potential, and the merSETA is focused on developing skills linked to electric vehicle technology and energy-based charging infrastructure. International best practices in Information and Communications Technology (ICT) and Artificial Intelligence (AI) are driving increased efficiencies in production processes.

The merSETA continues to innovate in education and support sectors, partnering with over 30 TVET colleges. The public private partnership with TVET colleges and Festo Didactic is established to ensure upgrading of workshops and implementation of robust skills development. Support for small businesses and cooperatives, particularly in townships and rural areas remains a priority. The development of the 2025-2030 strategy will keep stakeholder needs, particularly those of the youth, women and persons with disabilities, in mind.

WAY FORWARD

The merSETA plans to strategically implement Discretionary Grants (DG) funding to align with its strategic objectives, enhance internal controls and quality management systems, and adapt innovative technologies to meet sector needs. The focus includes upskilling and reskilling individuals for the Just Energy Transition (JET), supporting economic growth through skills development, and aligning with the Economic Reconstruction and Recovery Plan (ERRP).

Building a high-performance culture and well-resourced structure through the "TransforMER" project and supporting SETA collaboration in infrastructure development, workplace-based learning, entrepreneurial development and 4IR-related programmes are key priorities. These plans reflect the merSETA's commitment to addressing key national priorities, supporting sectoral growth, and enhancing skills development to meet the evolving demands of the manufacturing and engineering sectors.

ACKNOWLEDGEMENTS

Heartfelt gratitude is extended to our dedicated staff, partners and stakeholders, whose unwavering support and collaboration have been instrumental in our achievements. As we move forward, we remain committed to adapting to the evolving needs of our sector and nurturing the talents that will drive the future of manufacturing and engineering.

I extend my gratitude to the Accounting Authority for their ongoing trust and support. We eagerly anticipate another year of progress, collaboration, and collective success.



Naphtaly Mokgotsane
Acting Chief Executive Officer

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the utmost extent of our understanding and conviction, we affirm the following assertions:

All information and figures presented in the Annual Report align seamlessly with the annual financial statements audited by the Auditor-General. The completeness and accuracy of the Annual Report stand unblemished, devoid of any oversights. The Annual Report has been prepared in accordance with the guidelines contained in the annual reports as issued by National Treasury.

The annual financial statements (Part F) have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) standards pertinent to public entities. The onus of preparing these statements, along with the associated judgments, rests squarely with the Accounting Authority. The Accounting Authority further bears the responsibility of instituting and executing a robust internal control framework. This framework is designed to furnish reasonable assurance regarding the integrity and reliability of performance information, human resources information and the annual financial statements. External auditors were engaged to provide an independent opinion of the annual financial statements. It is our professional opinion that the Annual Report offers a fair and comprehensive portrayal of the entity's operations, performance information, human resources information and financial undertakings for the fiscal year ended 31 March 2024.



Naphtaly Mokgotsane
Acting Chief Executive Officer

Date: 23 October 2024



Kate Moloto
Chairperson

Date: 23 October 2024



STRATEGIC OVERVIEW



OUR VISION

Leaders in closing the skills gap.

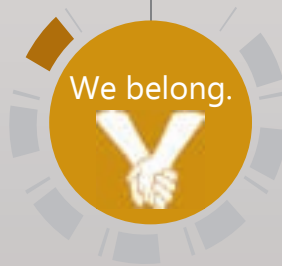
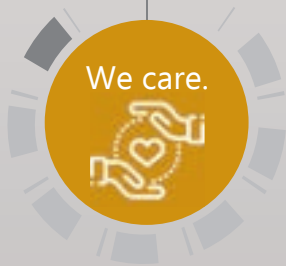


OUR MISSION

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.



OUR VALUES



LEGISLATIVE AND OTHER MANDATES

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

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

DEVELOP THE SECTOR LABOUR MARKET INTELLIGENCE SYSTEM

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

CONTINUED AND INCREASED FOCUS ON ARTISAN DEVELOPMENT

- Integrate pathways leading to artisan status through learner progression, career guidance and perspectives from both the sector and individual companies.
- Engage stakeholders in the strategic planning and governance processes related to qualifications, curriculum development and assessments, fostering provider-employer collaboration and scalable workplace learning initiatives.
- Establish programmes and initiatives aimed at fostering stronger ties between Technical and Vocational Education and Training (TVET) colleges, industry training centres and various industrial sectors.
- Advocate for the Recognition of Prior Learning (RPL) for artisans and bolster the capabilities of Small and Medium Enterprises (SMEs) to provide artisan training opportunities.

ESTABLISH AND FACILITATE STRATEGIC PARTNERSHIPS

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

INCREASE FLOW OF NEWLY SKILLED WORKERS INTO THE SECTOR

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

DEVELOP THE SKILLS OF THE EXISTING WORKFORCE

- Promote lifelong learning initiatives and establish career pathways aligned with principles of decent work, equity and sustainable sectoral economic development.
- Identify occupational pathways for both current employees and individuals facing the risk of retrenchment, facilitating upskilling, reskilling and trans-skilling endeavours.
- Offer ongoing educational opportunities, post-qualification programmes, continuous professional development initiatives and management training to support career progression and skill enhancement.

LEGISLATIVE MANDATE

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

- Constitution of the Republic of South Africa Act No 108 of 1996;
- Skills Development Act No 97 of 1998 (as amended) and the regulations thereof (there are two types of regulations, i.e., grant regulations and Standard Constitution of SETA regulations);
- Public Finance Management Act No 1 of 1999 (as amended) and the regulations thereof;
- Skills Development Levies Act No 9 of 1999 and the regulations thereof;
- The merSETA Constitution;
- The merSETA is a schedule 3a public entity and reports to the Department of Higher Education and Training;
- Promotion of Access to Information Act No 2 of 2000;
- Promotion of Administrative Justice Act No 3 of 2000; and
- Labour Market Legislation.

POLICY MANDATE

The merSETA subscribes to the following policy imperatives:

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

ORGANISATIONAL STRUCTURE

ACCOUNTING AUTHORITY



Kate Moloto
Accounting Authority Chairperson



Japhta Elias Kubeka
Accounting Authority
(Term ended 24 August 2023)



Louis van Huyssteen
Accounting Authority



Thandeka Phiri
Accounting Authority



Neil Rademan
Accounting Authority



Dr Alex Mashilo
Accounting Authority



Sumaya Hoosen
Accounting Authority



Kirtida Bhana
Accounting Authority



Mr Rick Grobler
Accounting Authority



Thapelo Molapo
Accounting Authority



Siboniso Mdletshe
Accounting Authority



Renai Moothilal
Accounting Authority



Jacobus Koos de Beer
Accounting Authority



Ms Ruth Ntlokotse
Accounting Authority
(Term ended 24 August 2023)



Dr Lesley Lee
Accounting Authority



MANAGEMENT COMMITTEE



Naphtaly Mokgotsane
Acting Chief Executive
Officer

Acted as COO until
8 March 2024



Disa Mpande
Chief Financial
Officer

Acted as ACEO until
8 March 2024



Mthunzi Lubando
Acting Chief Operations
Officer

Acting as of
11 March 2024



Stacey James
Acting Company Secretary
1 August 2023 to 31 March 2024



Helen Brown
Acting Executive:
Strategy and Research
19 June 2023 to 31 March 2024



Rajesh Jock
Corporate Services Executive
1 April 2023 until 31 March 2024

Notes:


Dr. More Manda resigned on 16 June 2023. He was Acting Executive Strategy and Research from 1 April 2023 to 16 June 2023.

Lebogang More was Company Secretary from 1 April 2023 until 31 July 2023.



Tebogo Moepi
Chief Information Officer
1 April 2023 until 31 March 2024



A man wearing a white hard hat and a white button-down shirt is looking down at a large sheet of paper he is holding. The background is a plain, light gray.

PART B

PERFORMANCE INFORMATION



AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 64 to 69 of the Report of the Auditors Report, published as Part F: Financial Information.



OVERVIEW OF PERFORMANCE

SERVICE DELIVERY ENVIRONMENT

Geopolitics, climate change and overall economic uncertainty have impacted the South African economy. This has been compounded by the logistics crisis, energy crisis and investment crisis. The manufacturing sector has experienced limited growth in recent years. Although there has been an increase in income within the sector, according to economic data, profitability remains under pressure, raising concerns about future employment and long-term prospects.

The operating environment for the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) in South Africa is shaped by several key industries, including automotive, plastics manufacturing, metals and engineering and the tyre sector.

1. **Automotive Industry:** The automotive sector is a major contributor to the South African economy, driving significant manufacturing output, employment and exports. The industry faces challenges related to export declines but is seeing growth in domestic vehicle sales. Investments in technical knowledge, supply chain management and environmental sustainability are critical for maintaining competitiveness.
2. **Plastics Manufacturing Sector:** The plastics industry, while contributing substantially to the economy, is grappling with stagnation, environmental concerns and a trade deficit. Efforts are being made to improve sustainability through innovation in biodegradable products and recycling technologies. The sector also emphasises the need for specialised skills in manufacturing, sustainability practices and continuous learning.
3. **Metals and Engineering Sector:** This sector is influenced by global supply chain disruptions, rising costs, and the push towards modernisation and Industry 4.0 technologies. Despite fluctuations in GDP growth, the sector requires ongoing efforts in innovation, efficiency and the adoption of new technologies, which demand skilled workers in areas like automation and quality control.
4. **Tyre Sector:** The tyre industry is experiencing moderate growth, driven by the recovery of the automotive sector. The industry is focusing on local manufacturing and regulatory initiatives to curb illicit trade in second-hand tyres. There is a growing need for skills development to support the industry's contribution to economic growth and sustainability.

The prevailing environment has put pressure on the intended outcomes of the governments development-oriented policy that aims to grow the economy, reduce the socio-economic challenges of poverty, unemployment and inequality. The intent of the skills development agenda is to produce skills for the labour market that will empower workers, the youth, women, persons with disabilities and marginalised individuals. SETAs, as schedule 3A public entities, play a critical role in helping government implement its policy agenda through skills development.

The merSETA has a critical role to play in developing and implementing initiatives aimed at addressing national as well as sectoral priorities and challenges through skills development initiatives aimed at increasing the employability (including self-employment) of labour market participants. Interventions should also cater for workers in the sector who might lack the relevant skills as a result of changing technologies, production processes and new products in the mer-sector. In addition, the small business sector, cooperatives and those who operate in rural and township economies also require support.

Overall, the merSETA's operating environment is characterised by a need for continuous skills development, innovation and sustainability across its key sectors to address current challenges and future opportunities.

ORGANISATIONAL ENVIRONMENT

The merSETA Accounting Authority has remained instrumental in steering the five strategic priorities aligned with the merSETA strategy. During the year under review, the SETA faced challenges as it transitioned into the new five-year planning period (2025-2030). Despite these challenges, the SETA has persisted in developing systems and approaches to support the effective implementation of its strategy.

The organisational transformation project has culminated in a new organisational structure in support of efficiencies in the organisation's business model, underpinned by the continued efforts to become a digitally enabled, agile and fit-for-purpose SETA. In addition, the SETAs has boosted the support of its human resources and operations to achieve a professional and capable organisation grounded in ethical leadership, best practice, governance and management.



KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The NSDP continues to be the key policy which informs the work of the merSETA in the 2020-2030 period. The NSDP was crafted in the context of the National Development Plan (NDP). The Reimagined Industrial Strategy introduced a new approach to industry-level planning, implemented through a series of Masterplans starting in 2019. These Masterplans, inclusive of the Steel Master Plan, Automotive Master Plan and Plastics Master Plan, created a collaborative framework in which the government, private sector and labour unions jointly developed and executed plans. This process marked a shift towards a more adaptable state approach, addressing the diverse concerns of individual companies and stakeholders, particularly labour and working-class communities.

The Economic Reconstruction and Recovery Plan (ERRP) is also still key as it seeks to enact significant structural changes in the economy, targeting challenges like low investment and job creation. A key focus is on enhancing the supply of skills to support sectors such as energy sustainability and green initiatives.

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

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

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

Skills development is essential in supporting the creation of economic opportunities and sustainable livelihood for the youth, women and people living with disabilities, as well as township, rural and marginalised communities.

The merSETA has taken a decision to prioritise the funding of skills development projects that address the needs of the social economy and community development.

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

The merSETA plays a pivotal role in building a responsive PSET system driven by the economy, socio-economic context as well as other national priorities. This calls for the need to balance competing national, regional, sectoral and community priorities as well as the needs of the workers (current and new) and employers/businesses.

The merSETA must challenge its various stakeholders (including labour, business, government, education and training institutions) to collaborate on skills development initiatives that foster common goals in the attempt to move the sector and economy forward.

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

A transformed local manufacturing sector driven by technology, innovation, sustainability, globalisation and changing global manufacturing value chains is essential in promoting employment and inclusive growth. Using a value chain approach, the merSETA has identified priority sectors to support the responsiveness of the South African sector to the digitisation of manufacturing, engineering and related industries in the age of the Fourth Industrial Revolution (4IR). Technological advancements and innovations in the age of 4IR have seen an increase in the digitisation of manufacturing, engineering and related industries. The sector has an opportunity to benefit not only from the localisation strategy (through the local manufacturing value chain), but the global automotive manufacturing value chain.

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

Advances in manufacturing, globalisation, technology and consumer markets, and local and international regulations have placed pressure on 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 immediate needs, but also on future needs.

SECTOR PROFILE

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

1. Metals and Engineering;
2. Auto Manufacturing;
3. Motor Retail and Aftermarket;
4. New Tyre Manufacturing;
5. Plastics Manufacturing; and
6. Automotive Components Manufacturing.

Overall, these sub-sectors are starting to gain traction in returning to pre-COVID levels in terms of employment. However, the number of companies within these sub-sectors has reduced and as previously reported a higher

proportion of employees are employed in medium and small companies. Overall, the mer-sector represents substantial diversity in terms of the types of employers and company sizes; it spans the spectrum of business sophistication from micro-sized small start-ups, mom-&-pop owners, cooperatives and informal traders to the large OEMs driven by highly sophisticated business models and technologies, honing the best-in-class international standards in terms of its operations.

The occupational profile of employees in the sector demonstrates a majority of employees that are either machine operators, artisans/skilled trade workers or elementary workers. Most of the youth in the sector are elementary workers or machine operators. In terms of gender dynamics, the sector is still mainly male dominated with only a quarter of employees being female. The sectoral profile does also demonstrate a concentration of female workers in elementary positions. However, higher proportions of females in relation to males are found in clerical occupations and professional occupations.

THE merSETA SCOPE OF COVERAGE BY CHAMBER

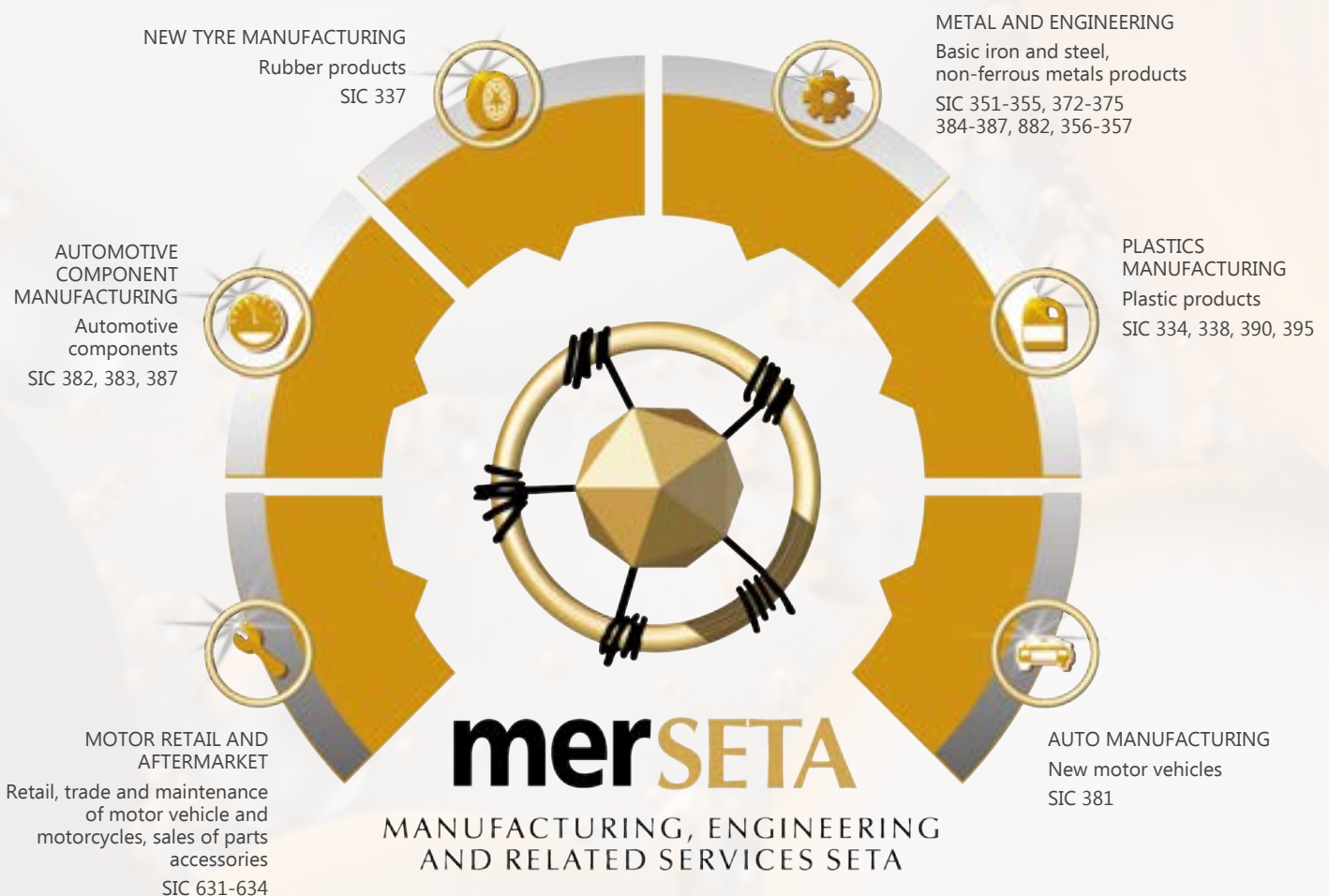


Figure 1: merSETA scope of coverage by SIC code and Chamber.

CHAMBER COMMITTEES

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

The merSETA scope of coverage incorporates six (6) chamber committees representing manufacturing, engineering, and related sub-sectors. The chamber committees are as follows:

- **Auto Manufacturing and Assembly Chamber:** This chamber covers the automotive manufacturing and assembling original equipment manufacturing multinational companies.
- **Automotive Components Manufacturing Chamber:** The chamber includes sectors involved in the manufacturing of automotive related components.
- **New Tyre Manufacturing Chamber:** This chamber includes manufacturers of new tyres by original equipment manufacturing multinational companies.
- **Motor Retail and Aftermarket Chamber:** The chamber involves sectors involved in the sales of vehicles and related products, and after sales services.
- **Metals & Engineering Chamber:** This chamber includes sectors such as capital equipment, foundries, transport equipment, metal fabrication and related sub-sectors.
- **Plastics Manufacturing Chamber:** The chamber encompasses the plastics manufacturing industry and related sectors.

COMPOSITION

The chamber committees include a maximum of nine (9) members each per organised constituency of participating employer associations and trade union constituent parties.

ROLES AND RESPONSIBILITIES

The committees ensure the merSETA carries out its responsibilities to:

- Engage in the development of research and innovation projects and provide inputs into the Sector Skills Plan (SSP) in accordance with the guidelines set forth by the merSETA and the Department of Higher Education and Training (DHET);
- Establish a chamber research agenda, oversee the approval process for research and innovation project proposals before their submission to the Governance and Strategy Committee, endorse the selection of an organisation to manage projects following the merSETA's procurement procedures, and diligently monitor the execution of chamber research and innovation initiatives;
- Offer guidance to regional committees and their constituents on sub-sectoral requirements, scarce skills, program initiatives, project opportunities, grant allocations and other relevant matters;

- Identify education and training needs within the sub-sectors to inform management's considerations in shaping the Sector Skills Plan (SSP), Annual Performance Plan (APP) and Strategic Plan;
- Monitor the progress of program and project development and implementation within the sub-sectors;
- Contribute insights and recommendations regarding education and training policies and systems that impact the sub-sectors;
- Foster communication with bargaining councils, forums and professional associations regarding training implementation at local, provincial and national levels, including training that is beyond the scope of merSETA.

KEY ACTIVITIES CONDUCTED DURING THE 2023/2024 FINANCIAL YEAR INCLUDED:

- Evaluation of Chamber Committees' effectiveness

Throughout the reporting period, assessments of Chamber Committees' effectiveness were carried out in strict adherence to clause 9.1 of the Chamber Committee terms of reference. Noteworthy recommendations arising from these assessments encompassed, among other aspects:

1. ATTENDANCE

- 1.1. The report observed that attendance in Chamber Committee meetings by merSETA Constituent Parties and member companies aligns with the provisions outlined in the merSETA Constitution and Chamber Committee Terms of Reference.
- 1.2. Furthermore, it was noted that the attendance percentage of merSETA chambers and other SETAs is in line with merSETA's average attendance, exceeding it by 1%.

2. GENDER EQUITY

- 2.1. The report advocates for prioritising the enhancement of gender equity within chambers, as the current representation of females is notably deficient. Among various strategies, stakeholders are urged to consider gender representation diligently when nominating chamber members, as a means to address this disparity.
- 2.2. It is recommended that merSETA persist in advocating for the nomination of female members to fill existing vacant seats as identified.

3. AUTHORITY AND GOVERNANCE

- 3.1. The induction of both new and long-standing members of chambers into their roles and responsibilities regarding authority and governance is imperative. This initiative is crucial for ensuring the seamless operation of chambers, as it fosters a comprehensive understanding among members of their respective authority and governance obligations.



4. RESEARCH AND INNOVATION PROJECTS IDENTIFIED

During the 2023/2024 financial year, chamber committees remained dedicated to investigating and addressing the evolving skills requirements within the merSETA subsector. At the 2023/2024 InterChamber Consultative Conference, chamber committees of the merSETA convened breakaway sessions to explore pertinent issues. Subsequently, during the conference's plenary session, the committees presented proposed research and innovation project topics for further discussion and potential implementation in the 2024/25 financial year and beyond.

The proposed research and innovation assignments for further deliberations and potential implementation include:

Sector/Chamber	Proposed project topic
Motor Chamber	The Chamber committed to conducting thorough investigations into the ramifications of the forthcoming electric vehicle era, focusing on the emergence of new occupations and the development of qualifications tailored to meet the evolving skill demands within the motor industry. This examination will particularly concentrate on the aftermarket sales, maintenance, refurbishment and repair sub-sectors.
Auto Chamber	The chamber aims to enhance industry partnership arrangements among Original Equipment Manufacturing companies (OEMs), Technical and Vocational Education and Training colleges (TVETs) and universities. This effort will focus on curriculum and lecture development, as well as facilitating the placement of learners for Work-Integrated Learning (WIL).
New Tyre Chamber	"Youth Driving Industry Future" – possible project focusing on reduction in carbon emissions.
Metal Chamber	<ol style="list-style-type: none"> 1. GBV Toolkit: Uplifting women socially and economically in the workplace. 2. Digital Divide: Positioning SA in the 4th IR. 3. Assistance for Retrenched Employees: Retrenchment prevention through the Retrenchment Assistance Programme (RAP) where necessary. 4. Powerships: Investigate advantages of powerships linked to JUST transition. 5. Innovation Hub: To incubate small enterprises. 6. Workplace Ethics: Promote workplace harmony through training.
Automotive Components Chamber	Initiative for Public Technical and Vocational Education and Training (TVET) Colleges: Providing support for occupational programmes, including access to workshop equipment and industry exposure programmes for lecturers.
Plastics Chamber	"The Future Now" Initiative: This project aims to cultivate a cadre of creative individuals equipped with technical, entrepreneurial and innovative skills to actualise futuristic visions by producing high-quality plastic products. These individuals will contribute either through established companies or new startups. The project entails the establishment of an incubation or innovation hub.



INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION OUTCOMES, OUTPUTS, OUTPUT INDICATORS, TARGETS AND ACTUAL ACHIEVEMENTS TABLE

PROGRAMME 1: ADMINISTRATION

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24	Reasons for deviation	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.	1.1. Percentage of compliance with Corporate Governance Compliance report	100%	100%	100%	SETA FUNDED	100%	100%	0%	Target achieved	n/a
						SECTOR FUNDED	0	0	0	n/a	



PROGRAMME 2: SKILLS PLANNING

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24	Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector's engineering and SECTOR value chains. Outcome 3: PSET education, training and skills development in public institutions responsive to the changing occupations and skills demand required for the merSETA sector's engineering and manufacturing industries and related labour market.	Strategic Output 2: Establishment of credible and effective systems and strategies for research, planning, monitoring and evaluation.	2.1. Number of WSPs and ATRs approved for small firms: (49 or less employees).	2271	2311	1800	SETA FUNDED	2443	136%	643	There were more submissions received from small entities and companies might have downscaled.	n/a
		2.2. Number of WSPs and ATRs approved for medium firms: (50-149 employees).	878	919	918	SETA FUNDED	921	100%	3	Sufficient submissions were received to meet this target	n/a
		2.3. Number of WSPs and ATRs approved for large firms: (150+ employees).	523	551	551	SETA FUNDED	562	102%	11	Sufficient submissions were received to meet this target	n/a
		2.4. Number of sector research agreements signed for TVET growth occupationally directed programmes.	1	0	2	SETA FUNDED	5	250%	3	There were two more TVET colleges that had applied for a continuation project in the DG YR 24 window and they met the requirements and approved.	n/a



INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

continued

PROGRAMME 2: SKILLS PLANNING

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24	Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
		2.5. Number of learners who completed workplace-based learning programmes absorbed into employment or self-employment.	0	2 452	1	SECTOR FUNDED	0	0	0	n/a	n/a
						SETA FUNDED	1	100%	0	n/a	
						SECTOR FUNDED	0	0	0	n/a	
Outcome 5: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector's engineering and manufacturing industries and related labour market.		2.6. Number of established and emergent cooperatives trained on sector and national identified priority occupations or skills.	0	0	10	SETA FUNDED	2	20%	(8)	Insufficient demand from discretionary grant applications to meet the target.	
						SECTOR FUNDED	0	0	0	n/a	
						SETA FUNDED	730	61%	(288)	Target not achieved; Issued MoAs not signed by year end due to delayed DG awards.	
		2.7. Number of small and emerging enterprises trained on sector and national identified priority occupations or skills.	736	614	730	SECTOR FUNDED	0	0	0	n/a	

PROGRAMME 3: PROGRAMMES AND PROJECTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	Deviation from planned target to actual achievement 2023/24	Reasons for deviations to outputs/ indicators/ annual target
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector's engineering and SECTOR value chains.	Strategic output 3: Facilitation of skills development interventions to enable increased access to employment opportunities and support to economic growth opportunities	3.1. Percentage of total approved Discretionary Grants (DG) allocations to employers, allocated to programmes or projects aimed at developing high-level skills e.g. managers, professionals and technicians and associate professionals.	20%	18.5%	17%	SETA FUNDED	23.77%	140%	Target over-achieved as more applications linked to this indicator were awarded
Outcome 3: PSET education, training and skills development in public institutions responsive to the changing occupations and skills demand required for the merSETA sector's engineering and manufacturing industries and related labour market.						SECTOR FUNDED	0	0	n/a
Outcome 4: Skills for transformed SA merSETA sector's engineering and manufacturing industries to support EE demographics transforming business models of production and technology, and the transformation of the diversification of ownership, control and management.									
Outcome 5: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector's engineering and manufacturing industries and related labour market.									



INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

continued

PROGRAMME 3: PROGRAMMES AND PROJECTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Deviation from planned target to actual achievement 2023/24				Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
						Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%	3%		
		3.2. Percentage of total approved Discretionary Grants (DG) allocations to employers, allocated to programmes or projects aimed at developing mid-level skills e.g., clerical, sales and service, skilled craft and trade workers	63%	59.7%	59%	SETA FUNDED	61.51%	104%	3%	Target over-achieved as more applications linked to this indicator were awarded	n/a
						SECTOR FUNDED	0	0	0	n/a	
		3.3. Percentage of total approved Discretionary Grants (DG) allocations to employers, allocated to programmes or projects aimed at developing elementary skills e.g. machine operators and elementary workers.	16%	21.8%	24%	SETA FUNDED	14.71%	61%	(9%)	Target not achieved; issued MoAs not signed by year-end due to delayed DG awards.	n/a
						SECTOR FUNDED	0	0	0	n/a	
		3.4. Number of unemployed learners registered for WIL programmes from TVET colleges.	10	114	1 000	SETA FUNDED	360	36%	(640)	Delay in grant funding allocations resulted in the non-achievement	The annual target was revised as per the proposal by the DHET.
						SECTOR FUNDED	25	2 500%	25	The over achievement of this target is due to the performance of our industry partners.	
		3.5. Number of unemployed learners completing WIL programmes from TVET colleges.	74	47	225	SETA FUNDED	20	20%	(80)	Majority of learners are from 14 to 18-month workplace-based agreement and therefore the learners will exit after the financial year	n/a



PROGRAMME 3: PROGRAMMES AND PROJECTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24		Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
						SECTOR FUNDED	125	9	7%	(116)	Low participation rate of member companies	
		3.6. Number of unemployed learners registered for WIL programmes from HEIs.	176	220	500	SETA FUNDED	500	257	51%	(243)	Delay in grant funding allocations resulted in the non-achievement	The annual target was revised as per the proposal by the DHET.
		3.7. Number of unemployed learners completing WIL programmes from HEIs.	18	262	200	SETA FUNDED	0	58	5800%	58	The over achievement of this target is due to the performance of our implementation partners.	
		3.8. Number of unemployed learners registered for workplace experience/ internships.	40	129	375	SETA FUNDED	140	146	104%	6	Delay in grant funding allocations resulted in the non-achievement	n/a
						SECTOR FUNDED	60	0	0%	(60)	Low participation rate of member companies	
						SETA FUNDED	375	37	10%	(338)	Delay in grant funding allocations resulted in the non-achievement	The annual target was revised as per the proposal by the DHET.
						SECTOR FUNDED	0	72	7 200%	72	The over achievement of this target is due to the performance of our industry partners.	
		3.9. Number of unemployed learners completing workplace experience/ internships.	166	50	182	SETA FUNDED	182	73	40%	(109)	Delay in grant funding allocations resulted in the non-achievement	The annual target was revised as per the proposal by the DHET.
						SECTOR FUNDED	0	9	900%	9	The over achievement of this target is due to the performance of our implementation partners	
		3.10. Number of unemployed learners registered for skills programmes.	3 687	5 146	3 210	SETA FUNDED	2 210	2717	123%	507	Over achievement of this target is due to the performance of our implementation partners.	The annual target was revised as per the proposal by the DHET.



INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

continued

PROGRAMME 3: PROGRAMMES AND PROJECTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	Deviation from planned target to actual achievement		Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
								%	2023/24		
		3.10. Number of unemployed learners registered for skills programmes.	3 687	5 146	3 210	SECTOR FUNDED	2 692	269%	1 692	The over achievement of this target is due to the performance of our implementation partners	
		3.11. Number of unemployed learners completing skills programmes.	2 380	5 257	2 750	SETA FUNDED	785	38%	(1 265)	Delays in implementation of funded programmes by partners played a role in the merSETA not achieving the SETA funded target	The annual target was revised as per the proposal by the DHET.
						SECTOR FUNDED	968	138%	268	The over achievement of this target is due to the performance of our industry partners	
		3.12. Number of unemployed learners registered for learnership programmes.	1 407	3 520	3 210	SETA FUNDED	1175	53%	(1 035)	Delays in grant funding allocations played a role in the merSETA not achieving the SETA funded target	The annual target was revised as per the proposal by the DHET.
						SECTOR FUNDED	2877	288%	1 877	The over achievement of this target is due to the performance of our industry partners	
		3.13. Number of unemployed learners completing learnership programmes.	2 018	2 624	2 764	SETA FUNDED	659	31%	(1 441)	Delays in implementation of funded programmes by partners played a role in the merSETA not achieving the SETA funded target. Not all the learners complete the programme. There is a high dropout rate due to some learners resign or abscond for better opportunities	The annual target was revised as per the proposal by the DHET.
						SECTOR FUNDED	1 685	254%	1 021	The over achievement of this target is due to the performance of our implementation partners	



PROGRAMME 3: PROGRAMMES AND PROJECTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24			Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24	Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
						SETA FUNDED							
		3.14. Number of unemployed engineering graduates registered for candidacy programmes.	0	27	21	SETA FUNDED	21	9	43%	(12)	Delays in grant funding allocations played a role in the merSETA not achieving the SETA funded target.	The annual target was revised as per the proposal by the DHET.	
					SECTOR FUNDED	0	28	2800%	28	The over achievement of this target is due to the performance of our industry partners			
		3.15. Number of unemployed engineering graduates completing candidacy programmes.	0	0	3	SETA FUNDED	3	32	1067%	29	The over achievement of this target is due to the performance of our implementation partners.	n/a	
					SECTOR FUNDED	0	1	100%	1	The over achievement of this target is due to the performance of our industry partners			
		3.16. Number of unemployed learners registered for bursary programmes (new entries).	115	63	110	SETA FUNDED	110	163	148%	53	The over achievement of this target is due to the performance of our implementation partners	n/a	
					SECTOR FUNDED	0	0	0	0	n/a			
		3.17. Number of unemployed learners registered for bursary programmes (continuing).	246	448	309	SETA FUNDED	309	239	77%	(70)	Insufficient grant application received	n/a	
					SECTOR FUNDED	0	0	0	0	n/a			
		3.18. Number of unemployed learners completing bursary programmes.	20	99	50	SETA FUNDED	50	324	648%	274	The over achievement of this target is due to the performance of our implementation partners	n/a	
					SECTOR FUNDED	0	0	0	0	n/a			
		3.19. Number of employed learners registered for learnership programmes.	443	904	1 000	SETA FUNDED	700	344	49%	(356)	Delay in grant funding allocations resulted in the non-achievement of the SETA funded target. However overall target met	The annual target was revised as per the proposal by the DHET.	
					SECTOR FUNDED	300	843	281%	543	The over achievement of this target is due to the performance of our industry partners			



INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

continued

PROGRAMME 3: PROGRAMMES AND PROJECTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24			Deviation from planned target to actual achievement 2023/24		Reasons for deviations to outputs/ indicators/ annual target	
						Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%				
		3.20. Number of employed learners completing learnership programmes.	606	854	1 000	SETA FUNDED	700	214	31%	(486)	Delay in grant funding allocations resulted in the non-achievement of the SETA funded target. However the overall targets were exceeded as more learners were moderated	The annual target was revised as per the proposal by the DHET.
						SECTOR FUNDED	300	1013	338%	713	The over achievement of this target is due to the performance of our Industry partners.	
		3.21. Number of employed learners registered for bursary programmes (new entries).	27	34	104	SETA FUNDED	74	22	30%	(52)	Delay in grant funding allocations resulted in the non-achievement. However, the overall target has been met.	n/a
						SECTOR FUNDED	30	82	273%	52	The over achievement of this target is due to the performance of our Industry partners.	
		3.22. Number of employed learners registered for bursary programmes (continuing).	0	0	50	SETA FUNDED	40	1	3%	(39)	Delay in grant funding allocations resulted in the non-achievement	n/a
						SECTOR FUNDED	10	0	0%	(10)	Low participation rate of industry partners	
		3.23. Number of employed learners completing bursary programmes.	9	4	36	SETA FUNDED	18	2	11%	(16)	Not enough candidates passed their respective subjects to pass to count towards completion. Not enough candidate enrolled previous year to count towards completion	n/a
						SECTOR FUNDED	18	3	17%	(15)	Low participation rate of industry partners	



PROGRAMME 3: PROGRAMMES AND PROJECTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24	Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
		3.24. Number of employed learners registered for skills programmes.	495	1 172	2 140	SETA FUNDED 1 000	188	19%	(812)	Delay in grant funding allocations resulted in the non-achievement	The annual target was revised as per the proposal by the DHET.
						SECTOR FUNDED 1 140	714	63%	(426)	Low participation rate of industry partners	
		3.25. Number of employed learners completing skills programmes.	544	674	1 284	SETA FUNDED 800	140	18%	(660)	Delay in grant funding allocations resulted in the non-achievement	The annual target was revised as per the proposal by the DHET.
						SECTOR FUNDED 484	510	105%	26	The over achievement of this target is due to the performance of our industry partners.	
		3.26. Number of employed or unemployed learners registered for AET programmes.	227	438	510	SETA FUNDED 510	276	54%	(234)	Delay in grant funding allocations resulted in the non-achievement. However, the overall target has been met.	n/a
						SECTOR FUNDED 0	470	47 000%	470	The over achievement of this target is due to the performance of our industry partners.	
		3.27. Number of employed or unemployed learners completing AET programmes.	0	191	500	SETA FUNDED 350	300	86%	(50)	Delay in grant funding allocations resulted in the non-achievement. However, the overall target has been met.	n/a
						SECTOR FUNDED 150	213	142%	63	The over achievement of this target is due to the performance of our industry partners.	
		3.28. Number of learners registered for trade/artisan qualifications (new registration).	881	213	4 710	SETA FUNDED 3 000	1 191	40%	(1 809)	Delay in grant funding allocations resulted in the non-achievement	The annual target was revised as per the proposal by the DHET.



INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

continued

PROGRAMME 3: PROGRAMMES AND PROJECTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24	Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
						1 710	1 289	75%	(421)	Low participation rate of industry partners	
		3.29. Number of learners completing trade/artisan qualifications	2 077	1 709	2 561	2 261	521	23%	(1 740)	Low numbers of application and percentage that successful complete the assessment	The annual target was revised as per the proposal by the DHET.
		3.30. Number of learners entering Artisan Recognition of Prior Learning (ARPL) programme.	345	862	1 000	200	94	47%	(106)	The over achievement of this target is due to the performance of our industry partners.	n/a
		3.31. Number of learners completing Artisan Recognition of Prior Learning (ARPL) programme.	516	742	1 040	800	975	122%	175	Delay in grant funding allocations resulted in the non-achievement. However, the overall target has been met.	
						520	109	21%	(411)	The over achievement of this target is due to the performance of our industry partners.	n/a
						520	960	185%	440	Delay in grant funding allocations resulted in the non-achievement. However, the overall target has been met.	



PROGRAMME 3: PROGRAMMES AND PROJECTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/ APP) 2023/24	Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24	Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
Outcome 3: PSET education, training and skills development for public institutions responsive to the changing occupations and skills demand required for the merSETA sector's engineering and manufacturing industries and related labour market.	Strategic Output 4: Strategic skills development related collaborations and partnerships to respond to national, provincial, local and sector strategic priorities.	3.32. Number of active TVET college partnerships established.	30	29	25	SETA FUNDED	25	160%	14	Target overachieved as it includes active partnerships initiated in previous years	n/a
						SECTOR FUNDED	0	0	0	n/a	
						SETA FUNDED	12	100%	0	n/a	n/a
Outcome 4: Skills for transformed SA merSETA sector's engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management.		3.33. Number of active SETA-HEI partnerships established.	16	12	12	SECTOR FUNDED	0	0	0	n/a	
						SETA FUNDED	3	133%	1	Target overachieved as it includes active partnerships initiated in previous years	n/a
						SECTOR FUNDED	0	0	0	n/a	
Outcome 5: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector's engineering and manufacturing industries and related labour market.		3.34. Number of active CET partnerships established.	3	3	3	SETA FUNDED	3	133%	1	Target overachieved as it includes active partnerships initiated in previous years	n/a
						SECTOR FUNDED	0	0	0	n/a	
						SECTOR FUNDED	0	0	0	n/a	
		3.35. Number of new SETA- Employer partnerships established.	1347	1023	1400	SETA FUNDED	1400	52%	(670)	Target not achieved; Issued MoAs not signed by year end due to delayed DG awards.	n/a
						SECTOR FUNDED	730				
						SECTOR FUNDED	0	0	0		



INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

continued

PROGRAMME 3: PROGRAMMES AND PROJECTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24	Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector's engineering and SECTOR and SECTOR value chains.	Strategic Output 5: Facilitation of skills development interventions to support the development and establishment of sustainable SMEs, cooperatives, and local or community-based employment generation and income generation activities aligned to merSETA's engineering and manufacturing value chain.	3.36. Number CBOs/ NGOs/NPOs funded for skills to grow/develop and sustain their activities or organisations.	20	25	25	SECTOR FUNDED	0	0	0	n/a	
						SETA FUNDED	26	104%	1	Target overachieved; more applications were approved that supports CBOs/ NGOs/NPOs	n/a
						SECTOR FUNDED	0	0	0	n/a	
			1	0	4	SETA FUNDED	3	75%	(1)	One of the Trade Unions withdrew from the funding agreement awarded	n/a
						SECTOR FUNDED	0	0	0	n/a	
		3.38. Number of rural development projects supported through skills development.	4	4	4	SETA FUNDED	6	150%	2	Target overachieved; more applications were approved that supports rural development initiatives	n/a
						SECTOR FUNDED	0	0	0	n/a	
						SETA FUNDED	516	235%	296	The over achievement of this target is due to the performance of our implementation partners.	n/a
		3.39. Number of people trained on entrepreneurship supported to start their business (number of people funded for enterprise growth/enterprise development skills.	0	416	300	SECTOR FUNDED	0	0	(80)	Low participation rate of industry partners	



PROGRAMME 4: QUALITY ASSURANCE

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24	Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
Outcome 3: PSET education, training and skills development in public institutions responsive to the changing occupations and skills demand required for the merSETA sector's engineering and manufacturing industries and related labour market.	Strategic Output 6: Support to the growth and quality improvement of technical and vocational education and training (TVET) colleges.	4.1. Number of TVET Centres of Specialisation (CoS) supported.	5	3	4	SECTOR FUNDED	0	0	0	n/a	
						SETA FUNDED	4	10	250%	Target overachieved as it includes active partnerships initiated in previous years	n/a.
						SECTOR FUNDED	0	0	0	n/a	
		4.2. Number of TVET colleges funded for merSETA occupational programmes, equipment and workshop infrastructure.	5	3	4	SETA FUNDED	4	4	100%	n/a	n/a
						SECTOR FUNDED	0	0	0	n/a	
		4.3. Number of TVET college lecturers exposed to SECTOR through skills programmes.	13	0	60	SETA FUNDED	60	6	10%	Target was not met as no applications were received for this intervention through the funding windows.	n/a
						SECTOR FUNDED	0	0	0	n/a	
						SETA FUNDED	3	3	100%	n/a	n/a
		4.4. Number of SETA offices maintained in TVET colleges	3	3	3	SETA FUNDED	3	3	100%	n/a	n/a



INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

continued

PROGRAMME 4: QUALITY ASSURANCE

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24	Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
Strategic Objective 7: Support to the growth and quality improvement of community education and training (CET) colleges.		4.5. Number of CET colleges funded for merSETA occupational programmes, equipment and workshop infrastructure.	2	2	4	SECTOR FUNDED	0	0	0	n/a	
						SETA FUNDED	4	0	(4)	Target was not met as no applications were received for this intervention through the funding windows.	n/a
						SECTOR FUNDED	0	0	0	n/a	
						SETA FUNDED	15	22	147%	This target has been met	n/a
Strategic Objective 8: Support career development services.		4.6. Number of CET learners accessing AET programmes.	0	31	15	SECTOR FUNDED	0	0	0	n/a	
						SETA FUNDED	18	27	150%	The target was already met.	n/a
Outcome 5: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector's engineering and manufacturing industries and related labour market.		4.7. Number of career development events in urban areas on occupations in high demand.	15	15	18	SECTOR FUNDED	0	0	0		



PROGRAMME 4: QUALITY ASSURANCE

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited Actual achievement 2022/23	Planned annual target (APP) 2023/24	Planned annual target (SLA/APP) 2023/24	Actual achievement 2023/24	%	Deviation from planned target to actual achievement 2023/24	Reasons for deviation	Reason for revisions to outputs/ indicators/ annual target
		4.8. Number of career development events in rural areas on occupations in high demand.	15	19	18	SECTOR FUNDED	0	0	0	n/a	
						SETA FUNDED	18	133%	6	The target was already met.	n/a
						SECTOR FUNDED	0	0	0	n/a	
		4.9. Number of career development practitioners trained.	24	38	30	SETA FUNDED	30	183%	25	The target exceeded as we trained higher number of CD practitioners and also anticipated a possibility of dropout.	n/a
						SECTOR FUNDED	0	0	0	n/a	
		4.10. Number of capacity-building workshops on career development services initiated.	6	7	8	SETA FUNDED	8	100%	0	N/A	n/a
						SECTOR FUNDED	0	0	0	n/a	



INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

continued

PROGRAMME 3: PRIOR YEAR ACHIEVEMENTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited actual performance 2022/23	Planned annual target 2023/24	Actual achievement 2023/24	Prior year achievement
Outcome 2: Skills for productive enterprises within the social economy to support the integration into the merSETA sector's engineering and SECTOR value chains. Outcome 3: PSET education, training and skills development in public institutions responsive to the changing occupations and skills demand required for the merSETA sector's engineering and manufacturing industries and related labour market. Outcome 4: Skills for transformed SA merSETA sector's engineering and manufacturing industries to support EE demographics transformation, changing business models of production and technology, and the transformation for the diversification of ownership, control and management. Outcome 5: A skilled, agile and flexible current and future workforce for emerging and future occupations and employment opportunities within the merSETA sector's engineering and manufacturing industries and related labour market.	Strategic Output 3: Facilitation of skills development interventions to enable increased access to employment opportunities and support to economic growth opportunities.	3.4. Number of unemployed learners registered for WIL programmes from TVET colleges.	10	114	1 000	385	633
		3.5. Number of unemployed learners completing WIL programmes from TVET colleges.	74	47	225	29	1
		3.6. Number of unemployed learners registered for WIL programmes from HEIs.	176	220	500	315	169
		3.7. Number of unemployed learners completing WIL programmes from HEIs.	18	262	200	146	33
		3.8. Number of unemployed learners registered for workplace experience/ internships.	40	129	375	110	34
		3.9. Number of unemployed learners completing workplace experience/ internships.	166	50	182	82	9
		3.10. Number of unemployed learners registered for skills programmes.	3 687	5146	3 210	5 409	3 050

PROGRAMME 3: PRIOR YEAR ACHIEVEMENTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited actual performance 2022/23	Planned annual target 2023/24	Actual achievement 2023/24	Prior year achievement
3. Skills development	3.1. Skills development	3.11. Number of unemployed learners completing skills programmes.	2 380	5 257	2 750	1 753	745
		3.12. Number of unemployed learners registered for learnership programmes.	1 407	3 520	3 210	4 052	3 606
		3.13. Number of unemployed learners completing learnership programmes.	2 018	2 624	2 764	2 344	343
		3.14. Number of unemployed engineering graduates registered for candidacy programmes.	0	27	21	37	3
		3.16. Number of unemployed learners registered for bursary programmes (new entries).	115	63	110	163	82
		3.17. Number of unemployed learners registered for bursary programmes (continuing).	246	448	309	239	105
		3.18. Number of unemployed learners completing bursary programmes.	20	99	50	324	188
		3.19. Number of employed learners registered for learnership programmes.	443	904	1 000	1 187	754
		3.20. Number of employed learners completing learnership programmes.	606	854	1 000	1 227	89
		3.21. Number of employed learners registered for bursary programmes (new entries).	27	34	104	104	141
		3.22. Number of employed learners registered for bursary programmes (continuing).	0	0	50	1	28
		3.23. Number of employed learners completing bursary programmes.	9	4	36	5	3
		3.24. Number of employed learners registered for skills programmes.	495	1 172	2 140	902	819

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

continued

PROGRAMME 3: PRIOR YEAR ACHIEVEMENTS

Outcome	Output	Output indicator	Audited actual performance 2021/22	Audited actual performance 2022/23	Planned annual target 2023/24	Actual achievement 2023/24	Prior year achievement
		3.25. Number of employed learners completing skills programmes.	544	674	1 284	650	28
		3.26. Number of employed or unemployed learners registered for AET programmes.	227	438	510	746	450
		3.27. Number of employed or unemployed learners completing AET programmes.	0	191	500	513	43
		3.28. Number of learners registered for trade/artisan qualifications (new registration).	881	2 138	4 710	2 480	1 224
		3.29. Number of learners completing trade/artisan qualifications.	2 077	1 709	2 561	1 218	61
		3.30. Number of learners entering Artisan Recognition of Prior Learning (ARPL) programme.	345	862	1 000	1 069	495
		3.31. Number of learners completing Artisan Recognition of Prior Learning (ARPL) programme.	516	742	1 040	1 069	291

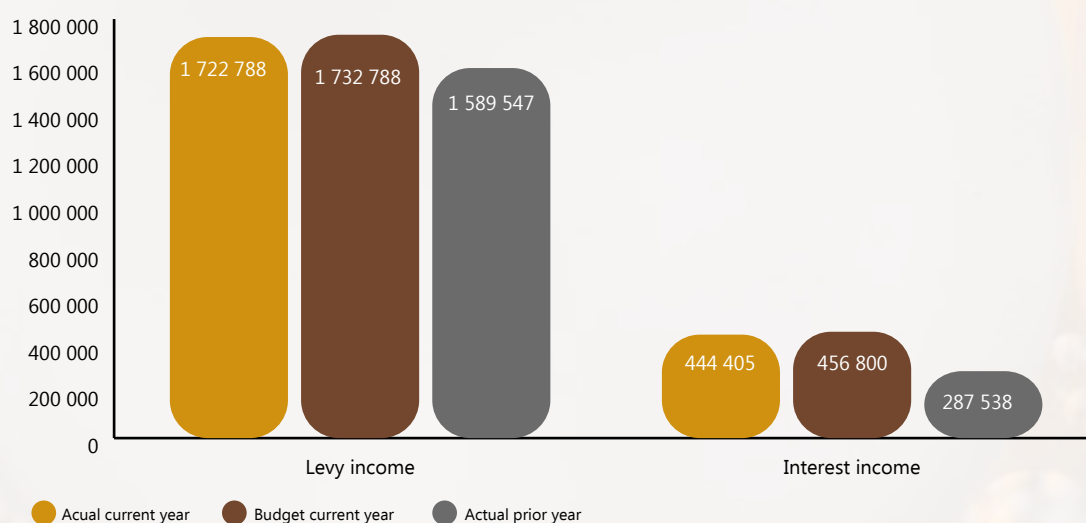
PROGRESS ON INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

There are no new incidents to report regarding COVID-19 in the reporting period. There have been no fatalities or infections attributed to COVID-19 within the past two years. There are trained personnel in OHS in every office.



REVENUE COLLECTION

	2023/24			2022/23		
	Budget	Actual amount collected	(Over)/under collection budget	Budget	Actual amount collected	(Over)/under collection budget
	R'000	R'000	R'000	R'000	R'000	R'000
Skills development levy income	1 732 608	1 722 788	9 820	1 560 434	1 589 547	(29 113)
Skills development penalties and interest	20 681	21 418	(737)	15 888	15 098	790
Interest Income	456 800	444 405	12 395	263 290	287 538	(24 248)
Other income	–	–	–	6	–	6
Total	2 210 089	2 188 611	21 478	1 839 618	1 892 183	(52 565)



CAPITAL INVESTMENT

Infrastructure projects	2023/2024			2022/2023		
	Budget	Actual expenditure	(Over)/under expenditure	Budget	Actual expenditure	(Over)/under expenditure
	–	–	–	–	–	–
Total	N/A	N/A	N/A	N/A	N/A	N/A





PART C



GOVERNANCE



GOVERNANCE

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. The Chairperson and fourteen (14) members of the Accounting Authority are appointed on a five-year term as provided for in the Act.

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.

EXECUTIVE AUTHORITY

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

THE ACCOUNTING AUTHORITY

The Accounting Authority of merSETA was appointed from 1 April 2020 for a five-year term. Ms Kate Moloto was appointed Chairperson of the Accounting Authority in 2020 while Ms Ruth Ntlokotse and Mr Louis van Huyssteen 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, Ms Sumaya Hoosen, Mr Neil Rademan, Mr Rick Grobler (appointed with effect from 23 October 2023) and Mr Thapelo Molapo. The terms of office for Ms Ruth Ntlokotse and Mr Japhta Elias Kubeka ended on 24 August 2023, thereafter Mr Jacobus de Beer was appointed to serve as Deputy Chairperson.



ATTENDANCE AT THE ACCOUNTING AUTHORITY AND COMMITTEE MEETINGS

Details of attendance during 2023/2024 are summarised in the table below:

Name	Accounting Authority*	Audit and Risk Committee	Executive Committee	HR and Remuneration Committee	Finance and Grants Committee	Governance and strategy	Other meetings**
Kate Moloto (AA Chairperson)	22/22		9/9		1/1		57
Louis van Huyssteen (AA Deputy Chairperson)	22/22		9/9	1/1		4/4	16
Jacobus (Koos) de Beer (AA Deputy Chairperson) effective from September 2024	22/22	11/11	6/6	13/13		4/4	28
Ruth Ntlokotse (AA Deputy Chairperson)***	9/9		4/4	1/1	3/3		5
Dr Alex Mashilo	19/22		1/2			4/4	5
Dr Lesley Lee****	3/22		3/9	4/13			3
Kirtida Bhana	20/22					4/4	7
Siboniso Mdletshe	11/22				2/2	3/4	5
Mokgatle (Thapelo) Molapo	20/22		0/1	13/13	6/6		26
Thandeka Phiri	16/22		7/9	13/13	3/3	1/2	23
Renai Moothilal	16/22	9/11	1/1		4/6		6
Japhta (Elias) Kubeka***	9/9				3/3	2/2	1
Sumaya Hoosen	20/22				5/6		1
Neil Rademan	21/22			13/13		4/4	15
Rick Grobler	8/8						4
Siyabonga Msweli	4/4					4/4	
Khumo Mzozoyana	10/10	11/11					15
Margaret Phiri	4/4	9/11					
Tshepo Fari	4/4	11/11					

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

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

*** These members are retired.

**** Dr Lee had been on long sick leave.

REMUNERATION OF THE ACCOUNTING AUTHORITY AND COMMITTEE MEMBERS

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

Name	Remuneration (R000)	Other allowances (R000)	Other re-imbursments (R000)	Total (R000)
Kate Moloto (Accounting Authority and EXCO Chairperson)	925	–	–	925
Louis van Huyssteen* (Accounting Authority Deputy Chairperson)	427	–	–	427
Jacobus (Koos) de Beer (Accounting Authority Deputy Chairperson) Effective from September 2023	637	6	11	654
Ruth Ntlokotse (Accounting Authority Deputy Chairperson)***	182	4	1	187
Dr Alex Mashilo (GSC Chairperson)	148	–	–	148
Dr Lesley Lee	97	–	–	97
Kirtida Bhana*	262	6	–	268
Siboniso Mdletshe	174	6	–	180
Mokgatle (Thapelo) Molapo (FGC Chairperson)	525	1	–	526
Thandeka Phiri (HRRRC Chairperson)	537	–	–	537
Renai Moothlal	326	6	–	332
Japhta (Elias) Kubeka***	121	4	1	126
Sumaya Hoosen*	222	–	–	222
Neil Rademan	424	6	–	430
Rick Grobler	80	–	–	80
Siyabonga Msweli**	71	–	–	71
Khumo Mzozoyana** (ARC Chairperson)	653	6	–	659
Margaret Phiri**	208	6	–	214
Tshepo Fari**	273	3	–	276
Total	6 292	54	13	6 359

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

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

*** These members are retired

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 aggravation factors, as well as strategic interventions.

INTERNAL AUDIT AND AUDIT COMMITTEE

The merSETA's internal audit function is entrusted to an independent audit firm, operating according to an approved three-year internal audit plan. During the period

under review, SHUMBA Inc. assumed the role of the merSETA's internal auditors. These independent auditors adhere to an approved Internal Audit Charter and Plan, with oversight of their performance provided by the Audit and Risk Committee on behalf of the Accounting Authority.

Throughout the reviewed period, SHUMBA Inc. conducted an independent assessment of the entity's systems, financial internal controls and accounting records, ensuring adequacy and effectiveness. Their findings are then presented to the Audit and Risk Committee. Notably, the internal control environment of the merSETA was determined to be robust and effective.



THE AUDIT AND RISK COMMITTEE (ARC)

COMPOSITION

The ARC is comprised of five (5) members, three (3) of whom are independent members, namely Ms K Mzozoyana (Chairperson), Ms M Phiri and Mr T Fari, as well as two Accounting Authority members, Mr R Moothilal and Mr K de Beer.

ROLES AND RESPONSIBILITIES

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

The merSETA has a Corporate Governance and Legislative Compliance Checklist in place which is reviewed as and when legislation changes. The checklist is reported on a quarterly basis to the Audit and Risk Committee. The regular review of the document ensures that the merSETA monitors compliance with all relevant laws and regulations. Any issues of non-compliance are investigated and steps are taken to ensure compliance and that corrective measures are put in place. The merSETA furthermore actively participates in the processes that deal with proposed changes to legislation, in particular, enacted legislations which have a direct impact on the merSETA operations.

FRAUD AND CORRUPTION

The merSETA has a Fraud Prevention Plan in place, which is regularly reviewed to ensure effectiveness. The entity has a fraud and corruption hotline, which is fully operational and a register of all reported cases is periodically maintained and reported through governance structures. The whistle blower report is periodically submitted to the Audit and Risk Committee, which decides on appropriate action to be taken on all reported cases.

MINIMISING CONFLICT OF INTEREST

All members of the Accounting Authority, as well as every employee and official associated with the merSETA, are mandated to steer clear of any direct or indirect conflicts, or

situations that might potentially undermine the interests of the merSETA. To uphold this principle, a Conflict of Interest Policy was ratified by the Accounting Authority in March 2020, slated for reassessment in 2025. This policy delineates essential directives regarding disclosure requirements for both the Accounting Authority and staff members.

Furthermore, it is incumbent upon members and staff to annually declare their vested interests, ensuring transparency and preventing the organisation from entering into contracts with employees, members or their affiliates. Additionally, it is obligatory for both members and management to disclose their interests during meetings of the Accounting Authority, committees and management committee.

CODE OF CONDUCT

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

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

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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

COMPANY SECRETARY

Ms Stacey James was the Acting Company Secretary during the year under review. She was responsible for advising and supporting the Accounting Authority, Accounting Authority Committees and the merSETA management on matters related to corporate governance and provided overall legal support to the organisation.

SOCIAL RESPONSIBILITY

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



THE REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (the committee) presents its report for the financial year ended 31 March 2024, in terms of the requirements of the PFMA and in accordance with the King IV Report on Corporate Governance for South Africa. 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 systems;
- Risk management; and
- Internal and external audit functions.

The committee has fulfilled all statutory duties as mandated by the Treasury Regulations. It has adopted formal terms of reference through its Audit and Risk Committee Charter, managed its affairs in full compliance with this charter, and effectively discharged all responsibilities outlined therein.

OVERSIGHT OF FINANCIALS AND DISCLOSURE

The committee assessed the Annual Financial Statements to ensure fair presentation in accordance with the PFMA, Treasury Regulations and Generally Recognised Accounting Practice (GRAP). In executing its duties, the committee has, among other areas, reviewed and provided oversight of financial and non-financial reporting and disclosures.

The committee reviewed key judgments, estimates and accounting for significant transactions in the Annual Financial Statements. Where appropriate, the committee sought input from external auditors, fostering a thorough examination of controls, accounting practices and disclosure matters.

The committee concentrated on specific control issues, particularly those related to PFMA reporting. It concluded that the internal control environment requires improvement, especially in the overall accounting of accruals. The committee acknowledges management's efforts to detect irregular expenditure, while noting that further enhancement is needed in preventing such occurrences. There are still concerns with the reporting of performance information. The committee notes with concern the issues that continue to persist, even though there were vast improvements in the year under review. The SETA is still not meeting its performance targets. Commitment by management to improve and take corrective measures with regards to performance information has been noted by the committee. Concerted efforts are required on performance information in particular.

The committee had oversight on various investigation reports and is satisfied that recommendations from the reports are being implemented by the organisation.



Khumo Mzozoyana – Audit and Risk Chairperson

The committee considered the following:

- Effectiveness of internal control systems and governance processes;
- Legal matters that could have a material impact on the merSETA;
- Effectiveness of the system and process of risk management;
- Financial reporting;
- Internal financial controls;
- The effectiveness of the entity's compliance with legal and regulatory requirements;
- Annual audit plan;
- Audit charter; 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 requires attention;
- The compliance framework requires improvement and there should be more focus on the application thereof, especially in terms of PFMA requirements;
- The internal accounting controls are not adequate to ensure that the financial records could be relied upon for preparing the financial statements, and that accountability for assets and liabilities is maintained;
- The internal audit unit was not fully functional during the year under review and corrective steps should be taken to address issues that led to this limited functionality;
- The audit charter was adhered to;
- The information contained in the Annual Report is reliable and does not contradict the information in the annual financial statements.

The committee is concerned that the SETA has received a qualified audit opinion albeit on comparative figures, management should ensure that these issues are addressed to ensure that these do not re-occur



RECOMMENDATION:

The committee has evaluated the Annual Financial Statements of the merSETA for the year ended 31 March 2024 and, based on the information provided to it, considers that, except for the matters qualified, they comply, in all material respects, with the requirements of the PFMA and GRAP. The committee concurs that the adoption of the going-concern premise in the preparation of the Annual Financial Statements is appropriate. The committee has therefore recommended the adoption of the financial statements by the Accounting Authority.

The committee concurs and accepts the Auditor-General's opinion regarding the Annual Financial Statements and proposes that the audited financial statements be accepted and read together with the report from the Auditor-General. The merSETA has received a qualified Audit Opinion for the 2023/24 financial year which is a regression from the previous year.

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The merSETA underwent a verification audit in the year under review and achieved a B-BBEE level 8 contributor status. The merSETA interprets and applies preferential procurement directly from the Preferential Procurement Policy Framework Act No 5 of 2000 and took into account the amended Preferential Procurement Regulations which took effect in the year under review.

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificates Levels 1–8)		
Criteria	Response Y/N	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Y	All bidding documentation has evaluation criteria stipulated. This sets out the criteria for all evaluations commencing from initiation up until award.
Developing and implementing a preferential procurement policy?	Y	The merSETA has developed and implemented a Preferential Procurement Policy.
Determining qualification criteria for the sale of state-owned enterprises?	N	This is not applicable to the merSETA
Developing criteria for entering into partnerships with the private sector?	Y	The merSETA has in place an approved Granting Funding and Criteria policy that guides and informs entering into partnerships with the private sector.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment?	Y	The merSETA has in place an approved Granting Funding and Criteria policy that guides and informs the awarding of Grants in support of Broad-Based Black Economic Empowerment.



PART D

HUMAN RESOURCE MANAGEMENT



HUMAN RESOURCE MANAGEMENT

HR STRATEGY

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

The fiscal year 2023/2024 ushered in significant changes and a revitalised sense of community within the merSETA. Our Human Resources department remains steadfast in its commitment to inclusive excellence, fostering a safe and welcoming work environment conducive to optimal staff performance.

Over the past year, Human Resources Services has diligently worked towards concluding the final phases of Project Transformer, initially launched in 2022/2023 and extended into 2024, as part of our organisational transformation journey. Our focus remains on delivering continual enhancements, particularly through the modernisation and refinement of our HR processes.

EMPLOYEE EMPOWERMENT

In alignment with our commitment to advancing employment equity, inclusive excellence, fundamental human rights and equity, diversity, and inclusion principles, Human Resources provides a range of training initiatives. These include Disability Awareness Training, Employment Equity Training and our Anti-Sexual Harassment campaign, aimed at equipping our workforce with the necessary tools and resources for equitable recruitment, hiring and accommodation processes.

ORGANISATIONAL DEVELOPMENT

Our pursuit of a high-performance culture, supported by a well-resourced and capacitated structure, is encapsulated in our Organisational Development efforts. Through extensive consultation with staff, our Organisational Re-Design (Transformation) initiative, branded as Project TransforMER, was conceived. This project aims to realign the merSETA's organisational structure, mandate, strategy and processes towards the realisation of a professional and capable institution founded on ethical leadership, best practices, governance and management, as well as appropriate competencies across staff, governance, structures, implementing partners and stakeholders.

PROJECT TRANSFORMER WAS EXECUTED ACROSS SEVERAL PHASES:

Phase 1: Identification of challenges, opportunities, understanding of merSETA's operational drivers and current performance, and determination of design principles and alternative solutions;

Phase 2: Assessment of capabilities, behaviours, and the operational model, encompassing organisational and human resources aspects;

Phase 3: Designing the future organisation;

Phase 4: Implementation planning; and

Phase 5: Development and ongoing impact assessment, including the establishment of a data gathering survey to continually evaluate the impact of organisational restructuring and development services internally.

To date, all employees have been successfully transitioned to the new structure, a process involving individual consultations, formal documentation and system updates. Additionally, all job profiles have been reviewed and updated to ensure accuracy, serving as the framework for integrating human capital processes such as recruitment and selection, training, development, performance management, management and employee development, promotion and succession planning.



HUMAN RESOURCE OVERSIGHT STATISTICS

EMPLOYMENT AND VACANCIES

PERSONNEL COSTS BY OCCUPATIONAL LEVEL

Occupational level	Personnel expenditure (permanent staff) R'000s	% of personnel expenditure to total personnel costs	Number of employees (permanent staff)	Average annual cost per employee R'000s
Top management	2 399	1.9	1	2 399
Senior management	6 219	4.9	3	2 073
Professional qualified	31 833	25.4	28	1 136
Skilled	53 976	43	86	627
Semi-skilled	28 772	23	78	368
Unskilled	2 210	1.8	12	184
Total	125 409	100	208	6787

TRAINING COSTS

Personnel expenditure R'000s	Training expenditure R'000s	Training expenditure as % of personnel costs	Number of employees	Average annual training cost per employee
125 409	1 965	1.56	208	9 447

EMPLOYMENT AND VACANCIES

Programme/activity/objective	2023/2024 number of employees	2023/2024 new approved posts	2022/2023 number of employees	2022/2023 new approved posts
Recruitment	208	9	215	2

Occupational level	2022/2023 number of employees	2023/2024 approved posts	2023/24 number of employees	Number of vacancies	%
Top management	1	0	1	0	0
Senior management	3	1	3	1	4
Professional qualified	33	10	28	10	34
Skilled	91	16	86	16	55.2
Semi-skilled	75	2	78	2	6.8
Unskilled	12	0	12	0	0
Total	215	29	208	29	100



HUMAN RESOURCE MANAGEMENT

continued

EMPLOYMENT CHANGES

Occupational level	Employment at beginning of period – 1 April 2023 (permanent staff)	Appointments – 2023/2024	Terminations 2023/2024	Employment at end of the period – 31 March 2024
Top management	1	0	0	1
Senior management	3	0	0	3
Professional qualified	33	4	10	28
Skilled	91	9	9	86
Semi-skilled	75	7	2	78
Unskilled	12	0	0	12
Total	215	20	21	208

REASONS FOR STAFF LEAVING

Reason	Number	% of total number of staff leaving
Death	1	4.8
Resignation	13	61.9
Dismissal	2	9.5
Retirement	4	19
Ill-health	1	4.8
Total	21	100

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary action	Number
CCMA	1
Verbal warning	4
Written warning	4
Final written warning	1
Disciplinary hearing – not guilty	0
Disciplinary hearing – pending	5
Dismissal	2
Resignation during hearing	0
Grievance	4
Suspensions	5





EMPLOYMENT EQUITY STATUS

Occupational levels	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	0	1	0	0	0	0	0	0	1
Senior management	0	0	1	0	2	0	0	0	3
Professionally qualified	13	1	0	2	7	4	1	0	28
Skilled technical	32	7	4	4	29	7	1	2	86
Semi-skilled	28	1	0	0	44	2	0	3	78
Unskilled	1	0	0	0	9	2	0	0	12
Total permanent	74	10	5	6	91	15	2	5	208
Total temporary*	30	0	1	0	45	0	1	1	78

* Temporary employees includes 51 interns and 27 temps.





PART E



PFMA COMPLIANCE REPORT



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PFMA COMPLIANCE REPORT

continued

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

During the prior year National Treasury did not condone irregular expenditure in regards to board fees arising from non-compliance with legislation in the appointment of board members in 2020. The Accounting Authority removed this expenditure amounting to R1,369 million. This non-compliance was due to inter-institutional arrangement where the merSETA was not responsible for the non-compliance.

National Treasury did not condone irregular expenditure in regards to non-compliance with SCM prescripts. The Accounting Authority removed this expenditure amounting to R22,215 million (2022/23: R2,684 million).

f) Details of current and previous year irregular expenditure recovered

There was no current and prior year irregular expenditure recovered.

g) Details of current and previous year irregular expenditure written off (irrecoverable)

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

h) Additional disclosure relating to Inter-Institutional Arrangements

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

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

i) Details of non-compliance where an institution is involved in an inter-institutional arrangement (where such institution is responsible for non-compliance)

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

j) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure **Disciplinary steps taken**

During the current year, one verbal warning was issued to a staff member for contravention of SCM prescripts. There were five such verbal warnings issued in the previous year.

The merSETA undertook various training and capacity building sessions to employees who were involved in transactions which were deemed irregular during the year.

2. FRUITLESS AND WASTEFUL EXPENDITURE

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

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

A) RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE

Description	2023/24 R000's	2022/23 R000's
Opening balance	47 456	46 103
Add: Fruitless and wasteful expenditure confirmed	4	1 366
Less: Fruitless and wasteful expenditure written off	–	(13)
Less: Fruitless and wasteful expenditure recoverable	–	–
Closing balance	47 460	47 456

B) RECONCILING NOTES

Description	2023/24 R000's	2022/23 R000's
Fruitless and wasteful expenditure that was under assessment in 2023/24	–	–
Fruitless and wasteful expenditure that relates to 2022/23 and identified in 2023/24	–	–
Fruitless and wasteful expenditure for the current year	4	1 366
Total	4	1 366



PFMA COMPLIANCE REPORT

continued

C) DETAILS OF CURRENT AND PREVIOUS YEARS FRUITLESS AND WASTEFUL EXPENDITURES (UNDER ASSESSMENT, DETERMINATION, AND INVESTIGATION)

Description	2023/24 R000s	2022/23 R000's
Fruitless and wasteful expenditure under assessment	–	–
Fruitless and wasteful expenditure under determination	–	–
Fruitless and wasteful expenditure under investigation**	1 457	22 292
Total	1 457	22 292

** In the prior year an investigation was launched into one of merSETA's contractual agreements that led to the suspension of the agreement in the year under review.

** There is an investigation underway into property and equipment that could not be accounted for during the asset count. The carrying value of this property, plant and equipment amounted to R1.457 million.

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

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

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

Description	2023/24 R000s	2022/23 R000's
Interest on late payment of supplier invoices	–	13
Interest charged by a service provider due to late payment of an account	4	–
Total	13	13



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

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

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

Description	2023/24 R000s	2022/23 R000's
Total	–	–

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

1. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated value R'000
Valid invoices received from 1 April 2023 to 31 March 2024	3 977	162 860
Invoices paid within 30 days or the agreed period	3 638	151 356
Invoices paid after 30 days or the agreed period	339	11 504
Invoices older than 30 days or the agreed period (unpaid and without dispute)	–	–
Invoices older than 30 days or the agreed period (unpaid and in dispute)	–	–

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

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



4. SUPPLY CHAIN MANAGEMENT

4.1 PROCUREMENT BY OTHER MEANS

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Profiling the merSETA through a Promotional Campaign by the Rand Show	Yired (Pty) Ltd	Deviation	Once off payment	171
Render Urgent personal Security Services	Sirius Risk Management Company	Deviation	Term contract	650
Study Material	Van Schaik Bookstore	Deviation	Once off payment	3
Manage Engine Endpoint Central UEM Edition	ITR Technology	Deviation	Once off payment	262
Renewal Manage Engine OPManger Professional License	ITR Technology	Deviation	Once off payment	78
Manage Engine Services Desk Plus License	ITR Technology	Deviation	Once off payment	165
AIDC and merSETA meeting catering	Sizzling catering and events management	Deviation	Once off payment	5
merSETA Career Bus Advertising Campaign	Capricorn FM	Deviation	Once off payment	390
merSETA Career Bus Advertising Campaign	Makhado FM	Deviation	Once off payment	72
merSETA Career Bus Advertising Campaign	Vhembe FM	Deviation	Once off payment	95
Venue Hire- BEC Meeting – NSDMS (13 July 2023)	Anew Hotel Parktown	Deviation	Once off payment	1
Urgent catering services – KZN	Alitha Business Services	Deviation	Once off payment	10
Urgent appointment of Risk strategic Risk Facilitator	Ziko Business Solution	Deviation	Once off payment	172
Urgent tender advert placement	Basadzi Media and Personnel	Deviation	Once off payment	23
Appointment of ITR Technology	ITR Technology	Deviation	Once off payment	94
SDF Catering	K- Line Foods	Deviation	Once off payment	26
Urgent BEC meeting minute taker	Letitia Kelly ASS	Deviation	Once off payment	5
Manufacturing INDABA conference and exhibition	Manufacturing INDABA	Deviation	Once off payment	248
Procurement of emergency network services	ENMC Trading	Deviation	Once off payment	95
Appointment of a service provider for psychometric assessment – Additional services	Evolva Consulting	Deviation	Once off payment	11
Security Risk Assessment	Alwinco CC	Deviation	Once off payment	112
Urgent BSC meeting minute taker	Letitia Kelly ASS	Deviation	Once off payment	3

PFMA COMPLIANCE REPORT

continued

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Board Member Training	Institute of Directors	Deviation	Once off payment	1
Urgent career bus maintenance and mechanical services	Lindetz Transport and Logistics	Deviation	Once off payment	14
The merSETA participation in the March Edition of Public Sector Leaders Magazine: SoNA 2024	Topco Media	Deviation	Once off payment	259
Urgent venue Hire – ACEO meeting	Radisson Red hotel Rosebank	Deviation	Once off payment	7
Urgent appointment for catering services in WC region	Matena Trading and Projects CC	Deviation	Once off payment	7
Request for payment to Seed of Life GoC for emergency additional services rendered during the Indwe 4IR launch day	Seed of Life Group of companies Pty Ltd	Deviation	Once off payment	43
PSET Cloud project: value for money assessment	Panel: Megashnee Munsamy Michael Stuart Shafika Isaacs Merryl Ford Andre Hugh Kraak Arnesh Telukdarie	Expression of interest	8-week contracts	1 000
Total				4 022

4.2 CONTRACT VARIATIONS AND EXPANSIONS

Project description	Name of supplier	Contract modification type (expansion or variation)	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s (if applicable) R'000	Value of current contract expansion or variation R'000
Internal Audit Service	Shumba	Variation	n/a	1 477	384	672
Mpumalanga regional office lease	De Bruyn Commercial Property	Variation	n/a	1 449	4 400	1 100
Shuttle services	Hlophe Shuttle Services	Variation	n/a	900	–	50
Rental of 15 laptops	Govtek	Variation	n/a	163	–	112
Annual Report	Litha Communications	Variation	n/a	868	–	27
Rental of 26X26 laptops	Govtek	Variation	n/a	288	–	84
				4 784		2 045





PART F



FINANCIAL INFORMATION



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The audited Annual Financial Statements for the year ended 31 March 2024, set out on pages 72 to 112, 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 23 October 2024, and are signed on their behalf by:



K Moloto
(Chairperson)



N Mokgotsane
(Acting Chief Executive Officer)



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

QUALIFIED OPINION

1. I have audited the financial statements of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) set out on pages 72 to 112, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including material accounting policy information.
2. In my opinion, except for the effects of the matter described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of merSETA as at 31 March 2024, and financial performance and cash flows for the year then ended in accordance with the 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 QUALIFIED OPINION

GRANTS AND TRANSFERS PAYABLE

3. The public entity did not recognise all amounts meeting the definition of expenditure and accruals in the prior year in accordance with GRAP, 19 *provisions, contingent liabilities and contingent assets*. Also, included in these comparatives figures are restatements made at incorrect amounts. I could not determine the full extent of the misstatement on prior year grants payable – discretionary stated at R396 711 000 in note 15, as it was impractical to do so.
4. There is a consequential impact on the following corresponding line items in the financial statements:
 - Discretionary projects direct costs stated at R1 073 974 000 in note 6 to the financial statements.
 - Discretionary reserve commitments-contractual stated at R4 323 072 000 in note 20.1 to the financial statements.
 - Prior year adjustment relating to understatement of discretionary grant accruals stated at R250 315 000 in note 5 to the financial statements

CONTEXT FOR OPINION

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
6. 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.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

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

EMPHASIS OF MATTERS

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

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 70, forms part of our auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
13. I selected the following programmes presented in the annual performance report for the year ended 31 March 2024 for auditing. I selected programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme 2: Skills planning	25 to 26	Establishing an effective mechanism of systems, processes and policies for decision making. The initiatives of this programme are intended to allow for the research of economic, labour market and social drivers, signals and indicators that impact skills development for the sector, particularly pertaining to shortages and gaps related to occupations and skills in demand.
Programme 3: Learning programme and projects	27 to 36	Skills development delivery to the range of learner beneficiaries of the SDA (employed and unemployed learners) as well as the organisational beneficiaries whose role in the main is to partner with the SETA as delivery agents towards ensuring a skilled and capable workforce for the sector.

14. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
15. I performed procedures to test whether:
 - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
 - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON merSETA continued

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated•
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

16. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

17. The material findings on the reported performance information for the selected programmes are as follows:

PROGRAMME 3: LEARNING PROGRAMME AND PROJECTS

• 3.14 Number of unemployed engineering graduates registered for candidacy programmes – Seta funded

18. An achievement of 9 was reported against a target of 21. However, the audit evidence showed the actual achievement to be only 0. Consequently, the achievement against the target was lower than reported.

OTHER MATTERS

19. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

20. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievement. This information should be considered in the context of the material findings on the reported performance information.

21. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 24 to 39.

Targets achieved: 54%
Budget spent: 71%

MATERIAL MISSTATEMENTS

merSETA Annual Report 2023/2024

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON merSETA continued

REPORT ON COMPLIANCE WITH LEGISLATION

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

ANNUAL FINANCIAL STATEMENTS

30. 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.
31. Material misstatements of contingent liabilities and discretionary projects expenses identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.

EXPENDITURE MANAGEMENT

32. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 24 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 payments made above the contract value.

OTHER INFORMATION IN THE ANNUAL REPORT

33. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
34. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
35. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
36. 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

37. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
38. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on compliance with legislation included in this report.
39. The public entity did not prepare accurate, complete financial statements and performance reporting that were supported and evidenced by reliable information. This is evidenced by material misstatements identified on financial statement and reported findings on performance reporting.
40. Management did not adequately carry out the monthly processes for monitoring, reviewing, and reconciling financial and performance information across different units. This lack of proper implementation led to financial statements and performance report that contained material misstatements.
41. Oversight of responsibility regarding financial reporting and compliance was not adequately exercised, as the controls in place did not prevent or detect internal control deficiencies, resulting in material misstatements and non-compliance with applicable legislation.

Auditor General

23 October 2024

Pretoria



AUDITOR-GENERAL
SOUTH AFRICA



ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

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

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

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

FINANCIAL STATEMENTS

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

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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

COMPLIANCE WITH LEGISLATION – SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(a); 16A6.3(b); Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii); Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2; 16A9.2(a)(ii); 30.1.1; 30.1.3(a); Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; Regulation 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); Regulation 32.1.1(c); 33.1.1; 33.1.3
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury instruction No 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Instruction No. 1 of 2021/22	Paragraph 4.1
National Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2; Paragraph 7.6
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1 (b)
Practice Note 5 of 2009/10	Paragraph 3.3
Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; Regulation 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Grants Regulations	GNR. 990 2(1) GNR. 990 3(3) & (4) GNR. 990 4(3), (8) GNR. 990 6(9)(iii)



STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2024

		2024				2023	
	Note	Actual R'000	Budget R'000	Variance R'000	Actual restated R'000	Variance R'000	Budget R'000
REVENUE							
Non-exchange revenue							
Skills development levy income	2	1 722 788	1 732 608	(9 820)	1 589 547	1 560 434	29 113
Skills development levy penalties and interest	3	21 418	20 681	737	15 098	15 888	(790)
Total non-exchange revenue		1 744 206	1 753 289	(9 083)	1 604 645	1 576 322	28 323
Exchange revenue							
Interest income	4	444 405	456 800	(12 395)	287 538	263 290	24 248
Other income		–	–	–	–	6	(6)
Total exchange revenue		444 405	456 800	(12 395)	287 538	263 296	24 242
Total revenue		2 188 611	2 210 089	(21 478)	1 892 183	1 839 618	52 565
EXPENSES							
Employer grant and project expenses	6	(1 492 851)	(1 990 777)	497 926	(1 418 479)	(1 656 274)	237 795
Administration expenses	7	(224 836)	(219 312)	(5 524)	(189 631)	(183 344)	(6 287)
Total expenses		(1 717 687)	(2 210 089)	492 402	(1 608 110)	(1 839 618)	231 508
Net surplus for the year	1	470 924	–	470 924	284 073	–	284 073



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

		2024			Actual restated R'000	2023	
	Note	Actual R'000	Budget R'000	Variance R'000		Budget	Variance
ASSETS							
Current assets							
Cash and cash equivalents	8	5 702 539	5 361 816	340 723	5 310 896	4 805 861	505 035
Receivables from exchange transactions	9	5 745	7 000	(1 255)	7 481	10 362	(2 881)
Receivables from non-exchange transactions	10	11 487	16 000	(4 513)	16 480	17 300	(820)
Consumables	11	257	430	(173)	319	400	(81)
		5 720 028	5 385 246	334 782	5 335 176	4 833 923	501 253
Non-current assets							
Property and equipment	12	8 290	14 835	(6 545)	9 674	12 234	(2 560)
Intangible assets	13	1 399	1 576	(177)	1 456	2 021	(565)
		9 689	16 411	(6 722)	11 130	14 255	(3 125)
Total assets		5 729 717	5 401 657	328 060	5 346 306	4 848 178	498 128
LIABILITIES							
Current liabilities							
Payables from exchange transactions	14	17 422	10 600	6 822	9 603	10 000	(397)
Grants and transfers payable	15	374 419	336 022	38 397	471 237	250 025	221 212
Other payables	16	1 194	1 400	(206)	1 234	1 300	(66)
Provisions	17	38 532	45 330	(6 798)	37 006	43 700	(6 694)
		431 567	393 352	38 215	519 080	305 025	214 055
Net assets		5 298 150	5 008 305	289 845	4 827 226	4 543 153	284 073
Administration reserve		9 689	16 411	(6 722)	(4 882)	14 255	(19 137)
Employer grant reserve		531	585	(54)	532	780	(248)
Discretionary reserve		5 287 930	4 991 309	296 621	4 831 576	4 528 118	303 458
Total net assets		5 298 150	5 008 305	289 845	4 827 226	4 543 153	284 073



STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2024

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 2022	11 851	709	4 530 593	–	4 543 153
Net surplus for the year per statement of financial performance	–	–	–	284 073	284 073
Allocation of unappropriated surplus for the year	1 19 004	127 697	137 372	(284 073)	–
As previously stated	35 016	127 697	373 411	(536 124)	–
Restatement due to prior year adjustment	(16 012)	–	(236 039)	252 051	–
Excess reserves transferred to discretionary reserve	(35 737)	(127 874)	163 611	–	–
Balance at 31 March 2023 restated	(4 882)	532	4 831 576	–	4 827 226
Net surplus for the year per statement of financial performance	–	–	–	470 924	470 924
Allocation of unappropriated surplus for the year	1 1 276	121 188	348 460	(470 924)	–
Excess reserves transferred to discretionary reserve	13 295	(121 189)	107 894	–	–
Balance at 31 March 2024	9 689*	531**	5 287 930	–	5 298 150

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

** The amount retained in the employer grant reserve is a mandatory grant provision for newly registered companies participating after the legislative cut-off date. This is noted under contingencies in note 19.1.2.



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2024

		2024			Actual restated R'000	2023	
	Note	Actual R'000	Budget R'000	Variance R'000		Budget	Variance
CASH FLOWS FROM OPERATING ACTIVITIES							
Operating activities							
Cash receipts from stakeholders and others		1 751 362	1 758 340	(6 978)	1 598 210	1 578 189	20 021
Levies, interest and penalties received		1 751 362	1 758 340	(6 978)	1 598 210	1 578 183	20 027
Other income		–	–	–	–	6	(6)
Cash paid for grants and projects		(1 592 373)	(1 944 307)	351 934	(1 264 846)	(1 723 078)	458 232
Employment costs		(49 797)	(71 290)	21 493	(48 617)	(63 318)	14 701
Mandatory grants		(319 214)	(347 909)	28 695	(280 436)	(294 504)	14 068
Discretionary grant and projects		(1 223 362)	(1 525 108)	301 746	(935 793)	(1 365 256)	429 463
Cash paid for administration		(208 791)	(211 259)	2 468	(180 683)	(175 173)	(5 510)
Employment costs		(115 445)	(117 332)	1 887	(106 042)	(103 202)	(2 840)
Payments to suppliers		(93 346)	(93 927)	581	(74 641)	(71 971)	(2 670)
Cash generated from (utilised in) operations	18	(49 802)	(397 226)	347 424	152 681	(320 062)	472 743
Interest received		446 141	459 284	(13 143)	326 033	298 983	27 050
Net cash inflow from operating activities		396 339	62 058	334 281	478 714	(21 079)	499 793
CASH FLOW FROM INVESTING ACTIVITIES							
Purchase of property and equipment	12	(2 907)	(8 918)	6 011	(1 654)	(5 379)	3 725
Purchase of intangible assets	13	(1 919)	(2 220)	301	(2 246)	(3 763)	1 517
Proceeds from disposal of property and equipment		130	–	130	–	–	–
Net cash outflow from investing activities		(4 696)	(11 138)	6 442	(3 900)	(9 142)	5 242
Net increase in cash and cash equivalents		391 643	50 920	340 723	474 814	(30 221)	505 035
Cash and cash equivalents at beginning of year		5 310 896	5 310 896	–	4 836 082	4 836 082	–
Cash and cash equivalents at end of year	8	5 702 539	5 361 816	340 723	5 310 896	4 805 861	505 035



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2024

The budget is done on the accrual basis and is for the period 1 April 2023 to 31 March 2024

	Original budget R'000	Revisions R'000	Final approved budget R'000	Actual R'000	Variance R'000
REVENUE					
Skills development levy income	1 654 060	78 548	1 732 608	1 722 788	(9 820)
Skills development penalties and interest	16 841	3 840	20 681	21 418	737
Total non-exchange revenue	1 670 901	82 388	1 753 289	1 744 206	(9 083)
Interest income	289 620	167 180	456 800	444 405	(12 395)
Other income	8	(8)	–	–	–
Total exchange revenue	289 628	167 172	456 800	444 405	(12 395)
Total revenue	1 960 529	249 560	2 210 089	2 188 611	(21,478)
EXPENSES					
Employer grant and project expenses	(1 558 070)	(432 707)	(1 990 777)	(1 492 851)	497 926
Administration expenses	(209 684)	(9 628)	(219 312)	(224 836)	(5 524)
Total expenses	(1 767 754)	(442 335)	(2 210 089)	(1 717 687)	492 402
Net surplus for the year	192 775	(192 775)	–	470 924	470 924

REVISIONS TO THE ORIGINAL BUDGET

Skills development levy income was increased by R78.5 million. The original budget made provision for a 6% increase, but actual levy income showed a 8% increase over the previous year. The budget was then revised accordingly.

Skills development penalties and interest income was increased by R3.8 million to be more in line with actual increases in the current year.

Interest income, which represents interest earned on cash and cash equivalents was increased by R167.2 million. Interest rates rose due to continued increases in the REPO rate during the year.

Employer grant and project expenses were increased by R432.7 million in order to utilise the available surpluses in the current financial year.

Administration expenses were increased by R9.6 million to cover increasing legal costs incurred during the year.

COMPARISON OF BUDGET VERSUS ACTUAL

Levy income is 1% below budget and shows an increase of 8% over the previous year. The increase in levies was consistent throughout the year due to slight improvements in the sector.

Interest received from cash and cash equivalents is 3% below budget but shows an increase of 55% over the previous year. This is due to rising interest rates and increasing cash reserves. The increasing cash reserves are as a result of lower than expected project expenditure, as projects are not performing as expected.

Disbursements of employer grants and projects is 25% below budget. This variance is largely attributable to discretionary projects as mandatory grants only showed a 2% variance from budget. The mandatory grants claim ratio for 2024 is 73%. The lower than budgeted expenditure on discretionary projects is partly due to cancellation of contracts or reductions of commitments during the year amounting to R590 million. Approval of applications for DG year 2024 was delayed due to a number of issues, including new processes that have been introduced to improve the control environment. The result is that much of the expenditure relating to these contracts will only be incurred in the 2024/25 financial year and beyond. Only 45% of the R270 million budgeted for 2023/24 MOA contracts was spent in the year under review. There is a need for better and more timely planning to anticipate challenges and measures have already been put in place to address this in the 2024/25 financial year.

Administration expenses are 3% over budget. This is mainly due to the reclassification of some expenditure from discretionary grant to administration. There was also an adjustment done for the prior year as outlined in note 5.

The surplus for the year is R471 million against a budgeted surplus of nil. The main contributor was the lower than budgeted disbursement of grant and project expenses.



ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2024

1. BASIS OF PREPARATION

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

The principal accounting policies adopted in the preparation of these financial statements are set out below and are, in all material respects, consistent with those of the previous year, except as otherwise indicated.

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

2. CURRENCY

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

3. REVENUE RECOGNITION

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

3.1 SKILLS DEVELOPMENT LEVY INCOME

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

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

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

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

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

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

3.2 SKILLS DEVELOPMENT PENALTIES AND INTEREST

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

3.3 INTEREST INCOME

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



ACCOUNTING POLICIES continued

4. EMPLOYER GRANT AND PROJECT EXPENSES

4.1 MANDATORY GRANTS

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

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

4.2 DISCRETIONARY PROJECT EXPENSES

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

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

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

4.4 ADMINISTRATION EXPENSES

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

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

5. FINANCIAL INSTRUMENTS

Recognition

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

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

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

5.1 FINANCIAL ASSETS

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, call accounts and deposits held by merSETA with the South African Reserve Bank (Corporation for Public Deposits). Cash and cash equivalents are initially measured at fair value. The subsequent measurement is at amortised cost with interest calculated by using the effective interest rate method.

Receivables from exchange transactions

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

Derecognition of financial assets

A financial asset or a portion thereof is derecognised when:

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

5.2 FINANCIAL LIABILITIES

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

Payables from exchange transactions

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

Derecognition of financial liabilities

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

Offsetting

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



ACCOUNTING POLICIES continued

6. RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

6.1 EMPLOYER RECEIVABLES

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

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

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

6.2 INTER-SETA TRANSFERS – RECEIVABLES /PAYABLES

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

Inter-SETA receivables

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

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

Inter-SETA payables

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

- SARS has affected the transfer and DHET portal confirming the transfer
- Submission of claim to merSETA by new SETA
- merSETA has not yet made payment but confirms obligation to transfer to the new SETA.
- merSETA has approved a WSP for 2023/24 and sent confirmations to the new SETA"

7. CONSUMABLES

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

8. PROPERTY AND EQUIPMENT

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

Asset class	Depreciation period current year	Depreciation period prior year
– Computer equipment	3 – 8 years	3 – 8 years
– Office furniture and fittings	5 – 14 years	5 – 14 years
– Office equipment	5 – 10 years	5 – 10 years
– Motor vehicles	4 – 10 years	4 – 10 years
– Other assets	2 – 5 years	2 – 5 years

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

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

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

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

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

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

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

9. INTANGIBLE ASSETS

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

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

Asset class	Amortisation period
Computer software	1 – 3 years

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

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

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



ACCOUNTING POLICIES continued

10. OTHER PAYABLES

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

11. PROVISIONS

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

11.1 PROVISION FOR SARS REFUNDS

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

11.2 PROVISION FOR MANDATORY GRANTS

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

11.3 PROVISION FOR EMPLOYEE RELATED ENTITLEMENTS

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

Leave pay

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

Performance bonuses

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

12. RESERVES

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

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

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

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



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

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

Administration reserve

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

Mandatory grant reserve

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

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

Discretionary grant reserve

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

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

13. LEASING

Operating leases

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

14. RETIREMENT BENEFIT COSTS

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

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

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

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

ACCOUNTING POLICIES continued

15. CONTINGENCIES

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

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.

16. 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.

17. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

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

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

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

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

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

	Total per statement of financial performance R'000	Administration reserve R'000	Employer grants reserve R'000	Discretionary grants R'000
Year ended 31 March 2024				
Total revenue	2 188 611	226 112	430 713	1 531 786
Skills development levy income				
Admin levy income (10.5%)	226 112	226 112	–	–
Grant levy income (69.5%)	1 496 676	–	430 713	1065 963
Skills development levy: penalties and interest	21 418	–	–	21 418
Investment income	444 405	–	–	444 405
Total expenses	1 717 687	224 836	309 525	1 183 326
Employer grants and project expenses	1 492 851	–	309 525	1183 326
Administration expenses	224 836	224 836	–	–
Net surplus per the statement of financial performance allocated	470 924	1 276	121 188	348 460
Year ended 31 March 2023				
Total revenue	1 892 183	208 635	397 197	1 286 351
Skills development levy income				
Admin levy income (10.5%)	208 635	208 635	–	–
Grant levy income (69.5%)	1 380 912	–	397 197	983 715
Skills development levy penalties and interest	15 098	–	–	15 098
Investment income	287 538	–	–	287 538
Total expenses	1 608 110	189 631	269 500	1 148 979
Employer grants and project expenses	1 418 479	–	269 500	1 148 979
Administration expenses	189 631	189 631	–	–
Net surplus per the statement of financial performance allocated	284 073	19 004	127 697	137 372
			2024 R'000	2023 Restated R'000

2. SKILLS DEVELOPMENT LEVY INCOME

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

Levy income: Administration	226 112	208 635
Levies received from SARS	226 146	207 766
InterSETA transfers	(18)	894
Admin Provision for refund SARS	(16)	(25)
Levy income: Employer Grants	430 713	397 197
Levies received from SARS	430 746	395 558
InterSETA transfers	(3)	1 687
Provision for refund SARS	(30)	(48)
Levy income: Discretionary Grants	1 065 963	983 715
Levies received from SARS	1 066 123	979 620
InterSETA transfers	(86)	4 215
Provision for refund SARS	(74)	(120)
	1 722 788	1 589 547



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

	2024 R'000	2023 Restated R'000
3. SKILLS DEVELOPMENT LEVY PENALTIES AND INTEREST		
Penalties	10 194	8 836
Interest	11 224	6 262
	21 418	15 098

4. INTEREST INCOME		
Interest income from cash and cash equivalents	444 405	287 538

5. PRIOR YEAR ADJUSTMENTS

Understatement of discretionary grant accruals

In the 2023 financial year merSETA received a qualified audit opinion relating to the understatement of discretionary grant accruals and related expenditure. The prior year figures have been adjusted to reflect the corrected accruals and expenditure.

The effect on the prior year is shown below:

	2023 Restated R'000
Increase in discretionary grant expenditure	250 315
Increase in discretionary grant accruals	250 315

These adjustments also impacted the commitment register reducing the closing balance of the prior year by R250.3 million. There were other prior year adjustments on the commitment register that did not effect the statement of financial performance or statement of financial position. This was mainly due to entries recorded in the commitments register in the incorrect period. This amounted to R1.7 million. The total prior year adjustment on the commitment register is R252 million (see note 20.1)

Incorrect classification of expenses

In the prior year certain expense items were incorrectly classified as direct project costs instead of administration expenses or project administration expenses

The effect on the prior year is shown below:

	2023 Restated R'000
Increase in administration expenditure	16 012
Increase in project administration expenditure	2 631
Decrease in direct project expenditure	(18 643)

Overstatement of interest income

During the prior year audit, a confirmation provided to the auditors on one of the bank accounts differed from the amount retrieved from the on-line banking system. The interest has been adjusted to the amount on the confirmation sent to the auditors.

Decrease in interest received	(1 736)
Decrease in interest receivable	(1 736)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

	Note	2024 R'000	2023 Restated R'000
6. EMPLOYER GRANT AND PROJECT EXPENSES			
Mandatory grants		309 525	269 500
Mandatory grants		309 565	272 336
Bad debts written off- mandatory		100	44
Movement in allowance for doubtful debts – mandatory		(140)	(2 880)
Discretionary projects		1 183 326	1 148 979
Discretionary projects direct costs	20.1	1 094 020	1 073 974
Discretionary projects administration costs – indirect	7	70 661	71 721
Discretionary projects administration costs – direct		4 472	2 631
Bad debts written off – discretionary		665	3 242
Movement in allowance for doubtful debts – discretionary		13 276	(623)
Other discretionary project costs		232	(1 966)
		1 492 851	1 418 479
7. ADMINISTRATION EXPENSES			
Advertising, marketing and promotions, communication		7 120	3 108
Amortisation – intangible assets		1 977	1 828
Audit costs – internal audit		248	716
Audit costs – external audit		7 808	5 856
Audit costs – other audits		55	50
Bad debts		–	–
Bank charges		439	467
Accounting Authority and sub-committee costs		7 649	5 759
Remuneration to members of the audit committee		1 129	863
Accounting Authority and sub-committee members' fees		5 163	3 763
Stakeholder training		182	337
Board assessments		235	29
Secretarial services		940	767
Cleaning and groceries		753	435
Depreciation		2 141	2 187
Depreciation – adjustment due to change in useful lives of assets	12	(19)	(229)
Employment costs		172 742	158 231
Recruitment costs		385	238
Salaries, wages and benefits	7.1	167 270	155 004
Staff training, development and welfare		5 087	2 989
Derecognition of property and equipment		1 457	–
Insurance and licence fees		1 950	1 686
Investigations and forensic costs		466	3 011
Legal fees		15 962	2 922
Loss on disposal of property and equipment	18	208	473
Operating lease rentals		15 239	15 088
Rental Buildings		13 302	13 119
Rental Parking		1 937	1 969



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

	Note	2024 R'000	2023 Restated R'000
Printing, stationery and postages		549	1 835
QCTO administration cost		10 561	9 191
Rates, water and electricity		3 877	3 028
Rental – computer equipment		836	204
Rental – office equipment		–	28
Repairs, maintenance and running costs		1 931	9 798
R&M Buildings		1 383	8 971
R&M COVID 19 expenditure		–	257
R&M Property and equipment		548	570
Security		3 281	493
Service provider administration fees		6 369	8 883
Special functions		664	1 386
Storage		201	363
Telecommunication expenses		16 253	13 892
Travel, conferences and meeting expenses		14 780	10 663
		295 497	261 352
Less: amounts allocated to project expenses	6	(70 661)	(71 721)
Net administration cost		224 836	189 631
7.1 SALARIES AND WAGES		148 207	136 228
Basic salaries		125 409	118 921
Performance awards		8 482	8 107
Arbitration award		–	–
Other non-pensionable allowance		2 718	3 043
Temporary staff		8 432	4 088
Leave pay		3 166	2 069
Social contributions		19 063	18 776
Medical aid contributions		4 661	4 617
Pension contributions: defined contribution fund		12 033	12 029
UIF		563	532
Insurance COIDA		321	219
Other salary related costs		1 485	1 379
		167 270	155 004
NUMBER OF EMPLOYEES			
Average number of employees during the year		293	264
Permanent staff		235	230
Interns		58	34
Number of employees at the end of the year		286	290
Permanent staff		235	235
Interns		51	55
The defined contribution fund is administered by Momentum. It is a sub-fund under the Funds at Work umbrella fund. The expense recognised in the statement of financial performance equates to the contributions due for the year.			



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

	Note	2024 R'000	2023 Restated R'000
8 CASH AND CASH EQUIVALENTS			
Cash on hand		30	30
Cash at bank		301 494	221 925
Call accounts		2 529 813	2 442 410
Corporation for Public Deposits		2 871 202	2 646 531
		5 702 539	5 310 896

Cash and cash equivalents at the end of the reporting period comprise of bank balances and call deposits held by the organisation at various banks as required in National Treasury Regulation 31.2.1. The weighted average interest rate for cash and cash equivalents was 8.14% (2023: 6.04%).

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

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

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

9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits		1 783	1 783
Interest receivable		3 962	5 698
		5 745	7 481

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Employer receivable – discretionary grants	10.1	11 044	5 731
Employer receivable – mandatory grants	10.2	426	1 171
Receivable – discretionary projects (UIF)	10.3	–	2 581
InterSETA receivable	22.2	17	6 997
		11 487	16 480

10.1 EMPLOYER RECEIVABLE – DISCRETIONARY GRANTS

Employer receivable – discretionary grants	10.1.1	43 892	25 303
Allowance for doubtful debts			
Allowance for doubtful debts – MOA	10.1.2	(32 848)	(19 572)
Net receivable from employers	10	11 044	5 731

The employer receivable of R43,9 million (March 2023: R25,3 million) represents recoverable amounts due to MOA contracts with employers where tranches were paid but training was not implemented according to the original contract.

An amount of R32,8 million (March 2023: R19,6 million) was provided against such employer receivables.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

10.1.1 AGEING OF RECEIVABLES:

	2024		2023	
	Gross	Impairment	Gross	Impairment
Current	183	(128)	505	(343)
30 Days	1 435	(1 005)	186	(126)
60 Days	89	(63)	4 851	(3 299)
90 Days	24 697	(17 288)	630	(428)
91 Days to 6 Months	505	(354)	3 240	(2 203)
6 Months – 1 year	215	(150)	614	(418)
1 Year plus	16 768	(13 860)	15 277	(12 755)
Total	43 892	(32 848)	25 303	(19 572)

10.1.2 ALLOWANCE FOR DOUBTFUL DEBTS:

	Note	2024 R'000	2023 Restated R'000
Opening carrying amount		(19 572)	(18 392)
Amount utilised		665	1 791
Reduction/(addition) to provision during the period		(13 941)	(2 971)
Closing carrying amount	10.1	(32 848)	(19 572)

10.2 EMPLOYER RECEIVABLE – MANDATORY GRANTS

Employer receivable – mandatory grants recoveries	1 367	2 252
Allowance for doubtful debts	(941)	(1 081)
Net receivable from employers	426	1 171

The employer receivable of R1.4 million (March 2023: R2.3 million) represents recoverable amounts due to SARS retrospective adjustments to levies on which mandatory grants have already been paid.

An amount of R941 thousand (March 2023: R1.1 million) was provided against such employer receivables.

10.2.1 AGEING OF RECEIVABLES:

	2024		2023	
	Gross	Impairment	Gross	Impairment
Current	175	(95)	267	(88)
30 Days	21	(11)	7	(2)
60 Days	2	(1)	–	–
90 Days	26	(14)	–	–
91 Days to 6 Months	14	(7)	77	(25)
6 Months – 1 year	17	(9)	–	–
1 Year plus	1 112	(804)	1 901	(966)
Total	1 367	(941)	2 252	(1 081)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS continued

10.2 EMPLOYER RECEIVABLE – MANDATORY GRANTS continued

		31 March 2024 R'000	31 March 2023 R'000
10.2.2 ALLOWANCE FOR DOUBTFUL DEBTS:			
Opening carrying amount		(1 081)	(3 962)
Amount utilised		100	44
Reduction/(addition) to provision during the period		40	2 837
Closing carrying amount	10.2	(941)	(1 081)

10.3 RECEIVABLE – UIF

Receivable – discretionary projects (UIF)	10.3.1	6 823	9 404
Allowance for doubtful debts	10.3.2	(6 823)	(6 823)
Net receivable from UIF	10	–	2 581

The receivable of R6,8 million (March 2023: R9,4 million) represents recoverable amounts from the UIF for the training layoff project. This debt has been outstanding for more than two years.

An amount of R6,8 million (March 2023: R6,8 million) was provided against the receivable from the UIF.

10.3.1 ALLOWANCE FOR DOUBTFUL DEBTS:

Opening carrying amount		(6 823)	(8 627)
Amount utilised		–	1 450
Reduction/(addition) to provision during the period		–	354
Closing carrying amount	10.3	(6 823)	(6 823)

11. CONSUMABLES

Opening carrying value		319	367
Consumables purchased		865	568
Consumables issued		(967)	(589)
Adjustments		40	(27)
Closing carrying value		257	319

12. PROPERTY AND EQUIPMENT

	Cost R'000	Accumulated depreciation/ derecognition R'000	Closing carrying amount R'000
Year ended 31 March 2024			
Owned assets			
Computer equipment	13 472	(9 295)	4 177
Office furniture and fittings	6 574	(4 711)	1 863
Office equipment	3 706	(2 162)	1 544
Motor vehicles	4 794	(4 088)	706
Total owned assets	28 546	(20 256)	8 290
Year ended 31 March 2023			
Owned assets			
Computer equipment	11 588	(6 685)	4 903
Office furniture and fittings	7 690	(5 438)	2 252
Office equipment	3 235	(1 798)	1 437
Motor vehicles	4 794	(3 712)	1 082
Balance at end of year	27 307	(17 633)	9 674



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

	Opening carrying amount R'000	Additions R'000	Carrying amount of disposals R'000	Depreciation charge R'000	Reclassification of assets R'000	Carrying amount of de-recognised assets R'000	Closing carrying amount R'000
Movement summary 2024							
Owned assets							
Computer equipment	4 903	2 098	(73)	(1 420)	–	(1 331)	4 177
Office furniture and fittings	2 252	99	(168)	(285)	–	(35)	1 863
Office equipment	1 437	710	(97)	(415)	–	(91)	1 544
Motor vehicles	1 082	–	–	(376)	–	–	706
Total owned assets	9 674	2 907	(338)	(2 496)	–	(1 457)	8 290
Movement summary 2023							
Owned assets							
Computer equipment	5 343	1 076	(114)	(1 305)	(97)	–	4 903
Office furniture and fittings	2 573	–	(34)	(287)	–	–	2 252
Office equipment	1 428	578	(325)	(341)	97	–	1 437
Motor vehicles	1 469	–	–	(387)	–	–	1 082
Balance at end of year	10 813	1 654	(473)	(2 320)	–	–	9 674

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

In the current year the assets were tested for impairment. 103 Assets were found to be obsolete, broken or otherwise impaired. The carrying value of the assets amounted to R279 thousand. The Management Committee of merSETA gave approval for these assets to be written off. Laptops with a carrying value of R60 000 were stolen during the year and were also written off. This was recovered from the insurance.

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

In the current year an exercise was undertaken to assess the useful life of assets. The useful life of some of the assets were extended resulting in a reversal of depreciation of R19 thousand (see note 7).

13. INTANGIBLE ASSETS – COMPUTER SOFTWARE

	Cost R'000	Accumulated amortisation R'000	Closing carrying amount R'000
Year ended 31 March 2024			
Intangible assets	2 498	(1 099)	1 399
Year ended 31 March 2023			
Intangible assets	2 592	(1 136)	1 456

	Opening carrying amount R'000	Additions R'000	Carrying amount of disposals R'000	Amortisation charge R'000	Accumulated amortisation on disposals R'000	Closing carrying amount R'000
Movement summary 2024						
Intangible assets	1 456	1 919	(2 014)	(1 976)	2 014	1 399
Movement summary 2023						
Intangible assets	1 038	2 246	(1 610)	(1 828)	1 610	1 456



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

	Note	31 March 2024 R'000	31 March 2023 R'000
14. PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade payables from exchange transactions		17 422	9 603
15. GRANTS AND TRANSFERS PAYABLE			
Grants payable – discretionary		312 191	396 711
Grants payable – mandatory		62 102	71 927
Payable – Training Layoff Scheme (UIF)		–	2 581
InterSETA payables	22.2	126	18
		374 419	471 237
16. OTHER PAYABLES			
Accruals salaries and wages		1 194	1 234
17. PROVISIONS			
Provision for SARS refund	17.1	18 776	18 708
Provision for mandatory grants	17.2	–	609
Provision for leave pay	17.3	10 781	9 148
Provision for Workman's Compensation	17.3	514	196
Provision for performance bonuses	17.3	8 461	8 345
		38 532	37 006
17.1 PROVISION FOR SARS REFUND			
Opening carrying amount		18 708	18 613
Amount utilised		(3 886)	(4 017)
Additional provision during the period		3 954	4 112
Closing carrying amount	17	18 776	18 708
Companies with annual payrolls below R500,000 are exempted from paying skills development levies. SARS will be refunded where levies have been paid by such exempt companies.			
17.2 PROVISION FOR MANDATORY GRANTS			
Opening carrying amount		609	7 130
Amount utilised		(609)	(491)
Provision reversal/additional provision during the period		–	(6 030)
Closing carrying amount	17	–	609
Provision is made for the payment of mandatory grants where the grant has not yet been approved at the end of the financial year but an application has been submitted which could still potentially be approved.			



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

17.3 PAYROLL RELATED PROVISIONS

	Leave pay R'000	Workman's compensation R'000	Performance bonuses R'000
Opening carrying amount 2023	8 310	218	8 839
Amounts utilised 2023	(1 232)	(241)	(8 601)
Additional provision during the period	2 070	219	8 107
Closing carrying amount 2023	9 148	196	8 345
Amounts utilised 2024	(7 325)	(2)	(8 394)
Additional provision during the period	8 958	320	8 510
Closing carrying amount 2024	10 781	514	8 461

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

18. RECONCILIATION OF NET SURPLUS TO CASH UTILISED IN OPERATIONS

	Note	2024 R'000 Actual	2024 R'000 Budget	2023 R'000 Actual restated	2023 R'000 Budget
Net surplus per the statement of financial performance	1	470 924	–	284 073	–
Adjusted for non-cash items:					
Depreciation property and equipment	12	2 496	3 757	2 320	3 958
Amortisation of intangible assets	13	1 976	2 100	1 828	2 780
Derecognition of property and equipment	7, 12	1 457	–	–	–
Loss on disposal of property and equipment	7	208	–	473	–
Surplus on disposal of property and equipment	8	–	–	–	–
Movements in provisions	17	1 526	8 324	(6 104)	590
Adjusted for items separately disclosed					
Interest received		(446 141)	(459 284)	(326 033)	(298 983)
Adjusted for working capital changes:					
Decrease in receivables from exchange transactions	9	1 736	2 217	38 367	35 486
Decrease/(increase) in receivables from non-exchange transactions.	10	4 993	480	(4 789)	(5 609)
Decrease/(increase) in consumables	11	62	(111)	48	(33)
Increase in payables from exchange transactions	14	7 819	997	354	751
(Decrease)/increase in grants and transfers payable	15	(96 818)	44 128	162 122	(59 090)
(Decrease)/increase in other payables	16	(40)	166	22	88
Cash utilised in operations		(49 802)	(397 226)	152 681	(320 062)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

19. CONTINGENCIES

19.1 CONTINGENT LIABILITIES

19.1.1 REFUNDS TO NATIONAL TREASURY

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

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

	Note	31 March 2024 R'000	31 March 2023 Restated R'000
Cash and cash equivalents at the end of the year	8	5 702 539	5 310 896
Add: Receivables from exchange transactions	9	5 745	7 481
Add: Receivables from non-exchange transactions	10	11 487	16 480
Less: Current Liabilities		(431 567)	(519 080)
Total surplus per current legislation		5 288 204	4 815 777

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

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

Total surplus per current legislation	5 288 204	4 815 777
Less: discretionary grant commitments	(4 735 886)	(4 323 072)
Uncommitted surplus	552 318	492 705

National Treasury approved merSETA's 2022/23 surplus in October 2023 and merSETA did not forfeit any funds. merSETA will submit the request for approval of 2023/24 surpluses to National Treasury in July 2024.

19.1.2 MANDATORY GRANTS FOR NEWLY REGISTERED COMPANIES

Contingent liabilities comprise an Employer Grant Reserve of R531 000 (2023: R532 000) for newly registered member companies participating after the legislative cut-off date.

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

19.1.3 PENDING LITIGATIONS

Pending litigations in the year under review are as follows:

Two disputes rose between merSETA and service providers during 2020 and 2021. These matters are currently being addressed through a litigation process.

Four contractual disputes arose in 2022 and 2023 between merSETA and the contracting parties respectively. These matters are currently being addressed through a litigation process wherein merSETA suspended these agreements and have approached the court to review and set aside. Each matter is at various stages of the litigation process and is currently underway.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

In the year under review, the merSETA raised a dispute with a service provider. The parties attempted a negotiation however could not reach consensus. The service provider has instituted legal action to which merSETA has defended the matter. This matter is being addressed through a litigation process.

In the year under review, the merSETA has instituted legal action against a former employee as a result of loss suffered. This matter is being addressed through a litigation process.

In the year under review, a former employee has instituted legal action against the merSETA wherein the former employee is attempting to set aside a forensic investigation. The matter is being addressed through a litigation process.

As at 31 March 2024, merSETA estimates the potential liability of all these matters to be at an amount of about R180 million. These matters are at various stages of litigation and merSETA is not in a position to provide an assessment of the likely outcome for all of these matters.

19.1.4 OUTCOME OF THE MINISTER OF HIGHER EDUCATION AND TRAINING (DHET) AND EMPLOYERS, REPRESENTED BY BUSINESS UNITY SOUTH AFRICA ('BUSA') CASE

In December 2012, the Minister promulgated Regulation 4(4) of the 2012 Grant Regulations which reduced the mandatory grant payable to employers from 50% to 20%. This led to BUSA challenging the reduction of grants at the Labour Court. The litigation between the parties began in 2015 and was finally settled by the Labour Appeals Court (LAC) in October 2020, which held that Regulation 4(4) was “irrational and lacking in any legal justification” and was consequently set aside. Despite the said regulation being set aside, the LAC ruling is silent on the percentage quantum that must be paid back to employers, which creates uncertainty as to what percentage of mandatory grants should be paid or accrued by the SETA during the reported year. The merSETA received no communication from the department on the percentage to be paid and the merSETA continued with paying 20% towards mandatory grant applications.

The Minister published a proposed amendment to the SETA Grant Regulations on 27 January 2023 for public comment. The regulations in this form have indicated that the percentage to be paid for mandatory grants will remain at 20% but until such time as the SETA Grant Regulations are promulgated, the merSETA will continue to allocate 20% towards mandatory grants.

20. COMMITMENTS

20.1 DISCRETIONARY RESERVE COMMITMENTS – CONTRACTUAL

Of the balance of R5,3 billion available in the discretionary reserve on 31 March 2024 an amount of R4,8 billion has been approved for future discretionary projects as set out below. This represents a commitment ratio of 90%. 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 2023 restated R'000	Administration expenses/other adjustments 2023 restated R'000	Approved contractual expenses and reductions 2023 restated R'000	Charged to statement of financial performance 2023 R'000	Opening balance 2024 restated R'000	Administration expenses/other adjustments 2024 R'000	Approved contractual expenses and reductions 2024 R'000	Charged to statement of financial performance 2024 R'000	Closing balance 2024 R'000
PROG 1: ADMINISTRATION									
Stakeholder Capacity Building	945	–	–	–	945	–	(945)	–	–
PROG 2: SKILLS PLANNING									
SSP Strategy & Research	523	–	–	(523)	–	–	–	–	–
Chamber Development Programme	500	–	–	(500)	–	–	–	–	–
Monitoring & Evaluation Project	718	–	–	(718)	–	–	–	–	–
Dual System Apprenticeship Pilot	–	–	–	–	–	–	–	–	–
Walter Sisulu University	33 895	–	–	(9 233)	24 662	–	(3 079)	(21 583)	–
Research Project – Skills 4.0	0	–	1 997	(1 997)	–	–	8 166	(817)	7 349
CIPSET Student Association	615	–	–	(615)	–	–	–	–	–
Post School Educ (PSET Cloud)	56 554	–	(41 762)	(14 792)	–	–	–	–	–
UWC Professional TVET Lecturer	1 901	–	1 667	(1 125)	2 443	–	–	(1 149)	1 294
Skills for Entrepreneurs	3 670	–	–	(2 503)	1 167	–	(1 167)	–	–
	98 376	–	(38 098)	(32 006)	28 272	–	3 920	(23 549)	8 643



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

Project/ discretionary grant programmes	Opening 2023 balance restated R'000	Administration expenses/other adjustments 2023 restated R'000	Approved contractual expenses and reductions 2023 restated R'000	Charged to statement of financial performance 2023 R'000	Opening balance 2024 restated R'000	Administration expenses/other adjustments 2024 R'000	Approved contractual expenses and reductions 2024 R'000	Charged to statement of financial performance 2024 R'000	Closing balance 2024 R'000
PROG 3: LEARNING PROGRAMMES & PROJECTS									
MOA Project DG Year 2016	5 880	(5 880)	–	–	–	–	–	–	–
MOA Project DG Year 2017	64 625	–	(51 997)	(7 123)	5 505	–	(2 453)	(2 033)	1 019
MOA Project DG Year 2018	193 141	(236)	(123 057)	(23 913)	45 935	–	(30 233)	(1 380)	14 322
MOA Project DG Year 2019	382 154	235	(22 744)	(18 851)	340 794	–	(238 792)	10 280	112 282
MOA Project DG Year 2020	436 691	(4)	(20 580)	(35 513)	380 594	–	(10 949)	(25 319)	344 326
MOA Project DG Year 2021	486 420	78	(29 770)	(50 061)	406 667	–	(14 040)	(38 035)	354 592
MOA Project DG Year 2022	481 614	55	7 643	(105 427)	383 885	–	(7 847)	(5 891)	370 147
MOA Project DG Year 2023	–	–	514 857	(151 465)	363 392	–	387 360	(168 034)	582 718
MOA Project DG Year 2024	–	–	–	–	–	–	487 567	(143 694)	343 873
Dept. of Basic Education -Technology	6 983	–	2 372	(3 168)	6 187	–	9 453	(3 321)	12 319
Innovation, Research & Sup – UVenda	–	3 042	(3 042)	–	–	–	–	–	–
Mangosuthu University Of Technology	24 473	–	–	(7 527)	16 946	–	19 049	(14 117)	21 878
Bursaries	31 591	5 634	16 919	(24 567)	29 577	6 049	–	(13 907)	21 719
UIF/MerSETA Artisan Development	–	354	–	(354)	–	–	–	–	–
KZN – Office of Premier Project	54 571	–	(18 151)	(2 857)	33 563	–	314	(5 070)	28 807
Eastern Cape – Office of Premier	38 070	4 175	43 426	(19 820)	65 851	–	224 899	(38 339)	252 411



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

Project/ discretionary grant programmes	Opening 2023 balance 2023 restated R'000	Administration expenses/other adjustments 2023 restated R'000	Approved contractual expenditures and reductions 2023 restated R'000	Charged to statement of financial performance 2023 R'000	Opening 2024 balance 2024 restated R'000	Administration expenses/other adjustments 2024 R'000	Approved contractual expenditures and reductions 2024 R'000	Charged to statement of financial performance 2024 R'000	Closing balance 2024 R'000
PROG 3: LEARNING PROGRAMMES & PROJECTS									
Stakeholder Experience Program	-	-	-	-	-	-	-	-	-
Western Cape – Department of Economic Development & Trade	33 264	7 826	(52 178)	11 088	-	-	-	-	-
Correctional Services Kimberly	250	-	-	-	250	-	(250)	-	-
National Department of Public Works (NDPW)	1 725	75	(1 352)	(186)	262	-	-	-	262
North West Office of Premier	11 304	-	12 705	-	24 009	-	(11 304)	-	12 705
Gauteng Dept of Education (GDE)	44 150	(17 636)	(30 278)	3 764	-	(7 339)	16 005	(1 302)	7 364
Free State Office of Premier	66 938	-	-	(10 612)	56 326	-	(14 157)	1 477	43 646
Chinese Cultural Training Centre	24 784	387	(387)	-	24 784	-	(24 784)	-	-
Offenders Awaiting Parole (KZN)	1 092	-	-	(350)	742	-	(233)	(509)	-
Office of Premier – Limpopo	40 489	-	-	(5 163)	35 326	-	134 772	(46 322)	123 776
TVET NCV Learners	227 218	(7 054)	53 942	(59 621)	214 485	3	76 090	(45 944)	244 634
Central University of Technology	7 063	-	-	(1 230)	5 833	-	13 069	(5 789)	13 113
Spray painting Simulator – TVET	-	788	(788)	-	-	-	-	-	-
Innovation, Research & Support – University of North West	9 079	-	(5 798)	(3 282)	(1)	-	2 118	(2 118)	(1)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

Project/ discretionary grant programmes	Opening 2023 balance restated R'000	Administration expenses/other adjustments 2023 restated R'000	Approved contractual expenditures 2023 restated R'000	Charged to statement of financial performance 2023 R'000	Opening 2024 balance restated R'000	Administration expenses/other adjustments 2024 R'000	Approved contractual expenditures 2024 R'000	Charged to statement of financial performance 2024 R'000	Closing balance 2024 R'000
PROG 3: LEARNING PROGRAMMES & PROJECTS									
Cape Peninsula Univ Technology	15 148	2 232	(4 098)	(7 298)	5 984	–	16 648	(8 117)	14 515
Tshwane University of Technology – Institute for Advanced Tooling	2 871	–	(565)	(2 306)	–	–	5 080	(1 270)	3 810
Internships	–	–	–	–	–	–	–	–	–
Retrenchment Assistance Programme	37 465	(302)	68 896	(27 339)	78 720	17	(1 010)	(13 055)	64 672
People with Disabilities	25 371	–	(781)	(732)	23 858	–	(148)	(1 707)	22 003
Saldhana Bay – Industrial Development Zone	1 584	–	(461)	(272)	851	–	(21)	(639)	191
Non Levy Paying NGOs and CBOs	197 872	(294)	(80 237)	(43 959)	73 382	–	56 450	(48 062)	81 770
Mpumalanga Education Depart.	22 612	–	–	–	22 612	–	(6 113)	–	16 499
Department of Small Business Develop.	54 601	(3 304)	681	(7 701)	44 277	–	(165)	(5 941)	38 171
Worker Initiated Project	39 724	–	29 950	(3 316)	66 358	–	3 887	(22 379)	47 866
Skills Conferences & Competitions	–	–	–	–	–	–	–	–	–
Career Path & Development	–	1 631	–	(1 631)	–	12 015	–	(12 015)	–
National Students Financial Aid scheme (NSFAS)	202 500	–	(3 817)	(56 933)	141 750	–	–	(50 700)	91 050
ISFAP Bursaries	74 508	–	(2 550)	(44 705)	27 253	–	–	(27 253)	–
Centre of Specialisations	43 836	–	46 422	(12 447)	77 811	–	30 461	(20 478)	87 794



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

Project/ discretionary grant programmes	Opening 2023 balance restated R'000	Administration expenses/other adjustments 2023 restated R'000	Approved contractual expenditures and reductions 2023 restated R'000	Charged to statement of financial performance 2023 R'000	Opening balance 2024 restated R'000	Administration expenses/other adjustments 2024 R'000	Approved contractual expenditures and reductions 2024 R'000	Charged to statement of financial performance 2024 R'000	Closing balance 2024 R'000
PROG 3: LEARNING PROGRAMMES & PROJECTS									
TVET Quality Prog Skills 4.0	36 703	-	-	(19 390)	17 313	-	53 587	(11 318)	59 582
East Cape Mid College 4.0	100 327	-	-	-	100 327	-	(60 000)	(6 000)	34 327
Univ FS Chair in Engin. 4.0	13 359	-	29 955	(4 917)	38 397	-	-	(8 752)	29 645
False Bay C Swartklip Artisan.	26 929	-	-	-	26 929	-	(29 919)	2 990	-
Univ WC IDC Hub	6 200	-	-	(6 200)	-	-	-	-	-
CUT Chair in Innovation	2 700	-	-	-	2 700	-	-	(2 700)	-
Work Integrated Learn. (UNISA)	-	-	11 352	(2 838)	8 514	-	-	-	8 514
College CT Welding Centre	713	-	(713)	-	-	-	-	-	-
Learning factories (CSIR)	38 673	-	-	(23 296)	15 377	-	-	-	15 377
Chair on Intelligent Man. (TUT)	4 184	-	-	(609)	3 575	-	-	(2 778)	797
Labour rep. trn legis -Rhodes	-	332	(332)	-	-	-	-	-	-
Ind 4.0 Dev. Cen. Supp (NMU)	4 816	-	-	(3 746)	1 070	-	-	(1 070)	-
Trn & mentor small bus (RMI)	3 746	-	-	(209)	3 537	-	-	(259)	3 278
Robotics trn high School-FSDOE	913	-	(913)	-	-	-	-	-	-
Prog Raspberry PI (DUT)	1 664	-	-	(1 664)	-	-	10 000	-	10 000
Moses Kotane KZN Prov ERRP P3	-	-	-	-	-	-	202 215	(29 110)	173 105



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

Project/ discretionary grant programmes	Opening 2023 balance 2023 restated R'000	Administration expenses/other adjustments 2023 restated R'000	Approved contractual expenditures and reductions 2023 restated R'000	Charged to statement of financial performance 2023 R'000	Opening 2024 balance 2024 restated R'000	Administration expenses/other adjustments 2024 R'000	Approved contractual expenditures and reductions 2024 R'000	Charged to statement of financial performance 2024 R'000	Closing balance 2024 R'000
PROG 3: LEARNING PROGRAMMES & PROJECTS									
NMU Chair in Engineer.	3 769	-	-	(2 254)	1 515	-	-	(1 515)	-
Engineering Development	21 097	-	-	(4 848)	16 249	-	-	(6 164)	10 085
TUT TVET Skills Development	42 610	-	-	(7 645)	34 965	-	-	(15 248)	19 717
COVID Relief – Special Stipend	-	-	-	-	-	-	-	-	-
Viro- Vent COVID Response	-	1 860	12 773	(213)	14 420	-	-	(2 971)	11 449
TVET Occupational Support	113 006	-	33 836	(27 692)	119 150	-	47 435	(30 602)	135 983
UJ CET Support & Incubation	4 336	-	(50)	(4 286)	-	-	-	-	-
Private Skills Devel. Providers	34 273	1 324	60 009	(43 662)	51 944	-	33 764	(26 035)	59 673
CUT Advanced Rubber Technology	6 400	-	-	(2 800)	3 600	-	-	-	3 600
Umgundgluvo Col Richmond Centre	-	-	-	-	-	-	-	-	-
Enterprise Development	49 769	-	62 927	(45 456)	67 240	-	107 687	(53 235)	121 692
TVET College Project	765	-	-	(765)	-	-	-	-	-
CET Support Programme 4	10 701	-	31 112	(386)	41 427	(1)	-	(3 254)	38 172
EON Knowledge Metaverse	-	-	114 154	(114 154)	-	-	7 591	(7 591)	-
World Skills MoA	38 503	-	-	-	38 503	-	-	(1 776)	36 727
Gauteng City Region Academy	-	-	172 500	-	172 500	-	-	-	172 500
Office of the Premier Free State – skills	-	-	245 682	-	245 682	-	-	(46 954)	198 728



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

Project/ discretionary grant programmes	Opening 2023 balance 2023 restated R'000	Administration expenses/other adjustments 2023 restated R'000	Approved contractual expenditures and reductions 2023 restated R'000	Charged to statement of financial performance 2023 R'000	Opening 2024 balance 2024 restated R'000	Administration expenses/other adjustments 2024 R'000	Approved contractual expenditures and reductions 2024 R'000	Charged to statement of financial performance 2024 R'000	Closing balance 2024 R'000
PROG 3: LEARNING PROGRAMMES & PROJECTS									
Gauteng Department of Education – tech schools	–	–	55 000	–	55 000	–	–	(5 500)	49 500
Office of the Premier Northern Cape	–	–	210 136	–	210 136	(1)	–	(49 596)	160 539
	3 957 817	(4 682)	1 382 610	(1 041 907)	4 293 838	10 743	1 493 083	(1 070 421)	4 727 243
PROG 4: QUALITY ASSURANCE									
QCTO CEP Pilot Project	33	45	–	(61)	17	–	33	(50)	–
Assessment Quality Partner	–	–	–	–	–	–	–	–	–
	33	45	–	(61)	17	–	33	(50)	–
Total contractual commitments	4 057 171	(4 637)	1 344 512	(1 073 974)	4 323 072	10 743	1 496 091	(1 094 020)	4 735 886
PRIOR PERIOD ADJUSTMENT									
Total contractual commitments	4 057 171	(4 637)	1 344 512	(1 073 974)	4 323 072				
As previously stated	4 060 017	12 682	1 344 718	(842 302)	4 575 115				
Adjustment to opening balance	(2 846)	(17 319)	(206)	(231 672)	(252 043)				

The prior year balances of commitments has been restated. The total value of commitments in the prior year was reported as R4.575 billion. This has been adjusted to R4.323 billion, an adjustment of R252 million. This adjustment was made largely because of accruals that were not raised in the prior year.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

20.4 OPERATIONAL COMMITMENTS

Nature of commitment	2024		2023	
	Not later than one year	Later than one year but not later than five years	Not later than one year	Later than one year but not later than five years
Annual report	279	–	–	–
Audit & forensic services	736	89	4	–
Banking services	600	2 395	–	–
Culture survey	–	–	7	–
Debt collection services	–	–	1 305	–
Finance consulting services	778	–	–	–
General ICT maintenance & support	5 800	6 120	9 474	1 267
General marketing programmes	197	341	487	–
Hot and cold water dispensers	42	–	115	96
Human resource related services	11	–	47	–
Hybrid AGM	330	–	340	340
Leases*	14 284	33 642	13 336	47 841
Secretarial services	182	182	–	–
Security services	113	190	–	–
Short term Insurance	–	–	1 860	2 812
Staff wellness & training	462	–	213	479
Stakeholder Management Programme	–	–	529	–
Telecommunication services	1 558	3 088	–	–
Transport services	714	443	622	–
	26 086	46 490	28 335	52 835

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

21. FINANCIAL INSTRUMENTS

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

MARKET RISK

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

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

INTEREST RATE RISK

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

The merSETA manages its interest rate risk by investing its surplus cash in call accounts across different banks. These are relatively low risk.

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

21. FINANCIAL INSTRUMENTS continued

MARKET RISK continued

INTEREST RATE RISK continued

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

Financial instrument	Floating rate		Fixed rate			Non-interest bearing		Total R'000
	Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in months	Amount R'000	Weighted average period until maturity in months	
Year ended 31 March 2024								
Financial assets								
Cash and cash equivalents	5 702 539	8.14%	–	–	–	–	–	5 702 539
Receivables from exchange transactions	–	–	–	–	–	5 745	36	5 745
Employer receivable – discretionary grants	–	–	–	–	–	11 044	1	11 044
Receivable – UIF	–	–	–	–	–	–	1	–
Total financial assets	5 702 539	–	–	–	–	16 789	–	5 719 328
Financial liabilities								
Trade Payables	–	–	–	–	–	17 422	1	17 422
Discretionary grants payable	–	–	–	–	–	312 191	1	312 191
Payable – UIF	–	–	–	–	–	–	1	–
Total financial liabilities	–	–	–	–	–	329 613	0	329 613
Net financial assets	5 702 539	–	–	–	–	(312 824)	–	5 389 715



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

	Floating rate		Fixed rate			Non-interest bearing		Total R'000
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 months	Amount R'000	Weighted average period until maturity in months	
Year ended 31 March 2024								
Financial assets								
Cash and cash equivalents	5 310 896	6.09%	–	-	–	–	–	5 310 896
Receivables from exchange transactions	–	–	–	–	–	7 481	36	7 481
Employer receivable – discretionary grants	–	–	–	–	–	5 731	1	5 731
Receivable – UIF	–	–	–	–	–	2 581	1	2 581
Total financial assets	5 310 896	–	–	–	–	15 793	–	5 326 689
Financial liabilities								
Trade Payables	–	–	–	–	–	9 603	1	9 603
Discretionary grants payable	–	–	–	–	–	396 711	1	396 711
Payable – (UIF)	–	–	–	–	–	2 581	1	2 581
Total financial liabilities	–	–	–	–	–	408 895	–	408 895
Net financial assets	5 310 896	–	–	–	–	(393 102)	–	4 917 794

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 continued

21. FINANCIAL INSTRUMENTS continued

MARKET RISK continued

CREDIT RISK continued

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

	Note	2024 R'000	2023 R'000
Employer receivable	10	11 044	5 731
InterSETA receivable	10	17	6 997
		11 061	12 728

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 :

2024	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	More than 2 years
Trade payables from exchange transactions	17 422	17 422	17 422	–	–	–

2023	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	More than 2 years
Trade payables from exchange transactions	9 603	9 603	9 603	–	–	–

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 continued

22. RELATED PARTY TRANSACTIONS

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

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

22.1 ACCOUNTING AUTHORITY AND INDEPENDENT COMMITTEE MEMBERS FEES

Accounting Authority and independent committee members	Net transfers in/(out) during the year	Amount receivable/ (payable)	Net transfers in/(out) during the year	Amount receivable/ (payable)
T Molapo (Chair, FGC)	(525)	(65)	(362)	(48)
K Bhana*	(262)	(19)	(222)	(23)
J A De Beer	(637)	(52)	(354)	(43)
T Fari (Independent)	(273)	(20)	(240)	(41)
R Grobler	(80)	(22)		
S Hoosen*	(222)	–	(127)	(38)
J S Kubeka	(121)	–	(288)	(45)
L Lee	(97)	–	(187)	(31)
J Makapan (Independent)***	–	–	(43)	(3)
K Moloto (Chairperson, Accounting Authority and EXCO)	(925)	(69)	(348)	(53)
A Mashilo (Chairperson, Governance and Strategy)	(148)	(27)	(80)	(19)
S C Mdletshe	(174)	(13)	(118)	(13)
R Moothilal	(326)	(40)	(312)	(55)
S Msweli (Independent)	(71)	–	(65)	(3)
K Mzozoyana (Chair, ARC)	(653)	(65)	(514)	(91)
L Ndziba***	–	–	(43)	–
M Noge (Independent)***	–	–	(26)	(1)
R Ntlokotse	(182)	–	(299)	(65)
T Phiri (Chair, HRRC)	(537)	(51)	(253)	(42)
M Phiri (Independent)	(208)	(20)	(221)	(41)
N Rademan	(424)	(31)	(278)	(25)
L Van Huyssteen*	(427)	(35)	(246)	(33)
	(6 292)	(529)	(4 626)	(713)

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

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

** These members have resigned or are deceased

*** These members have reached the end of their term of office

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

22. RELATED PARTY TRANSACTIONS continued

22.2 TRANSACTIONS WITH OTHER SETAs

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

	Note	2024 R'000 Net transfers in/(out) during the year	Amount receivable/ (payable)	2023 R'000 Transfers in/(out) during the year	Amount receivable/ (payable)
Receivables	10	17	17	41	14
CATHSSETA		1	1	–	14
MICT SETA		16	16	41	–
Payables	15	(124)	(126)	(18)	(18)
CETA		(2)	(2)	–	–
FASSET		(4)	(4)	–	–
HWSETA		–	(2)	–	–
MICT SETA		(94)	(94)	–	–
TETA		(11)	(11)	–	–
WRSETA		(13)	(13)	–	–
		–	–	(18)	(18)
Total		(107)	(109)	23	(4)

22.3 KEY MANAGEMENT PERSONNEL COSTS

Key personnel	Basic salary R000's	Travel allowance R000's	Medical aid R000's	Pension Fund R000's	Performance Bonus R000's	Acting allowance R000's	Total 2024 R000's	Total 2023 R000's	Notes
Chief Executive Officer	1 934	88	–	191	–	–	2 213	2 400	April 23 to March 24
Acting Chief Executive Officer	–	–	–	–	77	469	546	161	April 23 to March 24
Chief Financial Officer	2 063	60	65	207	111	–	2 506	2 208	April 23 to March 24
Acting Chief Financial Officer	–	–	–	–	76	296	372	120	April 23 to March 24
Chief Operations Officer	1 843	–	26	195	–	–	2 064	1 882	April 23 to March 24
Acting Chief Operations Officer	–	–	–	–	–	277	277	144	April 23 to March 24
Executive: Corporate Services	1 602	–	–	167	194	–	1 963	1 690	April 23 to March 24
Acting Executive: Strategy and Research	–	–	–	–	–	275	275	314	April 23 to March 24
Total	7 442	148	91	760	458	1 317	10 216	8 919	

* 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 2024.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

22.4 EDUCATIONAL INSTITUTIONS

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

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

		2024 R'000			2023 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
Nature of Type of entity transaction							
Colleges	Bursaries and training	(131 603)	6 003	598 242	(102 232)	(2 516)	304 706
CSIR	Research	(205)	(205)	15 990	(25 293)	–	15 377
Department of Education	Training interventions	(5 500)	(5 500)	66 000	–	–	77 613
NSFAS/ISFAP	Bursaries and training	(77 954)	(20 250)	90 870	(101 638)	–	169 004
QCTO	Administration fees	10 561	–	–	(9 191)	–	–
Schools	Student exposure	(5 973)	(1 805)	12 319	(2 843)	–	–
Universities	Bursaries and training	(119 057)	(16 828)	177 224	(83 035)	(13 807)	210 778
Total		(329 731)	(38 585)	960 645	(324 232)	(16 323)	777 478

23. GOING CONCERN

These financial statements have been prepared based on the expectation that the merSETA will continue to operate as a going concern for at least the next 12 months. The SETA has commitments for up to the next 4 years and has available reserves of R5,4 billion. The merSETA has evaluated its ability to continue as a going concern and reviewed its cash flows and therefore believes it is going to be able to run as such for the next 12 months.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

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

CRIMINAL CONDUCT

As a result of the forensic investigations conducted in the previous year and in the year under review, the merSETA has implemented these recommendations some of which have led to civil processes as well as the opening of criminal cases against current and former senior officials of the organisations. The South African Police Services are currently conducting their investigations.

IRREGULAR EXPENDITURE AND FRUITLESS AND WASTEFUL EXPENDITURE

	2024 R'000	2023 R'000
Irregular expenditure	2 972	487 766
Fruitless and wasteful expenditure	4	1 366
	2 976	489 132

Irregular expenditure of R2.972 million was identified during the 2023/24 financial year. R2.791 million arose as a result of non-compliance with procurement prescripts. This is mainly as a result of contract overruns. R181 thousand arose as a result of non-compliance with the declaration of interest policy.

Fruitless and wasteful expenditure of R4 thousand was identified in the current financial year. This related to interest incurred on the late payment of an account with a service provider.

25. TAXATION

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

26. EVENTS AFTER THE REPORTING DATE

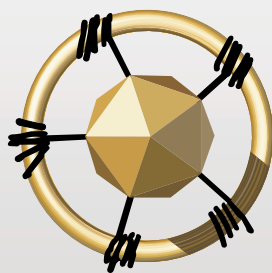
There are no events after the reporting date

27. NEW ACCOUNTING PRONOUNCEMENTS

merSETA has not applied the changes on the following standards:

Description	Effective date	Impact
GRAP 1 on Presentation of Financial Statements (amended)	To be determined	No impact
GRAP 103 on Heritage assets (amended)	To be determined	No impact
GRAP 104 on Financial instruments (amended)	1 April 2025	No impact
GRAP 105 on Transfer of Functions Between Entities Under Common Control (amended)	To be determined	No impact
GRAP 106 on Transfer of Functions Between Entities Not Under Common Control (amended)	To be determined	No impact
GRAP 107 on Mergers (amended)	To be determined	No impact
IGRAP 22 on Foreign Currency Transactions and Advance Consideration	1 April 2025	No impact
Improvements to Standards of GRAP (2023)	To be determined	No impact





merSETA

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